

LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

**REVIEW OF THE
AUDITOR-GENERAL'S REPORT
NUMBER 1, 1991**

Report Number 5 of the Standing Committee on Public Accounts

August 1991

RESOLUTION OF APPOINTMENT

On 23 May 1989 the ACT Legislative Assembly established a Standing Committee on Public Accounts with the following terms of reference:

- (1) Examine –
 - (a) the accounts of the receipts and expenditure of the Australian Capital Territory Executive;
 - (b) the financial affairs of authorities of the Australian Capital Territory; and
 - (c) all reports of the Auditor-General which have been laid before the Assembly;
- (2) Report to the Assembly, with such comments as it thinks fit, 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
- (3) Inquire into any question in connection with the public account which is referred to it by the Assembly and report to the Assembly on that question.

MEMBERSHIP

Mr Trevor Kaine (Presiding Member) (from 21 June 1991)

Mr Norm Jensen (Deputy Presiding Member)

Ms Rosemary Follett (until 21 June 1991)

Ms Carmel Maher (until 21 June 1991)

Mr Michael Moore (from 21 June 1991)

Secretary: Ms Karin Malmberg

CONTENTS

	Resolution of Appointment	i
	Membership	i
	Recommendations	v
1	INTRODUCTION	1
	Background	1
	Inquiry approach	1
2	ACCOUNTABILITY	5
	Auditor-General's Report	5
	ACT Government Service comments	7
	Committee comments	8
3	ADMINISTRATIVE AND FINANCIAL DELEGATIONS	11
	Auditor-General's Report	11
	ACT Government Service comments	11
	Committee comments	13
4	FINANCIAL STATEMENT GUIDELINES	15
	Auditor-General's Report	15
	ACT Government Service comments	16
	Committee comments	17

5	UNITARY AND AGGREGATE FINANCIAL STATEMENTS	19
	Auditor-General's Report	19
	ACT Government Service comments	20
	Committee comments	23
6	STATUTORY AUTHORITY AND SPECIAL OPERATIONS	29
	FINANCIAL STATEMENTS	
	Auditor-General's Report	30
	Committee comments	30
7	PROVISION OF MOTOR VEHICLES	33
	Auditor-General's Report	33
	ACT Government Service comments	34
	Committee comments	35
8	BANKING ARRANGEMENTS	37
	Auditor-General's Report	37
	ACT Government Service comments	37
	Committee comments	38

RECOMMENDATIONS

- . financial and personnel delegations be updated to reflect the current administrative arrangements and this be finalised as soon as possible. (para 3.14)
- . all agencies and authorities be made aware of the guidelines for the preparation of financial statements and their application. (para 4.13)
- . all audited financial statements not yet tabled in the Legislative Assembly be tabled by the relevant Minister as soon as possible; and
- . the Audit Act be amended to require the tabling in the Legislative Assembly of audited unitary financial statements. (para 5.39)
- . the Chief Minister advise of the action taken in response to the Auditor-General's concerns regarding the use of vehicles by employees of the Milk Authority. (para 7.19)
- . the Front Office Bill Paying Service Agreement be finalised as soon as possible. (para 8.8)

1 INTRODUCTION

Background

1.1 The terms of reference of the Public Accounts Committee, agreed to by the Legislative Assembly on 23 May 1989, require the Committee to examine all reports of the Auditor-General which have been laid before the Assembly.

1.2 On 14 February 1991 the first report of the ACT Auditor-General was presented to the Assembly. The Auditor-General's Report Number One, 1991 reported on the first six months of operation of the Government Audit Office for the ACT, the period July–December 1990.

1.3 Following presentation of the report, the Assembly formally referred it to the Public Accounts Committee for inquiry and report.

Inquiry approach

1.4 The Audit report commented upon a number of important issues fundamental to public accountability and public sector management. A number of areas of concern to the Auditor-General, and the Committee, were highlighted.

1.5 Prior to commencing its public hearings, the Committee was briefed privately by the Auditor-General and the Assistant Auditor-General. The Committee also wrote to the then Chief Minister and three Ministers seeking submissions relating to their individual portfolios. The Committee advised of its particular interest in the timeliness and correctness of financial statements.

1.6 In response the Chief Minister wrote to the Committee advising of the Government's commitment to implementing any necessary adjustments to departmental procedures as a result of the Audit report and its confidence in the quality of the staff in the ACT Government Service. The Secretary of the Chief Minister's Department provided the Committee with a submission addressing the contents of the Audit report and providing specific responses from each portfolio.

1.7 The Committee held two public hearings, the first on 10 April 1991 at which evidence was taken from the following officials:

- . Secretary, Chief Minister's Department
- . Under Treasurer
- . Division Head, Office of Public Sector Management
- . Assistant Under Treasurer, Capital Markets and Accounting

1.8 The Committee decided to, in this inquiry and report, concentrate on the general question of accountability, with specific reference to financial accountability. Accordingly, at the first hearing the Committee took evidence from the Chief Minister's Department and the ACT Treasury.

1.9 A second hearing was held on 24 July 1991 at which evidence was taken from the following officials concerning training in the ACT Government Service:

- . Division Head, Office of Public Sector Management
- . Acting Assistant Secretary, Management Improvement Branch, Office of Public Sector Management

1.10 In addition, the Committee sought and received comments from the Auditor-General on the submission and the public hearing proceedings.

