LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NO 9, 1998

Financial Audits With Years Ending to 30 June 1998

STANDING COMMITTEE FOR THE CHIEF MINISTER'S PORTFOLIO (INCORPORATING THE PUBLIC ACCOUNTS COMMITTEE)

Public Accounts Committee Report Number 17

April 1999

RESOLUTION OF APPOINTMENT

The Standing Committee for the Chief Minister's Portfolio was appointed by the Legislative Assembly on 28 April 1998 to examine any matter under the responsibility of the Chief Minister's portfolio. The Assembly also resolved that the committee perform the duties of a public accounts committee, specifically:

(a) to examine:

- (i) the accounts of the receipts and expenditure of the Australian Capital Territory;
- (ii) the financial affairs of authorities of the Australian Capital Territory; and
- (iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) to report to the Assembly, with such comments as it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed; and

(c) to inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question.

MEMBERSHIP OF THE COMMITTEE

Mr Ted Quinlan MLA Committee Chair

Mr Trevor Kaine MLA Deputy Committee Chair

Mr Greg Cornwell MLA

Secretary: Bill Symington

1. INTRODUCTION

1.1. Auditor-General's Report No 9, 1998 was presented to the Assembly on 10 December 1998.

1.2. It is the practice of the Auditor-General each year to provide a report such as this one based mainly on matters coming to light during the audit of agency financial statements. Thus this report largely consists of comments on each agency audited. The report also provides general comment on financial reporting and accountability in the ACT Public Sector.

1.3. A major component of the audit report are comparisons against budget and the previous year's results of agency financial performances.

2. AUDIT FINDINGS

2.1. The audit noted that 1997-98 was the second year of new budget and financial reporting initiatives for the ACT with the budget prepared on an accrual basis. In addition agencies prepared performance statements which were subject to independent audit.

2.2. Although the audit found difficulties in some areas and evidence that some agency budgets contained flaws of various types, implementation of the initiatives was reasonably successful. The audit considered that substantial progress has been made with the initiatives, however there remains work to be done.[1]

2.3. The audit noted that while there are benefits from early budgeting, there is increased potential for them to be unrealistic in the sense of being overly generous, unachievable or simply overtaken by events so that they can easily become irrelevant for management and irrelevant for accountability purposes. Accordingly, the audit found that there should be close evaluation by agencies of their budget development processes and this should be coordinated by the Chief Minister's Department.[2]

2.4. As mentioned above, findings on individual agencies are provided.

2.5. The committee sought comment on the audit findings from the Chief Minister and received a Government submission.[3]

2.6. In this report, the committee has focussed upon those findings of the audit of significance and which require explanation.

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[1] Audit report p2
[2] ibid pp20,21
[3] Chief Minister, letter to committee with submisison, dated 9 March 1999

3. GOVERNMENT COMMENT ON THE SIGNIFICANT AUDIT FINDINGS

General audit comments

3.1. The audit considered that while agencies have made substantial progress in adapting to the new financial initiatives there remains work to be done. In particular, the audit noted that for a number of departments audit opinions contained an Emphasis of Matter paragraph referring to performance measures on which audit opinions could not be formed, and there were certain budgetary flaws.[4]

3.2. In response, the Government advised that while the implementation of performance measurement has largely been successful and has also benefited the accountability of agencies some problems and issues can only be resolved over time. The committee was assured that, as part of the 1999-2000 budget, all agencies are reviewing their performance measures.

3.3. The Government further advised that the budgetary flaws noted by the audit mostly relate to accounting treatments in the budgets varying from those that may be applied in the financial statements for an agency some 15 to 18 months later. Agencies and the Office of Financial Management continually seek to align budget treatments of transactions with relevant Australian Accounting Standards and generally accepted accounting practices as far as practicable.

