Legislative Assembly for the ACT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*

NOVEMBER 2005

Report 4

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Resolution of appointment

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 7 December 2004 to:

(i) examine:

  (A) the accounts of the receipts and expenditure of the Australian Capital Territory and its authorities; and

  (B) all reports of the Auditor-General which have been presented to the Assembly;

(ii) report to the Assembly 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;

(iii) 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; and

(iv) examine matters relating to economic and business development, small business, tourism, market and regulatory reform, public sector management, taxation and revenue and sustainability.

Terms of reference

To examine Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits* and report to the Legislative Assembly.

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SUMMARY OF RECOMMENDATIONS

1 INTRODUCTION

Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*

1.1 Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits* (the Audit Report) was presented to the Legislative Assembly on 7 December 2004 and consequently referred to the Committee for inquiry.[1]

1.2 The Audit Report summarises the results of the audits of the financial statements of the Territory and its agencies in 2003-04. The Report also includes comments on significant matters found during these audits.

1.3 The Audit Report represents a departure from previous years in that the Auditor-General did not make recommendations for the Government to consider, providing instead a summary of 'significant findings'.

1.4 In the ACT jurisdiction, the Auditor-General, in conducting a financial audit, has regard to the *Financial Management Act 1996*, *Territory Owned Corporations Act 1990*, the *Corporations Act 2001*, the *Annual Reports (Government Agencies) Act 2004* and the *Auditor-General Act 1996*.

1.5 The Acts provide the legislative framework for financial and performance reporting and audit arrangements for the Territory's public sector. The Acts also include mechanisms for the public scrutiny of the financial and operational performance of agencies in the Territory's public sector.

1.6 The reporting and audit arrangements are intended to facilitate the Government's accountability in regard to its management of public sector resources to the Legislative Assembly and the public.[2]

1.7 The Audit Report provides comment and analysis on: the Territory's financial reporting and audit requirements; presentation of agencies' financial statements; agencies' performance against budget; agencies with significant

[1] Legislative Assembly for the ACT, Sixth Assembly, Hansard, Tuesday 7 December 2004, pp. 67-68.
[2] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, pp. 5-6.

issues and matters with other agencies.[3] Those agencies included in the Audit are listed at **Appendix A**.

1.8 The Committee received a briefing from the Auditor-General on the Audit Report [4]and sought and received a Government submission in relation to the findings of the Audit Report.[5]

Financial auditing

1.9 Financial auditing is about accountability and governance and its effective reporting by public sector agencies.

1.10 The purpose of financial audits is to:

- provide an independent audit opinion on the integrity of the financial information presented in government agencies' financial reports; and
- establish the reliability of the records by which that information is reported i.e. determine whether the government agencies comply with accounting standards and relevant laws, regulations and government directions.

1.11 An essential element of the accountability and governance process is the provision of independent assurance by an Auditor-General to parliament and the community that the information presented in the financial statements of public sector entities is presented fairly; is relevant and reliable; and is in accordance with Australian accounting standards.

1.12 In the ACT jurisdiction, the Legislative Assembly and the community rely on the Audit Office to provide an impartial opinion on whether the financial statements of the Territory and its agencies present a true and fair view of reported performance.[6]

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[3] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*.

[4] 24 February 2005.

[5] Dated 30 March 2005 and received by the Committee 13 April 2005.

[6] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 6.

1.13 The financial audit process highlights:

- opportunities for agencies to improve accounting and financial systems;
- financial information as a critical component of an organisation's management framework. When used in conjunction with non-financial reporting performance information it is a useful indicator of the overall performance of an organisation helping relate outputs to outcomes[7];
- that financial management is intimately connected to the public sector's ability to meet the Government's expectations regarding the delivery of government objectives[8]; and
- that full cost financial information provided by financial statements and reporting arrangements enables the discharge of accountability for the efficient, effective and ethical use of resources in the delivery of government policy objectives including, importantly, adequate and timely reporting[9].

Report context

1.14 Accordingly, the Committee has considered and assessed the issues raised by the Audit Report within the aforementioned financial audit background. It's report focuses on a selection of the significant issues raised and also provides a summary of the Government's comments in relation to these.

1.15 This focus includes: the Territory's financial management and reporting and accompanying audit opinions; agencies' budget performance, management of capital works funding; unfunded superannuation liabilities and audit results of agencies to which the Auditor-General has drawn specific attention.

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[7] ANAO, *Use of Financial Information in Management Reports*, 1999, p. 11.

