



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

PA15/06

Mr Brendan Smyth MLA
Chair
Standing Committee on Public Accounts
Legislative Assembly Building
London Circuit
CANBERRA ACT 2600



Dear Mr Smyth

INQUIRY INTO ANNUAL REPORTS (GOVERNMENT AGENCIES) AMENDMENT BILL 2014


Attached is the Audit Office's submission to the current inquiry by the Standing Committee on Public Accounts into the Annual Reports (Government Agencies) Amendment Bill 2014.

The attached submission outlines the Audit Office's comments in relation to the Inquiry's terms of reference.

As the Audit Office has not been involved in discussions between reporting agencies that may have preceded the amendments proposed in the Bill, the Audit Office has therefore largely confined its comments to the proposal to extend the submission date for annual reports by one month (from three to four months) after the end of the reporting period.

I would be pleased to provide further information on this submission if requested to do so.

Yours sincerely


Dr Maxine Cooper
Auditor-General
April 2015

Submission to the Standing Committee on Public Accounts

INQUIRY INTO ANNUAL REPORTS (GOVERNMENT AGENCIES) AMENDMENT BILL 2014

A. Introduction

At its meeting on Thursday, 26 March 2015, the Legislative Assembly passed the following resolution:

That:

- (1) the Annual Reports (Government Agencies) Amendment Bill 2014 be referred to the Standing Committee on Public Accounts for inquiry and report;
- (2) the Committee is to consider the bill in conjunction with online reporting requirements; and
- (3) the Standing Committee on Public Accounts is to report to the Assembly by 5 May 2015. If the Assembly is not sitting when the Committee has completed its report the Speaker, or in the absence of the Speaker, the Deputy Speaker is authorised to make directions for its printing, publication and distribution.

The 'explanatory statement' relating to the Annual Reports (Government Agencies) Amendment Bill 2014 states that:

Outline (extract)

The Bill also extends the submission date for annual reports by one month, from three to four months after the end of the reporting period. The Auditor-General is required to audit annual report financial statements each year prior to submission of annual reports. Agency feedback indicates that the three-month period does provide not sufficient time between the audit and submission of annual reports.

The 'explanatory statement' also states that:

Amendments 9 (extract)

Section 5 Responsible Minister to present annual report Section 13(1)(a)

Section 5 of the Bill amends Section 13(1)(a) of the Act to require that the responsible Minister for an annual report to present the annual report within four months after the end of the reporting year to the Legislative Assembly. This is known as the '4-month period'. The presentation of annual reports is increased from three months to allow for better rigour in the process.

B. Overall Comments

The explanatory statement indicates that the main reasons for the proposal to extend the submission date for annual reports by one month (from three to four months) after the end of the reporting period are that:

- three months does not provide sufficient time between the audit and submission of annual reports; and
- additional time (one month) is needed 'to allow for better rigour in the process'.

The Annual Reports (Government Agencies) Notice 2014 (Notifiable Instrument NI2014-319) states that:

Annual reports are reports from agency heads to their responsible Minister, the Legislative Assembly and the public. They provide information about the achievements, issues; performance, outlook and financial position of the agency at the end of each reporting year.

Annual reports promote accountability in the public sector as:

- one of the main ways for agencies to account for their performance, through Ministers to the Legislative Assembly and the wider community;
- a key part of the historical record of government and public administration decisions, actions and outcomes;
- a source of information and reference about the performance of agencies and service providers; and
- a key reference document for internal management. (**bold emphasis added**)

For ACT Government agencies to be held to account for their performance, information on their performance should be provided to the Legislative Assembly and wider community in a timely manner. Any proposal that would extend the submission date for annual reports should therefore be carefully considered.

The Audit Office considers that the reasons provided in the explanatory statement for extending the timeframe are not sufficient to warrant an extension to the submission date for annual reports. In particular, as discussed below, the claim in the explanatory statement that 'three months does not provide sufficient time between the audit and submission of annual reports' is not consistent with the results of audit work on the timeliness of annual reports.

C. Timeliness of Annual Reports

In Report No. 7/2014 titled '2013-14 Financial Audits', the Audit Office reported that:

Reporting agencies are required by the Annual Reports Directions issued under the *Annual Reports (Government Agencies) Act 2004* to place their annual reports on the relevant website on the same day that their annual report is tabled in the ACT Legislative Assembly.

All except one reporting agency placed its annual report on the relevant website on time. One agency placed its annual report on its website shortly after the due date.¹

However, problems were experienced by several agencies in ensuring that the correct version of their audited financial statements and reviewed statement of performance were included in their annual reports. The Audit Office reported that:

Agencies are responsible for ensuring that the printed and electronic (website) version of their audited financial statements and reviewed statement of performance included in the annual report and placed on the relevant website are consistent with those on which the audit report and report of factual findings were issued.