ACTION

3.4. The audit found that:[5]

(i) during 1997-98 ACTION entered into a sale and lease back arrangement for its midi bus fleet and received a cash injection of $6.5m from this transaction

(ii) ACTION'S 1997-98 operations resulted in a loss of $7.7m compared to a loss of $6.2m in the previous year

(iii) as in 1996-97 ACTION was unable to manage its operations to budget in 1997-98

(iv) ACTION's revenue budget was unrealistic with no likelihood of the revenue budget being achieved.

4 Audit report p2
5 ibid p32

3.5. In response the Government advised that the budget and operating results for ACTION have been the subject of significant review and action by ACTION and the Government. The Graham Report and other reviews have clearly identified that ACTION has high cost staff and salary arrangements and a capital structure that exceeds those against which it is benchmarked. Both costs and revenue are being addressed as part of ACTION's reform program which has the ultimate aim of eliminating ACTION's operating deficit. The recently negotiated certified agreement and the new network and fare structure are major steps in this reform process.

3.6. The Government advised that as was the case in the previous year, ACTION was able to manage the below-budget impacts of both revenue and expenditure to the extent that no additional funding allocations were sought from the Government. This included the realisation of cash from the sale and leaseback arrangement. A reform program is being implemented to correct the deficit situation and place ACTION in a position that can be benchmarked close to best practice.

3.7. The Government further advised that the audit noted that a reduction in interest is due to the Government agreeing to absorb borrowings by converting them to equity.[6] Of equal significance is that the capital cost and associated debt carried by ACTION is still much higher than private operators of a similar size. This situation is an outcome of ACTION inheriting and acquiring assets based on previous administrative influences and there is a general acceptance of ACTION's high capital cost structure and associated debt levels.

ACTTAB

3.8. The audit found that:[7]

(i) ACTTAB's operating performance decreased significantly from a profit of $2.9m in 1996-97 to a loss of $20, 000 in 1997-98

(ii) total expenditure increased by $3. 5m in 1997-98, with only a marginal increase in revenue

(iii) a supplementary licence fee of $1. 8m was required to be paid to the Government under a deed of agreement with the ACT Government

3.9. In response the Government advised that the 1996-1997 profit of $2.9m represented profit before the supplementary licence fee of $1.8m. The 1997-1998 loss of $20,000 included the supplementary licence fee. After allowing for the licence fee the reduction in profit was $1m (ie, the 1996-97 profit of $2.9m before payment of the licence fee compared with the 1997-1998 profit of approximately $1.9m before payment of the licence fee). The Government further advised that the supplementary licence fee was part of a three year deed of agreement between ACTTAB and the ACT Government. The agreement finished on the 30th of June 1998 and the distribution is not expected to be paid in later years.

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[6] ibid p36
[7] ibid p38

3.10. The Government advised that this increase in expenditure included the supplementary licence fee and that expenditure other than the supplementary fee increased by $1.6m, represented by licence fees and distributions relating to increased turnover and new products ($357,000), increase in Prescribed Racing Clubs by 0.5% of turnover ($280,000), and increases in operating expenses relating to increased turnover, new product establishment and commission costs, information technology development costs, and depreciation/amortisation costs ($1.083m).

Agents Board of the ACT

3.11. The audit found that the Agents Act 1968 does not require banks to transfer interest earned on agents' trust accounts to the Agents Board and noted that this finding was also reported in 1995, 1996 and 1997 (with no apparent action taken).[8]

3.12. In response the Government advised that this matter is being considered as part of a review of the Agents Act being undertaken by the Department of Justice and Community Safety. It is apparent that a full review of the Act, which may need to accommodate competition policy initiatives, is likely to be complex and require community consultation. It is proposed to commence a full review this year with amending legislation, encompassing the results of the review and associated issues, being brought before the Assembly in 1999.