[8] Management Advisory Board, *Beyond Bean Counting – Effective Financial Management in the APS – 1998 & Beyond*, 1998, p. 10.

[9] ANAO, *Use of Financial Information in Management Reports*, 1999, p. 3.

1.16 The Committee sought clarification on a number of related issues at public hearings in connection with its inquiry into the 2003-04 Annual and Financial Reports. The full transcript of these public hearings is available on the Assembly website at *http://www.hansard.act.gov.au/hansard/2005*

2 AUDIT REPORT FINDINGS

Financial statement audits

Preparation of financial statements

2.1 The Committee acknowledges that due to the timing of the 2004 election, the unaudited whole of Government financial statements were produced under a considerably shortened timeframe.

2.2 The Committee notes the Auditor-General's comments that:

> 'Processes to prepare financial statements could be improved…although the Audit office managed to provide the vast majority of audit opinions on time, many financial statements were not provided to the Audit office in accordance with Treasury's reporting timetable. In addition, the Audit office was often required to provide assistance to agencies to bring financial statements to an acceptable standard. This indicates that there is scope for reporting agencies to improve their processes for preparing financial statements[10]'.

RECOMMENDATION 1

2.3 **The Committee recommends that agencies take up the Auditor-General's finding regarding desirability of improvements to processes for the preparation of financial statements.**

Financial state of the Territory

Short-term financial position[11]

2.4 The short-term financial position[12] of the Territory strengthened over the twelve months to 30 June 2004. The Auditor-General noted that this position

[10] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p 1.

[11] *Ibid*., pp. 22-25.

was a continuation of a trend of improvement in recent years. Further the Auditor-General noted that the Territory's ability to cover its current liabilities was expected to remain strong over the next few years.[13]

Long-term financial position[14]

2.5 The long-term financial position of the Territory is weakening.[15] The Auditor-General found that the Territory's financial assets continued to be less than its liabilities due mainly to a substantial rise in the Territory's unfunded superannuation liabilities.[16]

2.6 The long-term position is expected to further decline due to an expected substantial fall in financial assets of $367 million (26%) over the next 12 months and a $212 million (20.2%) fall in these assets in the following years. The main contributory factors to this forecast decline include the use of these assets to fund capital activities and the essentially break even operating results forecasted for these years.[17]

2.7 During its inquiry into the 2003-04 Annual and Financial Reports, the Committee was interested in the funding of future infrastructure investment and development and sought clarification as to whether there was a criterion for funding capital works from revenue as opposed to borrowings. The Treasurer stated that as the Government had sufficient funds to finance its own capital works there was no need to borrow.[18]

2.8 The Committee is concerned about the possible impact continued funding of capital works from revenue as opposed to borrowings will have on weakening the long-term financial position of the Territory.

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[12] Refers to the next 12 month period and is assessed by comparing the amount of assets available to cover liabilities that are expected to be payable over the next 12 months.

[13] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 24.

[14] *Ibid.*, p. 25-27.

[15] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 3.

[16] *Ibid.*, p. 26.

[17] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 27.

[18] PAC Inquiry into 2003-04 Annual & Financial Reports, Transcript of evidence, 30 March 2005, p. 105.

Unfunded superannuation liabilities[19]

2.9 The Auditor-General noted as these liabilities are expected to rise over the next few years corresponding increases in investments will be needed to keep pace with the forecast superannuation liabilities. As a consequence this will be a major challenge for the Territory.[20]

2.10 Further, the Auditor-General noted that as the full extent of unfunded superannuation liabilities does not have to be met for some years there is no current danger to the Territory's finances. However, the Territory will have to fund its superannuation commitment to such an extent as will ensure that the current shortfall does not continue to grow to a size that will create significant financial difficulties.[21]

2.11 The Committee notes that current trends within the age profile of the ACT Government workforce indicate that an increasing number of employees will retire over the next ten years. Consequently, this means that many of these employees will reach retirement age when it will become necessary for the Territory to meet its obligations for their superannuation entitlements.

2.12 To ensure the Territory has the capacity to fund its superannuation commitment without increasing its current shortfall, the Committee believes that prudent planning and effective financial management are essential.

Budget management

2.13 The Territory and most departments and authorities were found to have managed their operations within budgets. The Auditor-General found five agencies[22] were unable to manage their operations within budget and three

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[19] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, pp. 20-27.

[20] *Ibid.*, p. 3.

[21] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 3.