1.11 Prior to finalising its report the Committee sought advice from the Secretary, Chief Minister's Department of any changes to information previously provided, with particular interest in details concerning unitary and aggregate financial statements.

1.12 Advice was received, through the Chief Minister's Department, from the Department of Urban Services, the Department of the Environment, Land and Planning and the Government Law Office regarding their unitary financial statements. Advice from other agencies concerning their financial statements or updated information on other matters was not received.

1.13 The approach adopted by the Committee does not indicate that the Committee has concluded that other matters included in the Auditor-General's Report do not warrant further investigation. The Committee has made comment on several areas outside the Chief Minister's portfolio based on the Audit Report and the ACT Government Service's submission.

1.14 Following completion of the first public hearing and consideration of the major issues but prior to the finalisation and tabling of its report in the Assembly, the membership of the Committee changed with two of the three members being discharged from the Committee and two members being appointed in their place. As a result, the presentation of this report has been delayed.

2 ACCOUNTABILITY

Auditor-General's Report

2.1 In his first report, the Auditor-General raised a number of serious matters concerning accountability within the ACT Government Service. The issues reported upon included:

- . delays in providing a number of administrative and financial delegations and determinations as they relate to the duties of the Auditor-General and the operation of the Government Audit Office;
- . delays in responding to the Auditor-General's correspondence;
- . late issue of Financial Statement Guidelines;
- . delays in the preparation of financial statements and their presentation to the Auditor-General for audit;
- . the conferring of benefits on the unentitled;
- . delays in the completion of formal agreement with Westpac;
- . deficiencies in the financial management of the Bruce Stadium; and
- . status of matters previously referred to in Commonwealth Auditor-General's Reports.

2.2 The Committee was disturbed at the overall thrust of the report, in particular comments referring to a general lack of appreciation by managers of their accountability responsibilities. Throughout the report the Auditor-General made a number of strong statements concerning the unsatisfactory situation that he found during the first six months of auditing by his Office.

2.3 Many of the comments were made in relation to recurrent lateness of financial statements of trust accounts and the delays in the preparation of unitary and aggregate financial statements. For example, in connection with the trust accounts the Auditor-General stated that:

To a large extent the present unsatisfactory situation reflects years of inattention by the Commonwealth Executive and the relevant managers (sic) to recurrent critical Audit reports. Even so, Audit has found many competent hardworking and diligent officers during the course of audits but in other cases deficiencies in leadership, supervision, control and example.¹

2.4 Further comment on the timeliness of financial statements is made in Chapters 5 and 6 of this report.

2.5 The following comments by the Auditor-General are particularly strong and highlights accountability issues that are of concern to the Committee:

It should therefore come as no surprise to the Legislative Assembly or to the ACT residents that the Assembly represents, that there is a lack of appreciation by many members of the ACT Government Service of the accountability aspects of their responsibilities. In short, they accept managerial/supervisory salaries, etc, but do not perform the duties for which they are paid. The lack of accountability evidenced by the non-availability of financial statements at 31 December 1990 for bodies e.g., Forestry/Housing/ACTION, is also evident, for example, in the lateness of issue by Treasury of guidelines for unitary financial statements, (see Chapter 3 of [Audit] Report) and the non-availability for audit of all bar one such statements. Audit concludes that the relevant officers of the ACT Government Service seem to believe that they can ignore their accountability to elected representatives with impunity even though their accountability is specified in law.²

¹ Auditor-General's Report Number One, 1991, July–December 1990, pp3–4

² Op cit p 16

ACT Government Service comments

2.6 The ACT Government Service submission did not make comment on the general issues of accountability referred to by the Auditor-General. The Chief Minister, however, in correspondence with the Committee, did indicate his confidence, shared by the other Ministers, in the quality of the staff of the ACT Government Service and his appreciation of their dedicated service. The Chief Minister also stated that this view reflects comments made by those with experience in Commonwealth and state administration.³

2.7 The officials who appeared before the Committee defended the dedication and efforts of the public sector.⁴ The Secretary of the Chief Minister's Department referred to the recent history of the ACT Government Service and its predecessors and the challenges arising from the bringing together for the first time in July 1987 of the ACT Government Service. This Service comprised staff from 11 departments, 5 major statutory authorities and many smaller authorities.

2.8 The Secretary stated:

The challenge that was facing the Administration was not only to create an ACT Government Service as an administrative entity, but at the same time, address responsiveness to political needs and a new responsiveness, a corporate culture, to set up a range of new functions directly related to self-government and assist the staff to continue to work productively in what I would have to describe as a time of challenge and extreme change.⁵

2.9 He continued by recording his recognition of the major achievements by dedicated staff in difficult and challenging circumstances.

³ Correspondence from Chief Minister dated 8 April 1991

⁴ Transcript of proceedings, 10 April 1991, pp2-3

⁵ Op cit p 3

2.10 The Secretary also commented on the Audit Report. He stated that it "raised many matters of genuine concern".⁶ He continued:

I do not understand why the report contains the broad generalisations it does, which are untypical of such reports in other jurisdictions and I do not see it as necessary or desirable to respond to some of these generalisations. It is our duty to respond and respond quickly to the specific matters properly identified.⁷

2.11 The Committee was advised that the ACT Government Service was making every effort to meet the accountability requirements that self-government has imposed. The officials admitted that there are areas that can be improved upon.⁸

Committee comments

2.12 The establishment and operation of an independent ACT Government Audit Office is an essential and integral element of self-government. The Committee views freedom for the Auditor-General to express such opinions as he considers necessary as fundamental. Without this freedom the ability of the Auditor-General to fully discharge his duties to the members of the Legislative Assembly is limited. The Legislative Assembly can provide the necessary protection to the Auditor-General for him to report freely.