Australian International Hotel School (AIHS)

3.13. The audit found that:[9]

(i) the AIHS incurred a loss of $2.5m in 1997-98

(ii)) borrowings from the Central Finance Unit were $2.1m in 1996-97

(iii) the survival of the AIHS is dependant on the substantial Government funding it receives and the Government has agreed to provide a further $4.8m over the next three financial years

(iv) the AIHS is not likely to be profitable in the short or medium term and there is continuing uncertainty about longer term profitability

(v) the AIHS incurred an unrealised foreign exchange loss of $280,530 following the revaluation of the Cornell loan as at 30 June 1998

3.14. In response the Government advised that the loss exceeded the original budget prediction of $1.5m due mainly to lower than budgeted levels of revenue from student residencies. This was a direct result of lower demand when the requirement for first year students to stay in residence was removed. Fees were reviewed accordingly but

[8] ibaid p41
[9] ibid p45

many students had made alternative arrangements. During the early part of 1998-99, student residencies have been in high demand and adjustments are already being made to increase capacity.

3.15. The Government advised that a range of additional costs were incurred by the AIHS which had not been identified and budgeted for, or were unknown prior to the separation of the AIHS from the CIT. These included clarification of taxation liability under the Hotel School Act, provision for insurance cover, copyright fees, and costs of services previously provided free of charge through CIT (eg payroll processing). An additional payment of $US50,000 to Cornell University was also made during the year to resume the agreed repayment cycle following agreement to a revised financial arrangement.

3.16. the Government further advised that under the financial plan agreed with the Government, borrowings of $1. 9m were provided for in 1997-98, subject to review during the first full year of operation. Due to the under-performance in relation to student residences and additional or unidentified expenses an additional loan amount of $180,000 was provided during the year.

3.17. The Government noted that in its response to a previous Auditor-General's Report dealing with the AIHS it recognised the difficult operating environment for the School. Note was also taken of the previous over-optimistic assessment of quick returns. On balance the Government supported the continued operation of the AIHS.

3.18. The Government recognised that the AIHS had previously been subject to substantially over-optimistic projections of student numbers. Support for continued operation of the AIHS was based on recognising the longer time scale inherent in developing a new institution and the need for conservative and achievable projections. The continued support through loan funds was based on this assessment.

3.19. The Government advised that its objective is that the AIHS reach a break even stage by the year 2001 and on current indications this will be achieved. The extent of profitability beyond that will depend on further improvements in the operation and services of the AIHS and negotiations between the AIHS Board and the Government in relation to repayment of loan principal, a level of return on equity, appropriate rental costs and the financial arrangements for AIHS affiliates.

3.20. Under the affiliation agreement, signed in March 1994, an amount of $US1,992,500 was payable to Cornell University in five annual instalments for services relating to the establishment of the AIHS. Arrangements were made in June 1995 to adjust the payment of the establishment fee to $US200,000 per annum with a provision of 7% interest for deferred payments.

3.21. The establishment fee was re-negotiated during December 1997 and reduced to
payments of $USI00,000 per annum with no interest on outstanding amounts, providing the revised payment schedule was met. As at 30 June 1998 the outstanding establishment fee was $US850,000.

3.22. The $280,530 foreign exchange loss represented the increased cost to compensate for the reduced exchange rate. Subsequent movements in the exchange rate and progress payments on the loan will reduce this unrealised loss in 1999-2000.

Business, Employment, Tourism, The Arts, Regulatory Reform and Industrial Relations

3.23. The audit found that:[10]

(i) $14.7m was spent in cash on the Bruce Stadium redevelopment which exceeded the $5.6m received as a capital injection for the project with the shortfall met by borrowing $9.7m from the Commonwealth Bank

(ii) $17.4m had been expended on the redevelopment to year end with a further $10m committed at balance date

(iii) the ACT obtained land at Kingston Foreshore from the Commonwealth at a cost of $10.25m (represented by $7.25m in land at Acton Peninsula plus an additional payment of $3m) with the land written down to its independent valuation of $5.05m resulting in an abnormal loss of $5.2m to the ACT.