[22] ACT Forests, Home Loan Portfolio, Legislative Assembly Secretariat, ACT Insurance Authority and Superannuation Unit.

agencies[23] were found to have exceeded budgeted net cost of services but not significantly.[24]

2.14 The *Financial Management Act 1996* requires departments and authorities to prepare financial statements that facilitate a comparison with their budgets.

ACT Forests[25]

2.15 The Auditor-General found that ACT Forestry did not manage its operations to budget due to higher than expected costs resulting from the acceleration of work on the removal of debris and replanting following the January 2003 bushfires.[26] As a consequence, ACT Forests was unable to achieve its budgeted net cost of services.

2.16 The Government[27] commented that it had made decisions on the future use of the burnt plantations and new responsibilities for ACT Forests as a public land manager. Furthermore, it also agreed to a review of ACT Forests' base budget by the Departments of Treasury and Urban Services.

2.17 In early 2004, cost estimates for a rehabilitation program were prepared on the basis that ACT Forests could internally fund the first six years of that program using the proceeds of the standing timber claim. ACT Forests commenced delivery of the Government's rehabilitation program and by 30 June 2004 had exceeded the original debris removal target by sixty percent and had also made considerable progress with preparing sites for replanting.[28]

2.18 Further, the Government stated that further completion of the aforementioned additional works caused the higher than expected costs observed by the Auditor-General.[29]

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[23] ACTION, Department of Education and Training and Department of Justice and Community Safety.
[24] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, pp. 42-43.
[25] *Ibid.*, pp. 51-53.
[26] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 51.
[27] Government Submission to Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 5.
[28] *Ibid.*, p. 5.
[29] Government Submission to Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 5.

2.19 The Committee notes the difficulties of operating in environments with high levels of uncertainty and the potential economic and social ramifications these external factors can have on organisational performance.

Home Loan Portfolio[30]

2.20 The Auditor-General found that doubtful debts and investment losses were not allowed for in the budget, but were included in the financial statements.[31]

2.21 In response, the Government commented that an external review would be undertaken in the future to determine the appropriate level of doubtful debt and the basis for determining future provisions.[32]

2.22 Further, the Government stated that the investment losses noted by the Auditor-General were related mainly to a lower than expected return on fixed interest investments. The return on these investments was subject to the vagaries of the market.[33]

Capital works[34]

2.23 The Committee notes the Auditor-General's finding that the management of capital works funding is an area of concern. The Committee further notes that while showing improvement in 2003-04 compared with the previous year, the large amount underspent indicated that the management of capital projects needs to be further improved.[35]

2.24 The under expenditure of capital works funding was attributed mainly to underspending by the Department of Urban Services ($29 million); ACT Health ($16 million); Department of Justice and Community Safety ($9 million); Office for Children, Youth and Family Support ($6 million); and Department of Education and Training ($4 million).[36]

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[30] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 56.
[31] *Ibid.*, p. 42.
[32] Government Submission to Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 8.
[33] *Ibid.*, p. 8.
[34] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, pp. 39-41.
[35] *Ibid.*, p 3.
[36] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p 39.

2.25 Further, the Committee notes that the Government did not provide comment in its submission about this significant finding.

RECOMMENDATION 2

2.26 **The Committee recommends that a capital works framework policy be developed to establish a consistent, whole of Government approach to the monitoring, planning and procurement of capital works.**

3 AGENCY ISSUES

3.1 The Auditor-General in examining the financial statements of Territory agencies and entities in which the Territory has a controlling interest, highlighted the results of particular agencies and entities.

3.2 The sections following outline the Auditor-General's analysis of various agencies, the Government's comments, and the Committee's comments and recommendations.

ACTEW Corporation Limited (including TransACT)[37]

3.3 The Auditor-General found in connection with ACTEW's investment in TransACT that there was a significant risk that none of the $60m invested would be recovered in the short to medium term.[38]

3.4 The Auditor-General noted that, given TransACT was a relatively new business operating in a high risk industry, it was difficult to assess with any degree of certainty the underlying value of the business and hence ACTEW's investment in TransACT.[39]

3.5 During its inquiry into the 2003-04 Annual and Financial Reports, the Committee was interested in ACTEW's response to the Auditor-General's concern about the valuation of ACTEW's TransACT assets and whether there was a likelihood of the original investment being returned.[40]

3.6 The Managing Director of ACTEW told the Committee that in the last reporting period, TransACT had commenced operating within the framework of ActewAGL. The alliance with ActewAGL and a major strategic restructuring undertaken by TransACT had significantly enhanced its performance. While its new business focus had placed TransACT on a more

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[37] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, pp. 49-51.

