Legislative Assembly for the ACT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of Auditor-General's Report No 1 of 2003

Effectiveness of Annual Reporting

AUGUST 2004

Report 12

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Resolution of appointment

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 11 December 2001 to:

(i) examine:

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

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

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

(ii) 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;

(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 1 of 2003: Effectiveness of Annual Reporting, and report to the Legislative Assembly.

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Recommendations

The Committee recommends that:

Recommendation 1

The Standing Committee on Public Accounts in the Sixth Assembly take up the issue of who should be responsible for approving the Annual Reports Directions.

Recommendation 2

The Government initiate a trial of independent quality assurance of annual reports prior to publishing.

Recommendation 3

The Government reconsider its position on Auditor-General's suggestions 3 and 13 of Report No 1 of 2003.

1. Introduction

1.1. Auditor-General's Report No 1 of 2003: Effectiveness of Annual Reporting (Audit report) was presented to the Legislative Assembly on 4 March 2003 and consequently referred to the Committee for inquiry.[1]

1.2. The Committee then sought and received a Government submission in relation to the audit report.

1.3. The aim of the Audit was to provide an independent opinion in relation to the effectiveness of the Annual Reports (Government Agencies) Act; the Chief Minister's Annual Reports Directions; and related administrative arrangements.[2]

1.4. This report briefly examines the significant issues raised by the Auditor-General in relation to the annual reporting of government agencies before the enactment of the Annual Reporting (Government Agencies) Bill 2003.[3] The Government's comments in relation to these issues are also included.

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[1] Legislative Assembly for the ACT, Fifth Assembly, Minutes of Proceedings No 48, Tuesday, 4 March 2003, p 567.

[2] Audit report, p 3.

[3] The Bill was presented by the Chief Minister, Mr Jon Stanhope, MLA on 11 December 2003 and passed with amendment on 9 March 2004, becoming the Annual Reports (Government Agencies) Act 2004.

2. Audit findings

2.1. The Auditor-General made three findings in relation to the effectiveness of annual reporting, which are listed below.

> The Annual Reports (Government Agencies) Act[4] is generally effective but there is scope to improve its effectiveness.
>
> The Chief Minister's Annual Reports Directions are not fully effective.
>
> The Directions are not being administered effectively.[5]

2.2. The Government stated that it agreed in part with the first two findings, but not with the third finding. In relation to the findings, the Chief Executive of Chief Minister's Department stated that

> The audit acknowledges that the implementation of many of the audit's suggestions may have resource and timing implications, but that the "balancing of such matters with the objective of achieving better practice in reporting is properly a matter for the Government".[6]

2.3. The Government made the point that while reports should provide enough information to inform the parliament in its decisions

> Annual reports should not become compendia of all government activity and information. Reporting to the Assembly or providing information to the public is not, and should not be, solely through annual reports.[7]

2.4. The Auditor-General made 38 suggestions for future action by the Government in relation to the findings. A list of these follows, including the Government's response.

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[4] Refers to the *Annual Reports (Government Agencies) Act 1995*, now repealed by the *Annual Reports (Government Agencies) Act 2004*.
[5] Audit report, p 3.
[6] Government submission, p 1.
[7] ibid., p 2.

3. The Auditor-General's suggestions for future action

Enhancing the Annual Reports (Government Agencies) Act

3.1. The Auditor-General made five suggestions for future action by the Government in relation to enhancing the Annual Reports (Government Agencies) Act.

Suggestion 1

3.2. The Legislative Assembly give consideration to removing any ambiguity that may exist between relevant provisions of the Public Sector Management Act, the Financial Management Act and the Annual Reports (Government Agencies) Act regarding the responsibilities of Ministers and Chief Executives. This could be achieved by amending the Annual Reports (Government Agencies) Act to provide for Ministers to present reports on the operation of their departments to the Legislative Assembly.[8]

3.3. The Government did not agree with suggestion 1 stating that it did not see any ambiguity between the three Acts. Further that Chief Executives signing and presenting agency annual reports to relevant Ministers confirms the accountability of Chief Executives.[9]

3.4. The Committee accepts that there are ambiguities between the relevant Acts and recommends that the Government undertake a review of these Acts to ensure they are consistent in their application.

