ACT
GOVERNMENT

TABLING STATEMENT

Government Response to Report No. 6 of the Standing Committee on Public Accounts

"Review of Auditor-General's Report No. 7 of 2002: Financial Audits with years ending 30 June 2002."

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Mr Speaker, I present the Government Response to the Standing Committee on Public Accounts Report No.6 of their review of Auditor General's Report No.7 of 2002: Financial Audits with Years Ending to 30 June 2002.

- The Government's response reiterates its commitment to ensuring agencies comply with the FMA. Training and information sessions on the FMA, including recent amendments to the Act and the importance of compliance with the Act are provided to agencies.

- The Government will propose changes to the FMA to clarify Section 18 in regard to the use of the Treasurer's Advance and also through the provision of more detailed internal guidance to agencies regarding its use.

- The Government is committed to the ongoing improvement of the Territory's financial management framework to continue to ensure a high standard of financial management and reporting.

Mr Speaker, I commend these papers to the Assembly.

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THE LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

GOVERNMENT RESPONSE
TO THE STANDING COMMITTEE
ON
PUBLIC ACCOUNTS

REPORT No. 6

"REVIEW OF AUDITOR-GENERAL'S REPORT NO. 7 OF 2002: FINANCIAL AUDITS WITH YEARS ENDING TO 30 JUNE 2002"

12 FEB 2004

INTRODUCTION

In September 2003 the Standing Committee on Public Accounts presented to the Legislative Assembly its Review of the Auditor-General's Report No. 7 of 2002 - "Financial Audits with Years Ending to 30 June 2002".

The Auditor-General's report included seventy five audit opinions of which three were qualified. These were for the Territory's and the Superannuation Unit's Financial Statements as well as for ACTEW Corporation. Each of these opinions involved differing interpretations of the Australian Accounting Standards and were fully discussed in the Government's Submission to the Standing Committee for Public Accounts on the Auditor-General's Report No. 7 –2002.

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The Standing Committee on Public Accounts review included five recommendations.

GOVERNMENT RESPONSE

Recommendation 1 - the Legislative Assembly notes the findings of Auditor-General's Report no 7 of 2002: Financial Audits with Years Ending to 20 June 2002. In particular, the Committee highlights the findings in relation to agencies where there is non compliance with the *Financial Management Act 1996* (FMA), non management of financial operations to Budget and incursion of loss. Agencies need to be reminded that compliance with the FMA is a fundamental tenant of good governance.

Government response

Training and information sessions on the FMA, including recent amendments to the Act and the importance of compliance with the Act are provided to agencies. Treasury is also considering further ways to increase agency understanding of the FMA.

Circumstances will, however, always exist where agency financial performance differs from that budgeted. Examples of this will relate to actuarial assessments of liability (for example for superannuation and insurance) or asset valuation. In an accrual system there are too many variables to ensure the complete ability to predict, and therefore budget, financial outcomes to 100% certainty. An important issue for agencies is to be able to explain variances and to control the variables which can be controlled.

Recommendation 2 – an independent review of the FMA be undertaken

Government response

Not agreed.

Over the last two years, a comprehensive review of the FMA has been undertaken by the Department of Treasury. The Auditor-General identified five main issues he considered to be outstanding. The issue concerning clarification of the definition for investments was addressed through amendment of the FMA in May 2003. The issue concerning clarification of the role of Territory Authority Boards is being considered as part of a wider review of corporate governance arrangements for Territory Authorities.

In regard to the clarification of the respective roles of Ministers and Chief Executives, the Government does not agree that it is appropriate for inclusion in legislation.

The remaining two issues are of a technical accounting nature which are not appropriate for addressing through legislation, and which can have various interpretations. The addressing of detailed technical issues through increased legislative prescription can significantly increase the length of the legislation, without necessarily improving clarity. The Government is committed to the ongoing improvement of the Territory's financial management framework and will be proposing to the Legislative Assembly further improvements to the FMA during 2003-04.

Recommendation 3 – in particular, section 18 of the FMA providing for the Treasurer's Advance be reviewed to clarify the purpose and use of the Treasurer's Advance

Government response

Agreed.

Amendment of the FMA is proposed for the 2004 Autumn sittings of the Legislative Assembly to clarify section 18 in regard to use of the Treasurer's Advance. The amendment will propose clarification of the key term 'expenditure' in section 18. More detailed guidance regarding use of the Treasurer's Advance will be addressed through administrative guidelines being developed by Treasury. Addressing matters of detail is considered more appropriate through administrative guidelines rather than through legislation.

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Recommendation 4 - regulations be established for the use of the Treasurer's Advance

Government response

Not agreed.

Section 68 of the FMA notes that the Executive may make regulations for this Act and that regulations must be notified, and presented to the Legislative Assembly, under the *Legislation Act 2001.* The government considers addressing the use of the Treasurer's Advance through administrative guidelines, rather than through regulation, is considered appropriate.

Recommendation 5 - other issues identified by the Auditor-General's Report in relation to individual agencies be addressed by relevant agencies

Government response

Noted.