[38] *Ibid.*, p. 3.

[39] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 50.

[40] PAC Inquiry into 2003-04 Annual & Financial Reports, Transcript of evidence, 22 February 2005, p. 34.

steadier footing, ACTEW considered that the profit potential of TransACT would be realised not in the short to long term but in the future.[41]

3.7 ACTEW provided the following information on TransACT to the Auditor-General:

> '…Following the alliance with ActewAGL on 1 February 2004, TransACT's business focus shifted from providing dividends to shareholders, to increasing revenue and network coverage in the ACT. The alliance with ActewAGL significantly improves the efficiency of TransACT by providing a reduction in operating costs…however, in the short to medium term TransACT's operating cash flows will be reinvested in the business…ACTEW considers TransACT to be a viable entity and strongly supports its new business focus. Our valuation simply reflects our expectation that the profit potential of TransACT will be realised not in the short to medium term but in the future, as TransACT management now concentrate on investing in the network and growing customers.'[42]

ACT Health[43]

3.8 The Auditor-General found that the systems used by ACT Health to record and report on its performance measure results needed significant improvement and did not provide assurance that its reported results were free from errors or irregularities.[44]

3.9 Further, the Auditor-General found that ACT Health's reported waiting times in the emergency department were unable to be independently verified.[45]

3.10 The Government stated that many of the systems used by ACT Health to provide performance data were developed with a focus on patient data or service delivery rather than strict audit protocols. As a consequence this

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41 PAC Inquiry into 2003-04 Annual & Financial Reports, Transcript of evidence, 22 February 2005, p. 34.

42 Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, pp. 50-51.

43 *Ibid.*, pp. 53-56.

44 Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 54.

45 *Ibid.*, p. 3.

caused some difficulty in meeting the stringent requirements of audit. In 2004-05, ACT Health adopted a new model for data collection recommended by the Auditor-General to deliver improvements in accuracy and reliability of information.[46]

3.11 The Committee notes that robust and reliable performance information relates to an agency's efficiency and effectiveness in executing its responsibilities. Ideally it shows how an agency's outputs and administered items contribute to the achievement of outcomes. Inaccurate, incomplete or delayed information can seriously impede an organisation's performance.

3.12 Further, the Committee notes that performance information systems are critical to monitoring and measuring an organisation's performance and controlling an organisation's activities.

3.13 While providing a comprehensive and balanced coverage of a particular outcome, output or administered item, performance information:

- acts as an early warning to management of areas requiring attention;
- is a core set of information that contributes to sound decision making; and
- provides a strategic overview to assist in steering an organisation through complex and uncertain conditions.

3.14 The Committee is interested as to whether the new model for data collection adopted by ACT Health will contribute to improvements in accuracy and reliability of performance information and will monitor progress in this area.

ACT Insurance Authority[47]

3.15 The Committee notes the Auditor-General's finding as at 30 June 2004, that the ACT Insurance Authority did not have enough assets to meet its liabilities and

[46] Government Submission to Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits,* pp. 6-7.

[47] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 57.

its ability to meet long term liabilities and any unexpected losses had deteriorated in recent years.[48]

3.16 Further, the Auditor-General noted that the Authority did not manage its operations within its overall budget. However, given the late identification of significant medical insurance claims, the Auditor-General was doubtful that the budget could have been achieved.[49]

3.17 During its inquiry into the 2003-04 Annual and Financial Reports, the Committee expressed concern regarding an increased number of outstanding claims from the Department of Health, which appear to have been overlooked, and the ability of the Government to meet insurance claims.[50]

3.18 The Government stated that in the recent past there was a reluctance to advise the Insurance Authority 'not so much on the claims themselves but on incidents which are likely to develop into claims'[51]. The Government further stated that it had identified all the possible large claims and was moving to change the situation through education and new legislation.[52]

3.19 The Government stated that the financial shortfall at 30 June 2004 was addressed by a capital injection of $10 million by the Government in the first quarter of the financial year 2004-05. The longer-term liabilities were currently being considered in the context of the 2005-06 Budget process.[53]

3.20 The ability of the Territory to effectively meet the costs of its insurance claims and losses is an issue of concern that the Committee will monitor.

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48 Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p 3.

49 *Ibid.*, p. 57.

50 PAC Inquiry into 2003-04 Annual & Financial Reports, Transcript of evidence, 30 March 2005, pp. 123-124.

51 *Ibid.*, p. 124.