Suggestion 2

3.5. The Act be amended to make it clear that the presentation of annual reports to the responsible Minister or the appropriate Chief Executive must include audited financial statements. Such an amendment could be achieved by including a definition in section 4 of the Act to define 'annual report' to include, amongst other things, the audited financial statements.[10]

3.6. The Government agreed in principle with suggestion 2 stating that it may not always be practicable for audits to be completed within the 10 week deadline. The Government suggested that the change could be implemented through the Chief Minister's Annual Reports Directions.

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[8] Audit report, p 9.
[9] Government submission, p 3.
[10] Audit report, p 10.

> Mandating inclusion of audited financial statements within the existing deadlines would create pressure on audit timetables without any difference in the final report as presented to the Assembly.[11]

3.7. The Government stated that the requirement that annual reports include financial statements would be included in the Annual Report Directions after amendment of the Annual Reports (Government Agencies). The amendment would replace the requirement that agencies financial statements be given to the relevant Minister within 10 weeks after the end of the reporting period, and then tabled within 12 weeks.[12]

Suggestion 3

3.8. The Act be amended to provide for whole of government reporting. Such a report might be prepared by the Chief Minister and presented to the Legislative Assembly. The report could give an aggregated account of the operations of the public sector during the reporting period.[13]

3.9. The Government disagreed with suggestion 3, stating that whole of government information is provided through the Budget, Consolidated Territory Financial Statements and the State of the Service Report.

3.10. Further,

> Assessment of the strategic direction of governments is more appropriately addressed as part of the election cycle.[14]

3.11. The Committee believes there would be merit in the suggestion made by the Auditor-General.

Suggestion 4

3.12. The Act be amended to provide for the date by which all reports are to made public to be, say, 30 September each year for agencies with 30 June year ends and, say 31 March for agencies with 31 December year ends, irrespective of whether the Legislative Assembly is sitting or otherwise, and that the intermediate dates for the presentation of reports to responsible Ministers be removed.[15]

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[11] Government submission, p 4.
[12] ibid.
[13] Audit report, p 10.
[14] Government submission, p 4.
[15] Audit report, p 10.

3.13. The Government agreed to suggestion 4 giving the same response as for suggestion 2.[16]

Suggestion 5

3.14. The Act be amended to provide for the Standing Committee on Public Accounts to have responsibility for approving the Directions.[17]

3.15. The Government disagreed with suggestion 5 stating

> The direction of administrative action, including actions with resource implications is a matter for the Executive Government. The Annual Report Directions fall into this category.[18]

3.16. At this time, the Committee agrees that it is not appropriate for the Standing Committee on Public Accounts to be responsible for approving the annual reports directions. However, the Committee notes that suggestions have been made in the past from various committees that have not been acted upon by the Government.

3.17. The Committee recommends that:

Recommendation 1

The Standing Committee on Public Accounts in the Sixth Assembly take up the issue of who should be responsible for approving the Annual Reports Directions.

3.18. On 9 June 2004, the Committee pursuant to section 8 of the *Annual Reports (Government Agencies) Act 2004* received and considered the 2004 draft annual reports directions. Under the Act, the Government is required to consult with the Standing Committee on Public Accounts in relation to the annual reports directions. The Committee has 30 days to provide a response to the Chief Minister.[19]

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[16] Government submission, p 4.
[17] Audit report, p 10.
[18] Government submission, p 5.
[19] ibid.

Enhancing the Chief Minister's Annual Reports Directions

3.19. The Auditor-General made 23 suggestions for future action by the Government in relation to enhancing the Chief Minister's Annual Reports Directions.

Suggestion 6

3.20. The Directions be amended to require agencies to use the annual reports cycle as a means of comprehensively, cooperatively and frankly engaging with their stakeholders with a view to disclosing and explaining information of significant interest to them.[20]

3.21. The Government agreed in principle with suggestion 6, stating that the Government approves of the sentiments found in the Commonwealth's reporting requirements[21] and has included these into the introduction of the 2002-03 annual report directions for the purpose of enhancing accountability.[22]

Suggestion 7

3.22. The Directions be amended to require agencies to include a section in their reports that would report on factors affecting or constraining agencies activities and those objectives and targets that have not been fully achieved within the forecast timeframe.[23]

3.23. The Government agreed with suggestion 7 and included the following in the 2002-03 annual report directions:

> …descriptions of major problems and issues during the reporting year;
>
> information in annual reports should be presented in a factual manner, avoiding generalisations. Reports should enable readers to understand agencies, including their achievements, setbacks and the issues they face.