2.13 The Committee does not agree with the comments of the Secretary of the Chief Minister's Department when he said he did not see it necessary or desirable to respond to some of the generalisations in the report. The Committee believes that the comments of the Auditor-General raised a number of important issues such as financial and management training and expertise in preparation of financial statements which warrant a response.

⁶ Ibid

⁷ Ibid

⁸ Op cit, pp 4-5

2.14 The Committee acknowledges that self-government has resulted in many substantial changes within the ACT Government Service and also in extra demands being placed upon it by the additional layers of accountability that self-government has brought. The Committee however believes that many of the requirements were in existence before self-government but, without the extent of scrutiny that now exists, were not considered to be of importance.

2.15 Members of the Legislative Assembly and the Canberra community require certain basic information, such as timely audited financial statements, in order to assess whether the ACT Government Service is operating in an efficient and effective manner. The Committee believes that there is still some need for a change in attitude by senior officials in the ACT Government Service.

2.16 The Committee notes the officials commitment to improved public sector management in the future. The Committee believes the basis for this is training. With this in mind the Committee held a second public hearing at which the issue of training in the ACT Government Service was considered.

2.17 The Committee was provided with a document by the Office of Public Sector Management titled "Training and Development Initiatives within the ACT Government Service" which outlined the direction of training in the ACT Government Service.

2.18 The Committee considers the outline to be comprehensive but believes that there is a need to identify specific requirements for training in particular areas where skills and knowledge may be deficient.

2.19 The Committee also believes it to be essential that the training program and the objectives of the training program be formulated in such a way as to allow future assessment of how effective the program has been in meeting the needs of the ACT Government Service.

3 ADMINISTRATIVE AND FINANCIAL DELEGATIONS

Auditor-General's Report

3.1 The Auditor-General's Report commented on delays in providing any personnel delegations and a number of outstanding financial delegations to the Auditor-General despite repeated requests since 2 July 1990. The Auditor-General referred to the lack of delegations as imposing an intolerable constraint on the independent operation of that Office.⁹

ACT Government Service comments

3.2 The Committee was advised that the Auditor-General received financial delegations on 19 March 1991 and personnel delegations in late March 1991.¹⁰

3.3 The Committee was surprised to learn, however, that new personnel and financial delegations still had to be issued to most agency heads and other positions similar to the Auditor-General at the time of the public hearing in April 1991.¹¹

3.4 The Committee was advised that some agency heads have personnel delegations stemming from the departments that were in existence prior to the creation of the ACT Government Service, but that agency heads appointed post self-government have none.¹² The Committee was also advised that the vast majority financial delegations remain "centralised" ie remain as they were prior to self-government.¹³

⁹ Audit Report p 2

¹⁰ ACT Government Service submission; Transcript p 12

¹¹ Submission; Transcript p 13

¹² Transcript p 13

¹³ Submission

3.5 The Committee was assured, however, that delegation arrangements exist and that there has been no effect on the operations of the public sector by virtue of the delegations requiring review. It is not considered a day to day problem by agency heads.¹⁴ The Committee was also advised that the Treasury was satisfied that there are currently sufficient financial delegations to allow them to be legally applied.¹⁵

3.6 It is proposed to withdraw all current delegations and reissue new ones to all agencies to reflect the changed circumstances since self-government and to maximise an increase in efficiency and improve job satisfaction.¹⁶

3.7 The Committee was advised that on 5 April 1991 agency heads were provided with a draft proposal for revised delegations.¹⁷

3.8 In relation to the most appropriate time for this exercise to be undertaken, it was put to the officials that, in theory, the need for revised delegations arose on self-government day and on all subsequent administrative arrangement changes.¹⁸ The Head of the Office of Public Sector Management stated that:

There are sufficient delegations around and operating that the personnel practices continue unimpeded. ... everything happens as it should and I guess that is why it has not been seen as an extremely high priority. ...

So it is not that there was nothing working. It is just that we think that what we can put in place will be something better than what currently exists.¹⁹

¹⁴ Submission; Transcript pp 12, 14

¹⁵ Transcript p 25

¹⁶ Transcript pp 12–13

¹⁷ Transcript p 12

¹⁸ Transcript p 14

¹⁹ Ibid

Committee comments

3.10 The Committee is concerned that it took some 23 months following self-government for a draft proposal for revised, and in some cases, new, delegations to be circulated amongst agency heads.

3.11 The Committee accepts that existing delegation arrangements are sufficient for ongoing operations of the public sector. The Committee is also concerned that delegations are not revised following changes to the administrative arrangements.

3.12 The Committee is particularly concerned that a new agency, the ACT Government Audit Office, can be established and no personnel and few financial delegations be provided despite many requests over a period of 7 to 8 months.

3.13 The Committee notes it was between 1 to 1.5 months following the tabling of his report before the Auditor-General received the delegations.