Eight reporting agencies (18 percent) did not include all pages of their audited financial statements, reviewed statement of performance, or report of factual findings in the printed and electronic versions of their annual report.

While these reporting agencies corrected the printed and electronic versions of their annual reports, these errors indicate that these agencies need to improve their processes for ensuring that the correct version of their audited financial statements and reviewed statement of performance are included in their annual report.²

The problems experienced in 2013-14 were unusual as they did not affect most reporting agencies and, as explained below, did not occur in the preceding three years.

In Report No. 7/2013 titled '2012-13 Financial Audits', the Audit Office reported that:

In 2012-13, all except one agency placed their annual reports on the relevant website on time as required in the Annual Reports Directions. This agency placed their annual report on their website soon after the due date.

In 2012-13, all agencies published the correct version of their financial statements and statement of performance in the printed and electronic version of their annual reports.³

Furthermore, in Report No. 10/2012 titled '2011-12 Financial Audits' the Audit Office reported that:

In 2011-12, all agencies provided their annual reports on the relevant website on time.⁴

All agencies included the correct version of their financial statements and statement of performance in the printed and electronic version of their annual reports.⁵

¹ Page 33 of Report No. 7/2014 titled '2013-14 Financial Audits'.

² Page 33 of Report No. 07/2014 titled '2013-14 Financial Audits'.

³ Page 33 of Report No. 07/2013 titled '2012-13 Financial Audits'.

⁴ Page 31 of Report No. 10/2012 titled '2011-12 Financial Audits'.

In Report No. 5/2011 titled '2010-11 Financial Audits', the Audit Office advised that:

In 2010-11, all agencies placed their annual reports on the relevant website by the date required by the Chief Minister's Annual Report Directions.

All agencies included the correct version of their financial statements and statement of performance in the printed and electronic (website) version of their annual report.⁶

The consistently high level of compliance by reporting agencies with the timetable for placing annual reports on the relevant website and few problems experienced in ensuring that the correct version of audited financial statements and reviewed statement of performance are included in annual reports indicates that agencies have had sufficient time to place their annual reports on the relevant website within the three-month period.

Furthermore, as discussed below, there have been no changes to the reporting and audit timetable issued by the Chief Minister, Treasury and Economic Development Directorate which would explain why more time is needed for most agencies.

C. Whole-of Government Reporting and Audit Timetable

The former Chief Minister and Treasury Directorate issued the 2013-14 whole-of-government reporting and audit timetable. This timetable includes the dates by which reporting agencies were required to submit their certified financial statements to the Audit Office and dates by which the Audit Office is to provide audit reports on financial statements and reports of factual findings on statements of performance.

Tasks	Due dates
Agencies to provide certified financial statements to the Audit Office.	15 July
The due date for most agencies was either 15 July or 24 July, however, a few agencies were provided with more time.	24 July
Agencies to provide certified statements of performance to the Audit Office.	18 Aug
Audit Office to provide audit reports on financial statements	17 Sept
Audit Office to provide reports of factual findings on statements of performance	17 Sept

The due dates shown in the above table are consistent with those of recent years.

⁵ Page 32 of Report No. 10/2012 titled '2011-12 Financial Audits'.

⁶ Page 29 of Report No. 5/2011 titled '2010-11 Financial Audits'.

The timetable provides the Audit Office with around:

- eight to nine weeks from the date that the financial statements are received by the Audit Office for the audits of financial statements to be completed; and
- four weeks from the date that the statements of performance are received by the Audit Office for the reviews of financial statements to be completed.

In 2013-14, for example, Audit Office completed around 50 audits of financial statements and 30 reviews of statements of performance over this period.

The Audit Office uses a financial audit status report (an internal report) to monitor the status of the audits of the financial statements and reviews of statements of performance of agencies. This report indicates that audits of financial statements and reviews of statements of performance were completed by the due date of 17 September 2014. The 2013-14 pattern of completing the annual program of financial audits and reviews of statements of performance within planned timeframes has not changed in recent years.

Significantly, the status report also shows that audit reports on financial statements and reports of factual findings on statements of performance *are issued progressively* from mid-August with most being issued in the last two weeks of August and first two weeks of September. This means that, most reporting agencies received their audit reports and reports of factual findings before the due date of 17 September (many well before) and will have had longer than from 17 September to include the audited financial statements and audit report and reviewed statements of performance and report of factual findings in their annual reports.

This pattern of completion has not changed for several years. While acknowledging that the timetable is tight, the Audit Office is not aware of any major problems with audit timing which that would warrant a change to the timetable for the annual reports.

D. Extension of Time for Presenting Annual Reports

Section 14 of the *Annual Reports (Government Agencies) Act 2004* provides a legal process by which an extension of time for annual reports can be obtained.

The Audit Office considers that this process should be used where agencies consider that more time is needed to present their annual reports.