52 PAC Inquiry into 2003-04 Annual & Financial Reports, Transcript of evidence, 30 March 2005, pp. 124-126.

53 Government Submission to Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 9.

Legislative Assembly Secretariat[54]

3.21 The Auditor-General issued an unqualified audit opinion on 27 August 2004 on the accounts of the ACT Legislative Assembly Secretariat. However, the Auditor-General expressed concern about the following:

- significant weaknesses in controls relating to payments, the effect of which was risk of error and irregularities such as fraud;
- a significantly worsened operating result;
- net cost of services exceeded the Legislative Assembly Secretariat's budget; and
- current assets were not sufficient to meet current liabilities.[55]

3.22 During its inquiry into the 2003-04 Annual and Financial Reports, the Committee explored the adverse findings of the Auditor-General with the Legislative Assembly Secretariat and a Secretariat representative advised[56]:

- the financial unit is small and under resourced;
- measures were being taken to provide additional resources; and
- steps were taken to segregate duties to make the area more risk averse.[57]

3.23 The Government stated that the significant weaknesses in controls identified by the Auditor-General were of concern to the Secretariat and the Government. The Government stated in many cases they had arisen due to the relatively small size of the Corporate Services Office and consequent difficulties in segregating duties. Since the audit, an independent review of

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[54] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, pp. 60-62.

[55] *Ibid.*, p. 60.

[56] PAC Inquiry into 2003-04 Annual & Financial Reports, Transcript of evidence, 23 February 2005, pp. 68-70.

[57] *Ibid.*, p. 69.

the staff structure had been completed and it had been proposed that recommendations related to this issue be adopted.[58]

3.24 Further, in connection with the contribution wage increases and higher leave entitlements had made to the deterioration of the Secretariat's operating result in recent years, the Government responded:

> 'The leave liabilities for Secretariat staff were reviewed during the year ended June 2004 (following a recommendation from the June 2003 audit) and the review identified that those liabilities had been understated.'[59]

3.25 In relation to the Auditor-General's finding that the Secretariat did not have sufficient current assets to meet current liabilities at 30 June 2004, the Government responded:

> 'The Secretariat has addressed the main causes of that operating deficit and continues to monitor expenditure to ensure, to the greatest extent practicable, it is maintained within budgeted levels and that there are adequate reserves to meet the future liabilities of the Secretariat.'[60]

3.26 The Committee reiterates the importance of measuring and monitoring an organisation's performance to assist in the allocation of resources; the identification of areas for performance improvement; and improvement of internal and external accountability.

Totalcare[61]

3.27 Following discovery that Totalcare had incorrectly exited the Commonwealth and Public Sector Superannuation Schemes (CSS and PSS respectively), the Auditor-General found that Totalcare had recognised a liability of $17.3m for the estimated superannuation contributions owing in respect of employees.

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[58] Government Submission to Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 10.
[59] *Ibid.*, p. 10.
[60] Government Submission to Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 10.
[61] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, pp. 67-68.

As a substantial number of employees may have been affected, the exact amount of the liability cannot be known for some time.[62]

3.28 The Committee notes that the liability realised as a consequence of Totalcare exiting the CSS and PSS raises questions about the agency's effectiveness in executing its responsibilities and is indicative of poor governance.

3.29 The Government stated that a working party of staff from the ACT Department of Treasury had been established to carry out a two part program to rectify the situation. This will be done by first identifying all past and present staff who are eligible to be a member of ComSuper, and second, calculating the amount of superannuation contributions owing to CompSuper for each eligible employee.[63]

3.30 Further, a provision had been raised in the financial statements for the estimated amount of superannuation contributions outstanding. However, as this is a management estimate based on the best information available at the time, there may be a variance in the final liability.[64]

3.31 The Committee is concerned about the unintended consequences of Totalcare exiting the CSS and PSS and the possible impact the unfunded superannuation liabilities will have on the long term financial position of the Territory.

Workers' Compensation Supplementation Fund[65]

3.32 During its inquiry into the 2003-04 Annual and Financial reports, the Committee examined the Industrial Relations portfolio in relation to the legal costs associated with the Workers' Compensation Supplementation Fund and corporate governance issues.

3.33 The Committee was interested in the legal costs associated with the Workers' Compensation Supplementation Fund. The Committee noted that the Auditor-General found, among other things, that the processes for the

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[62] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 67.
[63] Government Submission to Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 13.
[64] *Ibid.*, p. 13.
[65] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, p. 102.

selection of providers of legal services and other services were not in accordance with Government procurement legislation and policy guidelines.