3.14 The Committee recommends that:

- . financial and personnel delegations be updated to reflect the current administrative arrangements and this be finalised as soon as possible.**

4 FINANCIAL STATEMENT GUIDELINES

Auditor-General's Report

4.1 The Auditor-General's Report comments on the late issuing of financial statement guidelines for both administrative units and statutory authorities and special operations of administrative units.²⁰

4.2 Draft guidelines for administrative units were circulated in May 1990 with final guidelines being approved in late September 1990. The guidelines for statutory authorities and special operations of administrative units were also approved in late September 1990.

4.3 The Audit report stated that it was considered that the delay in issuing the guidelines contributed to delays in administrative units completing preparation of the 1989–90 financial statements. Further comment on delays in the presentation of financial statements for audit is made in Chapter 5 of this Report.

4.4 The Auditor-General also noted that the guidelines for administrative units are almost identical to the Commonwealth guidelines and that there was little that needed to be done to adapt the Commonwealth guidelines to the ACT.

4.5 The report also states that the approved ACT guidelines for statutory authorities and special operations of administrative units were substantially the same as the guidelines issued by the Commonwealth in June 1990.

4.6 The Auditor-General stated his concern at the lack of knowledge on the part of some statutory authorities that the previously applying (Commonwealth) guidelines had changed and the impact of those changes. The Audit report on this issue concluded that the ACT Treasury needs to work more closely with statutory authorities on such accounting policy issues.

²⁰ Audit Report, pp34–35

4.7 The Auditor-General also refers to the Canberra Theatre Trust financial statements which were qualified on the grounds that all assets were not brought to account according to the definition of assets in the Guidelines for the Form and Standard of Financial Statements of ACT Entities. By not including certain assets under its control, the Audit Report estimated that instead of an operating deficit of \$621,373 an operating surplus of \$4,122 was reported.²¹

ACT Government Service comments

4.8 The Treasury confirmed that the guidelines are "almost identical to those produced in the Commonwealth" but stated that a great deal of time was "expended on establishing the underpinning philosophies and ensuring their applicability to the ACT."²²

4.9 When questioned as to whether issuing draft guidelines only six weeks prior to the end of the financial year was a serious difficulty for agencies, the officials stated:

In some cases, yes, although many of the officers involved in the various administrative units were from previous Commonwealth departments and were familiar with Commonwealth practice. So the learning curve was not starting from totally new information in that they had been Commonwealth employees preparing Commonwealth financial statements and so they carried that body of knowledge over. What they [Treasury] had to do though was ... advise them of where differences of approach lie.²³

²¹ Op cit p 20

²² Submission

²³ Transcript p 29

4.10 The Committee notes the comments by the Canberra Theatre Trust that they would be seeking an exemption from the application of the Guidelines for the Form and Standard of Financial Statements of ACT Entities in relation to the reporting of certain assets.²⁴

Committee comments

4.11 The Committee is concerned that the late issuing of, in the first instance, draft guidelines, and later, final guidelines for the preparation of financial statements contributed to the delays, in some cases lengthy, in the presentation of final financial statements to the Auditor-General for audit.

4.12 The Committee is also concerned at the lack of awareness by some authorities concerning the guidelines referred to by the Auditor-General.²⁵

4.13 **The Committee recommends that:**

- . all agencies and authorities be made aware of the guidelines for the preparation of financial statements and their application.**

²⁴ Submission

²⁵ Audit Report p 35

5 UNITARY AND AGGREGATE FINANCIAL STATEMENTS

5.1 Unitary financial statements were required to be prepared by the following Administrative Units which existed on 30 June 1990:

- Chief Minister's Department
- ACT Treasury
- Office of Industry and Development
- Territory Planning Office
- Government Law Office
- Housing and Community Services Bureau
- Department of Urban Services
- Finance Bureau
- Business and Employment Bureau
- ACT Department of Education (excluding the ACT Schools Authority)

5.2 The first reporting period for administrative units was 11 May 1989 to 30 June 1990.

5.3 Aggregate financial statements showing particulars of the total receipts and expenditures for the Consolidated Fund and the Trust Fund are also to be prepared as soon as practicable after the financial year.

Auditor-General's Report

5.4 Section 71 of the Audit Act 1989 requires that financial statements for administrative units be submitted to the Auditor-General as soon as practical after the end of the financial year.

5.5 Section 71 also requires that the financial statements be prepared in accordance with the financial statement guidelines. The Audit report notes that when the guidelines were distributed in early October 1990, the Under Treasurer asked that statements be submitted by 31 December 1991.²⁶

5.6 The Audit report notes that, at the time of preparation of that report, tabled 14 February 1991, only the Chief Minister's Department and the then Business and Employment Bureau had submitted financial statements for audit, in November 1990 and January 1991 respectively.²⁷

5.7 The report acknowledges that some of the delay could be attributed to the lateness with which the financial statement guidelines were distributed, but continues by stating:

Audit considers however that most administrative units do not have either the accounting and financial management expertise to prepare statements, or the willingness on the part of the responsible senior officers to meet the requirements the Audit Act promptly in this regard.