3.24. In response the Government advised that the redevelopment of Bruce Stadium is a major component of the Government's commitment to the 2000 Olympic Soccer Tournament and also to football codes in the ACT. The national and international exposure created by games at the Stadium and by the ACT teams that use it is invaluable in promoting Canberra.

3.25. The Government went on to advise that it had created Bruce Property Trust (BPT) as a vehicle to allow for the possibility of private sector partners taking an equity interest in the redeveloped Bruce Stadium. Accordingly, in the interim, a loan was raised from the Commonwealth Bank of Australia by BPT in order to finance improvements to Bruce Stadium. The Government's commitment to funding for Bruce Stadium is $12.3m as identified in the capital works program.

3.26. With regard to the Kingston Foreshore development the Government advised that this is a long term project which could not readily have proceeded without the exchange of Acton Peninsula. The write-down is due to short term market factors and the Government expects that it will more than be recovered as the development proceeds.

Canberra Public Cemeteries

3.27. The audit found that Cemeteries 1997-98 operations resulted in a loss of $150,000 compared to a surplus of $53, 000 in 1996-97.[11]

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[10] ibid p51
[11] ibid p63

3.28. The Government advised that some expenses were up significantly on the previous year. These included increased water use due to the drought ($35,000), purchase of vaults for resale ($40,000), urgent tree surgery at Woden ($25,000), employment of an apprentice, backfilling for an employee on long term sick leave ($12,000), changed accounting treatments for superannuation ($25,000), increased grave digging costs due to more burials at Woden than in 1996-97 (40,000), and extra effort made to restore sunken graves in both cemeteries.

Canberra Tourism And Events Corporation (CTEC)

3.29. The audit found that CTEC returned an operating surplus of $2,000 compared to a budgeted surplus of $235,000

3.30. The Government advised that CTEC's results had been noted but proffered no other explanation for this situation.

CanDeliver

3.31. The audit found that:[12]

(i) CanDeliver returned an operating loss after tax equivalents and extraordinary items of $119,664

(ii) CanDeliver's current ratio of assets to liabilities is a matter for concern and will need to be monitored very closely if the Company is not to experience liquidity difficulties.

3.32. In response the Government advised that CanDeliver's result for the year was considered acceptable given that the company had entered a new and very competitive market without an established business or client base and limited capital. The Government noted that CanDeliver's liquidity position is constantly monitored by both the company Board and the Government, that a stronger liquidity position is preferable but cannot be realistically expected until a core business and client base have been established.

Construction Industry Long Service Leave Board

3.33. The audit found that the Board:[13]

(i) had an operating loss in 1997-98 of $80,000, compared with a surplus of $1.8m in 1996-97, the loss being attributable to a significant fall in investment income from $2.9m in the previous year to $1.2m

[12] ibid p71
[13] ibid p85

(ii) continues to hold funds in excess of its estimated liabilities for long service leave payments, the excess estimated at $21m at 30 June 1998.

3.34. In response the Government advised that the Board's trading loss in 1997-98 was largely the result of depressed returns of about 3% from Australian equities investments. These returns were in line with the general market. A second factor was the impact of a 50% increase in benefits accruing to members as the result of an amendment to the *Long Service Leave (Building and Construction Industry) Act 1981*. As a result of the increased accrual rate and equity performance in the first half of the year the Board anticipates a greater loss in 1998-99 than in 1997-98.

3.35. The Government further advised that as demonstrated by the 1997-98 trading loss the income of the fund can vary and a surplus of funds provides a buffer that enables the cost to the industry to be smoothed. Over the long term, the creation of surplus assets has also allowed the contribution rate to be reduced from an original level of 2.5% of wages to 1%. The expected 1998-99 loss will reduce the level of surplus assets.