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[20] Audit report, p 10.

[21] 'Annual reports service to inform the Parliament (through the responsible Minister), other stakeholders, educational and research institutions, the media and the general public about the performance of departments (and agencies) in relation to services provided. Annual reports are a key reference document and a document for internal management. They form part of the historical record, Government submission', p 5.

[22] Government submission, p 6.

[23] Audit report, p 10.

> Reports are to include all relevant information, not just good news and should include comments about performance shortfalls.[24]

Suggestion 8

3.24. The Directions be amended to require agencies to also focus on reporting on their immediate future environment and their general plans for the future.[25]

3.25. The Government agreed with suggestion 8 stating that the reporting on the immediate future environment of the agency would be mandatory requirement under the 2002-03 annual reports directions.[26]

Suggestion 9

3.26. A structured program of systematic consultation with the Legislative Assembly and other major stakeholders be undertaken regularly to inform the content of whole-of-government guidance contained in the Directions and to inform decisions about the detailed nature of information included in individual annual reports.[27]

Suggestion 10

3.27. The Directions be amended to require agencies to include in their annual reports a section on stakeholder consultation processes.[28]

3.28. The Government agreed in principle with suggestions 9 and 10 stating that the Standing Committee on Public Accounts could be required to consider the annual report directions. And also, that an appropriate survey be included in annual reports in the 2003-04 reporting year.[29]

> Further suggestions for increasing the range and level of information to be contained in annual reports needs to be balanced against the time and cost involved in both collecting and reporting on such information and the reality of the fixed timetable for the completion and presentation of annual reports.[30]

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[24] Government submission, p 6.
[25] Audit report, p 11.
[26] Government submission, p 6.
[27] Audit report, p 11.
[28] Audit report, p 11.
[29] Government submission, p 6.
[30] ibid., p 7.

Suggestion 11

3.29. The Directions be amended to enhance the wording of the Chief Executive/chairperson certification to include an assurance that all material information on the operations of an agency has been included in its annual report.[31]

3.30. The Government agreed with suggestion 11 stating that the relevant wording would be included in the 2002-03 annual report directions to enhance accountability.[32]

Suggestion 12

3.31. The Directions be amended to provide for agencies to include in their reports a statement of their policies and practices designed to provide assurance about the reliability of the non-financial information in their reports.[33]

Suggestion 13

3.32. Agencies be required to subject their annual reports to a systematic assurance process prior to them being published.[34]

3.33. The Government disagreed with suggestions 12 and 13 stating that the signed transmittal letter should be sufficient, but that the 2002-03 directions were amended to ensure that the material in annual reports had been checked for accuracy and comprehensiveness.[35]

3.34. The Committee sympathises with the Auditor-General's concerns and recommends that:

Recommendation 2

The Government initiate a trial of independent quality assurance of annual reports prior to publishing.

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[31] Audit report, p 11.
[32] Government submission, p 7.
[33] Audit report, p 11.
[34] ibid.
[35] Government submission, p 8.

Suggestion 14

3.35. The Directions be amended to include policy level guidance on performance measures.[36]

3.36. The Government agreed in principle to suggestion 14 stating that the directions would be progressively amended from 2003-2004 to include Treasury's guidance on performance reporting.[37]

Suggestion 15

3.37. The Directions be amended to require agencies to anticipate and be responsive to the needs of all significant stakeholders and structure their annual reports to provide helpful information to them.[38]

3.38. The Government agreed in principle and included the requirement in the 2002-2003 annual report directions.[39]

Suggestion 16

3.39. The Directions be amended to require agencies to disclose in their annual reports the discretionary quasi-judicial administrative powers of any of statutory office holders or executives, the criteria for exercising those powers and decisions taken in exercising such powers.[40]

3.40. The Government disagreed with suggestion 16 stating

> The reference to quasi-judicial administrative powers is not a meaningful description of the exercise of administrative power by public officials and delegates. The scope of the recommendation is so broad that it potentially captures all discretionary decision making across the public sector. It is not practicable or appropriate to include these in annual reports.
>
> This suggestion is based on an Assembly Committee request for information about the Chief Police Officer's consideration of traffic offence appeals. It is difficult to see that a substantial reporting requirement concerning discretionary decisions by all public officials is justified by this one instance.[41]

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[36] Audit report, p 11.
[37] Government submission, p 8.
[38] Audit report, p 11.
[39] Government submission, p 9.
[40] Audit report, p 11.
[41] Government submission, p 9.