The longer the delay in preparing these statements the less relevant they become for management use and for supporting the important function of accountability to the Legislative Assembly.²⁸

ACT Government Service comments

5.8 The Committee was concerned that the submission from the ACT Government Service did not fully address the general question raised concerning late unitary financial statements by administrative units, even though the Audit report specified that only two of the administrative units that existed at 30 June 1990 had submitted statements for audit at the time of the preparation of the Audit report.²⁹

²⁶ Audit Report p 9

²⁷ Audit Report pp 9–10

²⁸ Ibid

²⁹ Ibid

5.9 In the submission Treasury stated that it had limited resources available to prepare its own financial statements.³⁰ During the hearing the officials elaborated on this and stated that Treasury's resources had been used to assist other administrative units in the preparation of their unitary financial statements as well as preparing their own unitary financial statements and the aggregate financial statements.³¹ No specific comment was made in relation to the Finance Bureau, but the Committee understands that the same comments apply.

5.10 The Department of Urban Services advised in the submission that it had sought an extension of time from the Minister for Finance and Urban Services on the basis of the complexity of the Department's operations, the late issue of the guidelines for the preparation of the financial statements, the unusual accounting period, ie 11 May 1989 to 30 June 1990, and the requirement for a second comparative statement for the twelve month period 1 July 1989 to 30 June 1990. The submission stated that the statements were being prepared with the assistance of consultants.³²

5.11 The submission did not make any comment on why the Department of Education's financial statements were delayed, but stated that the audit had commenced in March on the draft financial statements.

5.12 No comment was made in the submission in relation to the Office of Industry and Development, the Territory Planning Office, the Government Law Office or the Housing and Community Services Bureau.

5.13 During the public hearing on 10 April, the Committee was advised that the Territory Planning Office and the Government Law Office, in addition to the Chief Minister's Department and the Business and Employment Bureau had completed their financial statements and the audit had been concluded.

5.14 Another three administrative units, the ACT Treasury, the Office of Industry and Development and the Department of Education had financial statements with the Audit Office, and a fourth, the Finance Bureau, was having discussions with Audit.

³⁰ Submission

³¹ Transcript p 20

³² Submission

5.15 The Audit Office was providing assistance to the Housing and Community Services Bureau in preparing their financial statements, and as stated in the submission, the Department of Urban Services had engaged a consultant to consolidate and prepare a final statement.³³

5.16 When questioned on the delay, the officials acknowledged the Auditor-General's criticism and attributed the delays to the time taken to issue the guidelines for financial statements, the unusual accounting period, changes in administrative arrangements, resource capacity and the advent of new responsibilities.³⁴

5.17 The unusual accounting period was compounded by the need to operate for the period 11 May to 30 June 1989 through a Commonwealth trust account through the Department of the Arts, Sport, the Environment, Tourism and Territories. This was done to ensure that operations were lawful and to allow time to build systems that would operate from 1 July 1989. The Committee was advised that as a result "there have been identified data deficiencies in tracing and allocating particular expenditures."³⁵

5.18 At the hearing on 10 April Treasury officials advised that the aggregate financial statements would be completed on 12 April and then be available for audit.³⁶ The officials also stated that preparation of the aggregate financial statements is separate to that of preparing unitary financial statements, and that:

one doesn't require the other, although clearly if the unitaries can be prepared in a timely manner and the aggregate can be prepared simultaneously then we will ensure that the bottom line meets in all occasions, but that is a separate issue.³⁷

5.19 The Committee was advised that the unitary financial statements are prepared by the administrative units whilst the aggregate financial statements are prepared independently by Treasury.³⁸

³³ Transcript p 16; document tabled 10 April

³⁴ Transcript pp 17–19

³⁵ Transcript p 19

³⁶ Transcript p 23

³⁷ Ibid

³⁸ Transcript p 25

5.20 When asked to comment on statements in the Auditor-General's Report that Audit considers most administrative units have either a lack of accounting and financial management expertise or a lack of willingness on the part of responsible senior officers to meet the requirements of the Audit Act concerning timeliness of financial statements,³⁹ the Secretary of the Chief Minister's Department stated that the comment concerning willingness is "one of the untypical broad generalisations" that he had earlier stated that he did not see it "as necessary or desirable to respond to".⁴⁰

5.21 The Under Treasurer stated that whilst one administrative unit, the Housing and Community Services Bureau was receiving assistance from the Audit Office as there was a lack of expertise, Treasury would not acknowledge that there was a lack of expertise in any other area. It was also stated that the Housing and Community Services Bureau was rapidly overcoming its problems.⁴¹

5.22 Regarding willingness, Treasury was not in a position to comment on other agencies, but stated that Treasury's willingness was very strong, and was willing to assist other agencies.⁴²

Committee comment

5.23 The Committee notes that a number of factors have contributed to the delay in the preparation and finalisation of financial statements by administrative units to the point where they can be forwarded to the Auditor-General for audit.

5.24 The Committee acknowledges that the period 11 May 1989 to 30 June 1990 was unusual and there were additional, complicating factors such as the use of the Commonwealth accounting system for the period 11 May to 30 June 1990 rather than using ACT systems from the beginning, the late distribution of guidelines for the preparation of financial statements together with the adjustment to self-government.

5.25 The Committee views the delays in the completion of the preparation of financial statements by administrative units as unsatisfactory and whilst acknowledging a number of difficulties have existed, considers that despite those, accountability has not been served.