Cultural Facilities Corporation

3.36. The audit found that the Canberra Theatre received Government payment for outputs of $1.17m which equates to a subsidy of $11.74 per patron per visit and which represents a 31% increase on the previous year subsidy of $8.93 per person per visit.[14]

3.37. The Government advised that the inherent nature of the Theatre Centre's performing arts business activities means that the timing, frequency and type of theatre productions and venue hirings are highly variable. This in turn means that overall patronage, gross revenue and expenditure are also highly variable.

While striving to achieve as high a patronage as possible during the theatre season the Corporation must also balance this aim with its financial management responsibilities where the focus is on achieving a satisfactory overall operating result rather than on specific revenue or expenditure targets.

3.38. The Government further advised that the Corporation expects the subsidy per patron will decrease significantly during 1998-99 and that the Theatre Centre operations for the early part of the 1998-99 year are showing a significant increase over those of the previous year.

Emergency Services Bureau

3.39. The audit found that:[15]

(i) at 30 June 1998 liabilities for employees unused recreation leave and long service leave entitlements was $10.8m equivalent to 44% of the Bureau's total 1998 employee expenditure

[14] ibid p89
[15] ibid p102

(ii) the operating result for year end 1998 was a loss of $643,000 compared to a budgeted operating loss of $272,000

(iii) ambulance debtors to the value of $665,000 were written off during 1997-98 due to the introduction of a new policy of writing off debts which are over 180 days old.

3.40. The Government advised that while it is recognised that the liabilities for employee leave benefits are substantial the majority of the staff within the Bureau are shift workers who accumulate leave at a higher rate than standard-hour workers. The staff also work on rostered leave banks tied to minimum manning levels, so it is not possible for members to completely reduce all their leave (annual and long service leave) within a yearly time frame. The Bureau is working with staff to reduce the liabilities subject to operational requirements.

3.41. The Government further advised that the ambulance debtors written off were over twelve months old, with many being up to five years old. The write-off was a major factor in the loss being more than budgeted. The absorption of ambulance billing onto the Oracle system had disrupted the original debt recovery practices in place when the ambulance service was part of the Department of Health and Community Care. A major project for the financial year involved the updating of all debtor records, commencement of recovery action where possible and the writing off of those debts determined to be uncollectable. It is now Bureau policy to institute recovery action within 14 days of a debt being outstanding and to write off unrecoverable debts over 180 days old.

Exhibition Park In Canberra (EPIC)

3.42. The audit found that EPIC returned operating losses, before abnormal items, over the past three years of $174,000 in 1997-98, $374,000 in 1996-97 and $425,000 in 1995-96 with the improvement in 1997-98 due mainly to the inclusion of a Community Service Obligation (CSO) payment by the Government of $292,000 and that excluding the CSO payment, EPIC's revenue increased by 16% whereas its expenses increased by 18 %.[16]

3.43. The Government advised that the payment of the CSO reflects that EPIC's revenue earning capacity is to some degree constrained by Government commitments to other organisations. The Government and EPIC's management are continually seeking improved financial performance as indicated by the 16% increase in non-CSO revenue.

ACT Forests

3.44. The audit found that:[17]

[16] ibid p108
[17] ibid p112

(i) ACT Forests has returned operating losses every year since 1991-92, and has budgeted for future losses until 2001-02 although the operating loss for 1997-98 was $178,000 which compared favourably to the budgeted loss of $425,000 and the previous years loss of $282, 000

(ii) a loan of $960,000 in the previous year was converted to equity and the repayment term of the majority of the remaining borrowings was extended from 5 to I0 years.

3.45. The Government advised that ACT Forests now has a more workable debt and equity structure. Given the long term nature of forestry operations the main concern in regard to losses is the impact on working capital and further improvements in expenditure control are being considered.

INTACT

3.46. The audit found that:[18]

(i) InTACT's loss for 1997-98 was $15.3m compared with a loss of $1.9m in the previous year

(ii) the adoption of a depreciation accounting policy of a useful life of two years for all IT assets transferred on 30 June 1997 to InTACT resulted in higher than budgeted depreciation expense being brought to account in 1997-98 thus adding a further $6m in depreciation expense for the year and providing a written down value of nil for all IT plant and equipment transferred to InTACT on 30 June 1997

(iii) InTACT's current assets to liabilities ratio at year end was significantly below normal levels indicating that it could have difficulty meeting its commitments as they fall due in the next twelve months.