3.34 Furthermore, the provisions of relevant legislation concerning the public availability of information on government contracts were not adhered to. Also, the powers of the fund manager, in managing the relationship with the supervising insurer, had apparently not always been exercised in an efficient and effective manner.[66]

3.35 The Committee was reassured that the aforementioned issues have been addressed. The Government stated that the Auditor-General's findings had been taken on board with a view to moving the fund forward.[67]

3.36 In summary, the Government stated that the Fund's recent establishment as a stand alone entity would improve its corporate governance arrangements.[68]

3.37 The corporate governance of the Fund is of particular interest to the Committee and it will follow progress in this area with interest.

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[66] PAC Inquiry into 2003-04 Annual & Financial Reports, Transcript of evidence, 31 March 2005, p. 155.

[67] *Ibid.*, p. 159.

[68] PAC Inquiry into 2003-04 Annual & Financial Reports, Transcript of evidence, 31 March 2005, pp. 155-159.

4 CONCLUSION

4.1 The Committee acknowledges the views presented and findings made in the Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*.

RECOMMENDATION 3

4.2 **The Committee recommends that the Legislative Assembly note the findings of Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*.**

4.3 The Committee has made 3 recommendations in relation to its inquiry into the Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*.

Richard J Mulcahy MLA

Chair

2 November 2005

APPENDIX A: Territory departments and agencies included in the Audit Report[69]

The Report summarises the results of the financial statements of the Territory and its agencies in 2003-04. Seventy-three financial statements were undertaken in 2003-04, including[70]:

- 1 Territory
- 18 Departments/Agencies
- 21 Statutory authorities
- 10 Territory owned corporations and other companies
- 13 Land development joint ventures and partnerships
- 10 Other audits

Departments/Agencies

Central Financing Unit

Chief Minister's Department

Disability, Housing and Community Services

Education and Training

Executive

Forests

Health

Home Loan Portfolio

Housing ACT

InTACT

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[69] Auditor-General's Report No 10 of 2004: *2003-04 Financial Audits*, pp. 11-12.

[70] *Ibid.*, p. 1.

Justice and Community Safety

Legislative Assembly Secretariat

Office for Children, Youth and Family Support

Planning and Land Authority

Superannuation Unit

Treasury

Urban Services

Workcover

Authorities

ACTION

Agents Board of the ACT

Australian Capital Tourism Corporation

Australian International Hotel School

Building and Construction Industry Training Fund Board

Canberra Institute of Technology

Canberra Public Cemeteries Board

Cleaning Industry Long Service Leave Board

Construction Industry Long Service Leave Board

Cultural Facilities Corporation

Gambling and Racing Commission

Healthpact

Independent Competition and Regulatory Commission

Insurance Authority

Land Development Agency

Legal Aid Commission

National Exhibition Centre Trust (EPIC)

Public Trustee Office Account

Public Trustee Account

Stadiums Authority

University of Canberra

Territory Owned Corporations and Other Companies

ACTEW China Pty Limited

ACTEW Corporation Limited

ACTEW Distribution Limited

ACTEW Retail Limited

ACTTAB Limited

CIT Solutions Pty Limited

Community Housing Canberra Limited

ECOWISE Environmental Pty Limited

Totalcare Industries Limited

University of Canberra College Pty Limited

Land Joint Ventures and Partnerships

ActewAGL Joint Venture General Purpose Statements

ActewAGL Concise Statements

ActewAGL Distribution Partnerships

ActewAGL Retail Partnership

Amaroo 3 Joint Venture

Amaroo 3 Joint Venture Pty Limited

Gold Creek Country Club Pty Limited

Harcourt Hill Estate

Harcourt Hill Estate Pty Limited

Kingston Stage 1A Joint Venture

Nicholls Lakeside Estate

Nicholls Lakeside Estate Pty Limited

Southside Estate Joint Venture

Other Audits

Canberra Bushfire Recovery Appeal Fund

Canberra Business Development Fund – December 2003

Canberra Business Development Fund – June 2004

Canberra Public Cemeteries Trust

Gungahlin Cemetery Perpetual Care Trust

Hall Cemetery Perpetual Care Trust

Nicholls Primary School Joint Facilities

Nominal Insurer

Woden Cemetery Perpetual Care Trust

Workers' Compensation Supplementation Fund