³⁹ Audit Report p 9

⁴⁰ Transcript p 24, 3

⁴¹ Transcript pp 23–24

⁴² Transcript p 24

5.26 The Committee notes further advice received from the Auditor-General which states that, in coming to the view that there was a lack of willingness of senior officers to meet the requirements of the Audit Act, it was noted that:

- . there was a lack of management direction in many departments in preparing statements, both unitary and special operations.
- . many senior managers had not put in place procedures and deadlines for reporting progress on financial statement completion.
- . very little was available for audit by 31 December 1991.⁴³

5.27 The Committee notes from the table opposite that only one administrative unit had completed, audited financial statements within 6 months of the end of the financial year. The Committee was particularly concerned that at the time of the public hearing, 10 April 1991, some nine and a half months after the end of the financial year, only four of the administrative units existing at 30 June 1990 had audited financial statements.

5.28 The Committee received advice from the Auditor-General dated 18 July 1991 that at that date, audits had been completed for six administrative units. The Committee notes that only an additional two audits had been completed since the hearing in April, some three months earlier.⁴⁴ The Auditor-General advised that all unitary financial statement audits should be completed by mid-August.

5.29 The Committee considers it particularly serious that the Auditor-General was of the opinion that all unitary financial statements would not be presented to him in final form and audited until mid-August, some thirteen and a half months after the close of the financial period to which they relate. Even taking into account the difficulties in the initial stages of self-government the Committee believes that this is unacceptable.

5.30 The Auditor-General also advised the Committee in July that much of the audit of the aggregate financial statement is dependent on the satisfactory completion of the unitary financial statement audits. It is expected that the finalisation of the aggregate financial statement audit will closely follow the completion of the outstanding unitary financial statements.

⁴³ Correspondence from the Auditor-General, dated 17 April 1991

⁴⁴ Correspondence from Auditor-General, dated 18 July 1991

Administrative Unit (as at 30 June 1990)	Annual report tabled in Assembly	Audit certificate	Audited financial statements tabled in Assembly
Chief Minister's Department	13.12.90	23.11.90	13.12.90
ACT Treasury	13.12.90	*	no
Finance Bureau	13.12.90	*	no
Office of Industry and Development	20.9.90	*	no
Business and Employment Bureau	20.9.90	30.1.91	no
Territory Planning Office	12.12.90	28.3.91	no
Government Law Office	12.12.90	26.2.91	14.8.91
Housing and Community Services Bureau	12.12.90	28.6.91	7.8.91
Department of Urban Services	20.2.91	*	no
ACT Department of Education (excluding ACT Schools Authority)	14.3.91	14.6.91	14.8.91
Aggregate financial statements	not applicable	*	no

* as at 18 July draft financial statements with Audit

5.31 The Committee also considers it unacceptable that the audited aggregate financial statements for the financial period to 30 June 1990 year 1989–90 were not available prior to the close of the 1990–91 financial year.

5.32 The Committee notes that there is no legal requirement for audited unitary financial statements to be tabled in the Legislative Assembly, unlike the requirement for aggregate financial statements. The Committee however notes that draft Chief Minister's Directions on Annual Reporting Guidelines for ACT Government Bodies, provided to the Committee at the hearing of 10 April, states at paragraph 20:

Noting that delays can be involved in the preparation of audited financial statements, interim (unaudited) financial statements may be provided (clearly marked as "unaudited") in annual reports in order to meet the timing requirement. This will require audited financial statements to be provided in a supplement to the annual report. The supplementary report should, however, contain a statement from the ACT Auditor-General on the extent to which the audited figures are materially different from the unaudited statements included in the annual report.

5.33 The Committee notes that when tabling its annual report only one agency, the Chief Minister's Department, included in its report audited financial statements. All other agencies have tabled annual reports including draft financial statements. A number of these included a statement indicating that audited financial statements would be tabled separately.

5.34 Of the three agencies that had tabled annual reports and subsequently received audit certificates prior to the Legislative Assembly adjourning for the winter recess on 21 June 1991, two have not tabled audited financial statements. The agencies are the Business and Employment Bureau and the Interim Territory Planning Office. The Committee however notes advice from the Secretary of the Department of the Environment Land and Planning that the audited financial statements for the Business and Employment Bureau will be tabled at the same time as the audited statements for the Office of Industry and Development as the two agencies were, in reality, a single entity.⁴⁵

⁴⁵ Correspondence from the Department of the Environment Land and Planning to the Chief Minister's Department dated 6 August 1991

5.35 The Committee finds it unacceptable that audited financial statements are not tabled as soon as possible. The Committee is of the view that it is preferable for audited financial statements to be incorporated in annual reports, but if this is not possible, then the audited financial statements should be tabled in the Assembly at the first possible opportunity.

5.36 The Committee also believes that interim, unaudited financial statements should be clearly notated on each page to indicate their status. The Committee notes that some of the annual reports included such a notation on the first page of the financial section, not on each page, which could lead to confusion.

5.37 The Committee also notes that audited financial statements for the ACT Housing and Community Services Bureau are in a different format and cover a different financial period to the unaudited financial statements included in the annual report of the Department of Justice and Community Services. No explanation was offered other than the tabling of the comments by the Auditor-General when providing his audit certificate. The differences were not referred to at the time of tabling the audited statements.

5.38 The Committee notes that the Office of Industry and Development annual report, incorporating the Business and Employment Bureau, and including draft financial statements was tabled in time for the Estimates Committee consideration.