3.47. The Government advised that InTACT's loss for 1997-98 included a one-off abnormal expense of $6m from the write down of IT assets. The treatment aligned the useful life of IT assets to a standard period of 2 years to remove the disparate policies previously employed by agencies.

3.48. The Government further advised that InTACT had been required to take on additional long-term debt in order to meet income shortfalls. It is expected that InTACT will meet its long-term debt commitments by re-aligning its income to expense following the completion of the modernisation project.

Superannuation Provision Unit

[18] ibid p145

3.49. The audit found that:[19]

(i) the Unit had an operating loss of $112m compared with a loss of $59.1m in the previous year

(ii) unfunded superannuation liabilities (total liabilities less investments) increased from $651.2m in 1996-97 to $770.4m in 1997-98.

3.50. The Government response was that the major factors lying behind the increase in the operating loss were the $46.7m increase in the accrued superannuation expense combined with a $7.958m reduction in investment revenue. By definition the accrued superannuation expense for a period represents the increase in the total accrued superannuation liability over the same period. Thus the substantial increase in the accrued expense reflects a significant increase in the actuarial estimate of the total accrued liability.

3.51. The Government further advised that the increase in the unfunded liability reflected the greater growth in total accrued liabilities of $164.4m compared with the $45.2m increase in assets held with the increase in the total accrued liability reflecting changes in the actuarial valuation basis, the use of updated salary and membership data and the addition of one further year to what is not yet a mature liability.

3.52. The Government noted that the 1998-99 budget provided for additional funding of $200m over the next four years to the superannuation provision and that revised arrangements for new entrants to the ACT Public Service from I July 1999 had been announced. From that date the Public Sector Superannuation Scheme will be closed to new entrants and they will choose nominated schemes which will be fully funded.

[19] ibid p183

The Canberra Hospital

3.53. The audit found that The Canberra Hospital operating loss of $13.6m exceeded the budgeted operating loss of $10.3m.[20]

3.54. The Government advised that the $3.3m overrun primarily reflected that patient throughput exceeded budgeted levels. Actual cost-weighted separations exceeded budgeted volumes by 2,227 (5.8%). Similarly, outpatient cost-weighted occasions of service exceeded budgeted volumes by 423 (5.3%).

Totalcare Industries Limited

3.55. The audit found:[21]

(i) deficiencies in the levels of accounting expertise in some areas of the company particularly in the Works and Commercial Services Group and that documentation of policies and procedures were also inadequate

(ii) Totalcare's operating profit before abnormal items and tax was $248,000 on revenue of $87.6m but after abnormal items and before tax was $8.4m, after receiving abnormal revenue of $14.8m primarily from Government (and comprising plant and equipment transferred from the Chief Minister’s Department as well as revenue from work in progress transferred from the Department of Urban Services[22])

(iii) Totalcare's short term financial position is reasonably sound due to prepayments by ACT agencies.

3.56. The Government advised that 1997-98 was the first full financial year for the merged Totalcare/Works & Commercial Services. The Works & Commercial Services Management Information System (MIS) transferred with the business units from Department of Urban Services proved incapable of adequately supporting these businesses and, as a result, additional accounting resources are being recruited and Totalcare recently contracted for a replacement MIS which to be implemented by I July 1999.

3.57. The Government further advised that significant progress has been made in restructuring business units along more commercial lines and business plans are in place to further improve the results in this current year. The Government noted that trucks and plant to the value of $8.9m were transferred to Totalcare and that Australian Accounting Standards require this to be treated as an abnormal income item.

