LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NUMBER 8, 1994

Financial Audits with Years Ending to 30 June 1994

STANDING COMMITTEE ON PUBLIC ACCOUNTS
Report Number 1

May 1995

RESOLUTION OF APPOINTMENT

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 9 March 1995 with the following terms of reference:

(a) examine:

   (i) the accounts of the receipts and expenditure of the Australian Capital Territory;

   (ii) the financial affairs of authorities of the Australian Capital Territory; and

   (iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) 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;

(c) 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

(d) inquire into and report on the implementation of the *Public Sector Management Act 1994* with particular reference to:

   (i) the public interest; and

   (ii) any other related matter.

MEMBERSHIP OF THE COMMITTEE

Ms Rosemary Follett MLA (Committee Chair)

Mr Trevor Kaine MLA (Deputy Committee Chair)

Ms Lucy Horodny MLA

Secretary: Bill Symington

1. INTRODUCTION

Background

1.1 Auditor-General's Report No 8, 1994 was presented to the Assembly on 1 December 1994. The report was prepared by Audit Office staff and contracted accounting firms and others and is based mainly on the audits of Agencies' financial statements for the year ended 30 June 1994. It discusses the results of each audit separately and advises the position with matters which were raised in the corresponding audit report for 1993.

Approach to the Inquiry

1.2 By resolution of the Assembly on 9 March 1995 the committee was authorised to consider and make use of the evidence and records of the Standing Committee on Public Accounts appointed during the previous Assembly. The previous committee in its September 1994 report to the Assembly on Auditor-General's Report No 11, 1993 - the audit of Agencies' financial statements for the year to 30 June 1993 - noted that the committee's report on the corresponding audit of Agencies for the year to 30 June 1992 was debated in the Assembly on 25 August 1994.

1.3 The previous committee noted that with the passage of time and with intervening events such as the inquiries by the Select Committee on the Estimates for 1994-95 and the Select Committee on Budget Performance and Outcomes for the financial year 1993-94, many of the issues noted by the 1993 audit had been addressed in one form or another.

1.4 A similar situation exists with the current report. The Select Committee on Budget Performance and Outcomes for the financial year 1993-94 covered much the same ground as Auditor-General's Report No 8, 1994 when it examined Agency unitary financial statements and annual reports for that year.

1.5 The committee considers that the Auditor's year end financial audits should be resource documents for budget performance and outcome reviews in future years either by this committee or Assembly select committees appointed for that purpose. However, such audit reports will only be of real value in the budget review process if they are available to the Assembly by early October of each year.

2. AUDIT FINDINGS

2.1 The audit report is organised into chapters for Ministerial portfolios and the results of each audit are reported separately within those chapters. The report also advises the current position with matters which were raised in the corresponding report for 1993 on financial audits.

2.2 The report notes that during the audit some matters of compliance and efficiency came to notice and significant matters of this nature are outlined in the report. The report includes chapters on financial reporting and accountability and the Aggregate Financial Statement for 1993-94 prepared by the ACT Treasury.

2.3 With regard to financial reporting and accountability, the audit notes significant and continuing improvement over the past three years.[1]

2.4 With regard to the Aggregate Financial Statement for 1993-94, the audit noted that the statement tabled in the Assembly by the Treasurer on 10 November 1994 recognised an existing surplus and indicated the reason for an audit qualification to the statement. The audit report recommended that this surplus should be brought to account in the Treasury ledgers through appropriate accounting adjustments. The audit noted that the unaccounted surplus could lead to inaccurate reporting to the Assembly on financial outcomes.[2]

3. SIGNIFICANT ISSUES

3.1 The audit has focussed upon a number of matters it considers worthy of specific comment. They are enumerated at pages 7 to 10 of the audit report. Some of these note improvements in procedures and operations, some indicate action taken to redress shortcomings and others are observations.

Committee Comment

3.2 There are a number of the significant issues noted by the audit which the committee considers require a specific Government response. These are:

- there is a need to increase qualified and experienced accounting resources in the ACT Government Service;[3]
- net capital losses on investments during 1993-94 were $10.5m;[4]
- there is a need for strategies to address the funding needs of the Office of the Public Trustee;[5]
- the Office of Rental Bonds does not have an adequate trust ledger;[6]
- the Auditor-General has no involvement in the financial audits of land development joint ventures in which the Department of Environment, Land and Planning is participating;[7]
- the Canberra Theatre will not match revenue to programming costs and operating commitments in 1994-95;[8]
- costs for areas directly under the control of ACTEW, such as "Operations and Services" and "Corporate and Administration" have significantly increased over the past three years;[9]

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1 Auditor-General's report No 8, 1994, p11
2 Ibid, p20
3 Ibid, p13
4 Ibid, p43
5 Ibid, pp 67,68
6 Ibid, p77
7 Ibid, pp88,89
8 Ibid, pp90,91

- the Department of Urban Services does not have appropriate procedures to ensure that all monies due from a car park leasing contract have been received;[10]

- a redundancy payment of $70,000 may not generate any savings to ACTION and the payment may have been made unnecessarily;[11]

- Exhibition Park has experienced significant operating losses over recent years.[12]

4. COMMITTEE REQUEST

The committee requests that the Auditor-General seek to provide annual Agency financial audits to the Assembly by early October each year to enable the audit report to be used directly as a resource document in the Assembly budget performance and review process.

5. RECOMMENDATION

The committee recommends that the Government:

(i) ensure that the existing surplus recognised in the Aggregate Financial Statement for 1993-94 be brought to account in the Treasury ledgers through appropriate accounting adjustments; and

(ii) provide a response to the Assembly on the significant issues raised by the audit report and which are listed in paragraph 3.2 of this report.

Rosemary Follett MLA
Chair

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[9] Ibid, p131
[10] Ibid,p123
[11] Ibid, pp163,164
[12] Ibid, p167