5.39 The Committee recommends that:

- . all audited financial statements not yet tabled in the Legislative Assembly be tabled by the relevant Minister as soon as possible; and**
- . the Audit Act be amended to require the tabling in the Legislative Assembly of audited unitary financial statements.**

6 STATUTORY AUTHORITY AND SPECIAL OPERATIONS FINANCIAL STATEMENTS

6.1 The following special operations of administrative units were required, for the period to 30 June 1990, to prepare separate financial statements:

ACTION

ACT Housing Trust

Bruce Stadium Trust

Forests

6.2 ACT public authorities subject to Part IX of the Audit Act may be required to keep accounts in accordance with commercial practice. Those which were required to keep accounts in accordance with commercial practice for the period to 30 June 1990 were:

ACT Gaming and Liquor Authority

ACT Electricity and Water Authority

Building and Construction Industry Long Service Leave Board

Milk Authority of the ACT

National Exhibition Centre Trust

6.3 Public authorities not required to keep accounts in accordance with commercial practice are:

ACT Institute of Technical and Further Education

ACT Community and Health Service

ACT Schools Authority

Canberra Theatre Trust

Casino Surveillance Authority

Legal Aid Commission (ACT)

Public Trustee for the ACT

The Trustees of the Canberra Public Cemeteries

Auditor-General's Report

6.4 At the time of preparation of the Audit report, audits had been completed for all but one of the authorities required to keep accounts in accordance with commercial practice, four of the eight other authorities and none of the special operations.

6.5 The Auditor-General commented in his report that the:

time taken to complete these audits is of concern to Audit. In some cases the delays have been caused by a lack of financial management and accounting ability in the authorities concerned.⁴⁶

6.6 In relation to the ACT Community and Health Service, the submission acknowledges that "the progress of the audit of the 1989/90 financial statements has not been as smooth as expected". The submission attributes the delay to a number of factors, specifically that the more significant being the change of auditor and the time required to effect the changeover.⁴⁷

6.7 The Audit Report detailed a history of continuing references in past Commonwealth Audit Reports to delays in presentation of financial statements. The Committee notes that these comments relate principally to the special operations of administrative units.⁴⁸

6.8 The Audit Report also provides information on the results of the completed audits.

Committee Comment

6.9 The Committee's earlier comments regarding late unitary financial statements and accountability are equally relevant to the financial statements of the special operations of administrative units and ACT authorities. Given the greater independence of some of these entities it could be argued that the need for accountability to the Legislative Assembly is greater.

⁴⁶ Audit Report p 13

⁴⁷ Submission

⁴⁸ Op cit pp 13–16

6.10 The Committee is concerned that of the seventeen entities that were required to have audited financial statements, only five were completed within six months of the financial year.

6.11 The Committee believes that the reasons offered for late unitary financial statements are not relevant to most of the special operations and authorities given that they have operated as such entities prior to self-government. The lateness of many of the financial statements is in fact a greater concern for this reason.

6.12 The Committee expects that audited financial statements for these entities will be available to the Assembly within six months of the end of the financial year. The Committee notes that the financial year for the ACT Institute of TAFE is the calendar year, and as at 12 August, audited financial statements for 1990 have not been tabled.

7 PROVISION OF MOTOR VEHICLES

Auditor-General's Report

7.1 The Auditor-General's Report refers to two instances where privately plated cars had been provided to officers of two authorities where those officers were not entitled to the benefit.⁴⁹

7.2 The Casino Surveillance Authority provided a non-SES officer with a privately plated motor vehicle under the conditions of an SES officer, including the payment of an SES contribution, without entitlement. Audit however acknowledged the interim and immediate remedial action taken in relation to this matter when brought to the Authority's attention.⁵⁰

7.3 The Milk Authority of the ACT provided a privately plated car for the unlimited private use of a non-SES officer, without that officer making a contribution for that vehicle. Two other officers continually home garaged Authority vehicles. Under legislation the relevant Minister's approval is required.

7.4 In referring this matter to the acting Chief Minister, Audit suggested that:

the actions of the Authority conferred benefits on the unentitled at the expense of the ACT consumer and should retrospective Ministerial approval be sought, that this not be given.⁵¹

7.5 At the time of preparation of his report, the Auditor-General had not received advice of remedial action.⁵²

⁴⁹ Audit Report p 4

⁵⁰ Audit Report pp 4, 22

⁵¹ Op cit p 18

⁵² Op cit pp4, 18

ACT Government Service comments

7.6 In relation to the Casino Surveillance Authority, the Committee was advised that legal advice received by the Chief Minister's Department stated that the Casino Surveillance Authority does not have the power to authorise the personal use of its vehicle by an officer employed under the Public Service Act subject to personal contributions.⁵³

7.7 The submission also stated that the officer would continue to use the vehicle for official purposes and seek the approval of the Secretary, Chief Minister's Department for home garaging for official purposes.⁵⁴ During the public hearing the Secretary, Chief Minister's Department stated that the position would be regularised before the end of April.⁵⁵

7.8 The Committee subsequently received advice from the Secretary, Chief Minister's Department stating that an application for home garaging of the vehicle by the officer had been received and considered against the relevant guidelines. The Committee was advised that the application did not receive approval.⁵⁶

7.9 In relation to the Milk Authority, the submission states that:

The Authority does not necessarily agree that the private use by employees of Authority motor vehicles is a condition of service. Rather, it suggests that such use is an integral component of the commercial nature of the Authority's activities and operations.