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[20] ibid p187
[21] ibid p192
[22] ibid p195

3.58. With regard to prepayments the Government advised that Totalcare currently provides project directorship services for the major part of the ACT Government Capital Works Programme of $90m (for the 1998-99 year). Under this arrangement the company makes payments to contractors/sub-contractors for programme delivery and invoices the responsible ACT Government agency. This requires management of cash flows and, in some cases, prepayment by agencies where major capital works activities are involved. This long standing arrangement has worked well in ensuring that the accounts of local contractors are paid promptly.

4. COMMITTEE COMMENT

4.1. While the committee accepts that some agencies, especially smaller agencies which may be less resourced than others, may have experienced difficulty in coming to grips with the imperatives of new financial initiatives, it is vitally important that the Assembly have confidence in their capacity to be fully accountable for their activities.

4.2. Where shortcomings have been identified by the audit the committee would expect these to have been noted and action taken by agencies to rectify them. Accordingly, the committee would not expect the audit of financial statements for the 1998-99 year to be qualified in this regard.

4.3. Turning to specific agency audit findings, the committee makes the following observations:

ACTION

4.4. The sale and leaseback of the midi bus fleet[23] involved an operating lease with the purchaser for a period of 5 years.[24] While the arrangement provided a cash injection of $6.5m there is no indication of the annual costs of leasing the buses back. During the course of the leasing arrangement the lessor will recover its capital outlay from ACTION plus a return on the investment. The audit did not assess the below-budget impact of this expenditure.

Bruce Stadium

4.5. The committee observes that the Bruce Stadium redevelopment is the subject of a separate audit by the Auditor-General which is expected to include an evaluation, and the appropriateness, of the organisational arrangements to finance , construct and manage the redeveloped stadium, identify the total capital cost, the effectiveness of procedures and reliability of information used in making strategic decisions relating to the redevelopment and other matters concerning contractual and financing arrangements for the redevelopment.

4.6. The committee will, in due course, examine and report to the Assembly on the Bruce Stadium redevelopment audit.

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[23] paragraphs 3.4 - 3.6 of this report
[24] Audit report p33

Kingston Foreshore Development

4.7. The committee is concerned that there has been no apparent progress with the Kingston Foreshore development and that, apart from the abnormal loss identified by the audit, the ACT's additional payment of $3m to the Commonwealth will be incurring interest charges or opportunity loss with no offsetting income while the proposed development is dormant.[25]

Canberra Tourism and Events Corporation (CTEC)

4.8. The committee is concerned that no explanation has been proffered by the Government for the failure of CTEC to meet its budgeted surplus of $235,000.[26]

Exhibition Park in Canberra (EPIC)

4.9. The committee notes EPIC's continuing difficulty in increasing revenues faster than its expenses.[27] The increase in revenues was anticipated by the Government in its response to the audit for the 1996-97 year.[28] The benefit of CSO funding was acknowledged at that time. Although there is no commitment of CSO funding in the Government response to the current audit finding, the committee notes that the Government has acknowledged that EPIC's earning capacity is constrained to some degree by Government commitments to other organisations. This suggests that EPIC could anticipate further CSO Payments.

Superannuation Provision Unit

4.10. The Select Committee on the Territory's Superannuation Commitments which reported on 31 January 1999 addressed many of the issues raised by the audit. The committee notes that the issues have also been the subject of much debate both in the Assembly and the ACT community.

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[25] paragraphs 3.23 and 3.26 of this report
[26] paragraphs 3.29-3.30 of this report
[27] paragraphs 3.42 -3.43 of this report
[28] Public Accounts Committee report no 9, September 1998, pp8,9

5. RECOMMENDATIONS

5.1. The committee recommends that:

(i) the Assembly note the audit findings including accounting deficiencies and failures by various agencies to meet budget, and

(ii) the Government inform the Assembly on the specific measures to be applied ensuring that agencies address the accounting and budgetary failings identified by the audit.

Ted Quinlan MLA
Chair