However, in the event that such use is deemed to be a condition of service and, as such, requires the consent of the Chief Minister, a submission has been prepared seeking his retrospective approval of the Authority's delegations and rules relating to the private use by employees of Authority vehicles.

The issue is regarded as immaterial in financial terms, the total costs contributing less than one tenth of one cent per litre to the retail price of milk in the ACT.

⁵³ Submission

⁵⁴ Ibid

⁵⁵ Transcript p 37

⁵⁶ Correspondence from the Secretary, Chief Minister's Department dated 30 April 1991

7.10 The Authority continued by stating that:

The issue has not been an on-going one. It was raised for the first time in respect of the Auditor-General's review of the Authority's affairs for the period 11 May 1989 to 30 June 1990.

The Authority has already devoted considerable time to the preparation of the submission to the Chief Minister, the costs of which are estimated to be in the order of \$1,000. There will be substantial additional costs involved in the Chief Minister's consideration of the Authority's submission.⁵⁷

Committee comment

7.11 The Committee views the actions of the two authorities, the Casino Surveillance Authority and the Milk Authority, very differently although the basis for the Auditor-General's initial comments were similar.

7.12 In relation to the Casino Surveillance Authority, the Committee notes that the Audit report acknowledged immediate interim action and the situation was later resolved.

7.13 In the Committee's view the situation concerning the Milk Authority is of concern. The Committee notes that employees of the Milk Authority are employed under the Milk Authority Act 1971, not the Public Service Act, and that Ministerial approval is required for the terms and conditions of employment.

7.14 During the hearing the Committee questioned the Secretary, Chief Minister's Department about the comments in the submission concerning the use of motor vehicles and the costs associated with responding to the Auditor-General's report.

⁵⁷ Submission

7.15 The Committee accepts that the officials appearing at the hearing were not in a position to address the issue in detail as they were not responsible for the operation of the Milk Authority. It was, however, of some concern that the Secretary of the Chief Minister's Department had transmitted material from the Milk Authority to an Assembly Committee, without apparent question, that gave no regard to a report of the Auditor-General which raised a possible breach of legislation.⁵⁸

7.16 The Committee believes that the response by the Milk Authority to a request to the Chief Minister for a submission on matters in the Audit report, to be of serious concern.

7.17 The Committee requested the Secretary of the Chief Minister's Department to take up with the Milk Authority the Auditor-General's concerns, which he agreed to do.⁵⁹ The Committee has received no advice as to further action in relation to this matter from either the Secretary, Chief Minister's Department or the Milk Authority.

7.18 The Committee will be examining the general issue of the use of vehicles in its review of the Auditor-General's Report Number 2, Efficiency Audit, ACT Government Vehicle Fleet. The Committee notes however that that audit did not include vehicles owned by authorities and therefore seeks separate advice concerning the response to the Auditor-General's concerns relating to the Milk Authority.

7.19 The Committee recommends that:

- . the Chief Minister advise of the action taken in response to the Auditor-General's concerns regarding the use of vehicles by employees of the Milk Authority.**

⁵⁸ Transcript p 36

⁵⁹ Transcript p 38; Correspondence from the Secretary, Chief Minister's Department dated 11 April 1991

8 BANKING ARRANGEMENTS

Auditor-General's Report

8.1 The Audit report referred to the absence of a formal agreement with Westpac Banking Corporation and the ACT Treasury concerning banking arrangements. Accounts were opened with Westpac on 1 July 1989 for the conduct of the Territory's banking.⁶⁰

8.2 Audit expressed concern that a formal agreement was not signed until 20 December 1990. Audit also noted that, at the time of preparation of its report, an agreement for the provision of the front office bill paying service had not been finalised although services had been provided since 18 September 1989.

ACT Government Service comments

8.3 The Committee was advised that many drafts of the agreements and the clauses were discussed and their concepts changed from time to time resulting in delays in finalising the General Agreement for Banking Services and the Front Office Bill Paying Services. Pressure of work from competing matters also contributed.⁶¹

8.4 The Committee was also told that the arrangements between Westpac and the ACT were set out in the Request for Tender and Westpac's response. The opening of bank accounts and account establishment and operating authority forms were properly signed by delegates appointed under the Audit Act.⁶²

⁶⁰ Audit Report p 36

⁶¹ Submission

⁶² Submission; Transcript p 33

8.5 The ACT Government Service advised that the following agreements have been signed:

- . Corporate Mastercard Agreement (signed December 1989)
- . Deskbank – for computerised banking facilities (signed August 1989)
- . General Agreement for Banking Services (signed December 1990)
- . Overdraft Agreement – incorporated into the General Agreement for Banking Services⁶³

8.6 Treasury officials advised the Committee that the Front Office Bill Paying Service Agreement is expected to be signed by the end of May 1991.⁶⁴

Committee comments

8.7 The Committee agrees with the Auditor-General's concern regarding the time taken to finalise the banking agreements.

8.8 **The Committee recommends that:**

- . **the Front Office Bill Paying Service Agreement be finalised as soon as possible.**

Trevor Kaine MLA
Presiding Member
12 August 1991

⁶³ Submission

⁶⁴ Transcript p 33