3.41. The Committee agrees with the view that it is simply too broad to require the provision of information suggested by the Auditor-General in relation to quasi-judicial administrative powers.

Suggestion 17

3.42. The Directions be amended to require all public authorities to disclose the qualifications, experience, status and other business interests of each of their board members.[42]

3.43. The Government disagreed with suggestion 17, stating that the 2002-2003 annual report directions have been changed to require that the qualifications and general experience of board members be in annual reports. The Government stated that it

> …does not support the inclusion of the private interests of directors in the annual reports of public authorities. These are matters that are appropriately addressed at board level in terms of declaration of interests and conflicts of interest.[43]

3.44. The Committee agrees that the details provided currently about board members of public authorities are sufficient.

Suggestion 18

3.45. The Directions be amended to require agencies to include in their annual reports the manner and purpose for which they were established, the main services they provide or products they produce and the principal legislation they administer and/or operate under.[44]

3.46. The Government agreed with suggestion 18, stating that the annual report directions already include the above listed requirements, and that South Australia's instructions, which advocate best practice, were included in the 2002-2003 directions. The South Australian suggestions, which are, now included in the annual report directions are:

- role, structure, legislation;
- the functions and objectives of the agency;
- the legislation administered by the agency;

[42] Audit report, p 12.
[43] Government submission, p 10.
[44] Audit report, p 12.

- the organisation of the agency;
- the agency's relationship to other agencies within the minister's area of responsibility.[45]

Suggestion 19

3.47. The Directions be amended to require departments to disclose in their annual reports the full extent of their governance arrangements, including the role of their Minister in that regard.[46]

3.48. The Government agreed with suggestion 19 stating that enhanced government reporting, based on that in other jurisdictions would be adopted. This would be similar to that in the Commonwealth's requirements including:

- the names of senior executives and their responsibilities that should be able to be reconciled to an agencies organisational and output structure;
- senior management committees and their roles;
- corporate and operational plans and associated performance reporting and review;
- internal audit arrangements including the approach adopted to identifying areas of significant operational or financial risk and arrangements in place to manage those risks;
- policies and practices on the establishment and maintenance of appropriate ethical standards; and
- how the nature and amount of remuneration for senior executives is determined.[47]

Suggestion 20

3.49. The Directions be amended to require public authorities to disclose in their annual reports those governance arrangements detailed in Auditor-General's Report No 3 of 2002, *Governance Arrangements of Selected Statutory Authorities*. Consideration should also be given to those additional disclosure requirements that are extant in NSW.[48]

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[45] Government submission, p 10.
[46] Audit report, p 12.
[47] Government submission, p 11.
[48] Audit report, p 12.

3.50. The Government agreed to suggestion 20 stating that annual reports directions for statutory agencies with a governing board would include:

- board composition, including the mix of executive and non-executive board members, the criteria for membership, procedures for appointing board members and the personal details of each board member;
- policies relating to the appointment and retirement of board members;
- the main procedures for establishing and reviewing remuneration arrangements for the chief executive officer and non-executive board members;
- the oversight of the preparation of the entities' financial statements and internal controls, including the composition and responsibilities of audit committees;
- the board's approach to identifying areas of significant business risk and to putting arrangements in place to manage them;
- policies on the establishment and maintenance of appropriate ethical standards, including whether a code of ethics or code of conduct has been established; and
- the resources that are made available to board members to assist them to carry out their duties, including access to independent professional or legal advice.
- Frequency of members' attendance at meetings;
- Names of significant committees of the entity;
- Membership of those committees;
- Titles of senior offices within the entity; and
- An organisational chart indicating functional responsibilities.[49]

Suggestion 21

3.51. The Directions be amended to provide for a specific section on risk management.[50]

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[49] Government submission, pp 11-12.

3.52. The Government agreed in principle with suggestion 21 stating that the agreed requirements would be included in the 2002-2003 annual report directions. Further the Government stated that the reporting requirements on risk management would be enhanced and would cover the same requirements as in the Commonwealth.[51]

Suggestion 22

3.53. The Directions be amended to require agencies to include in their annual reports comprehensive responses to the findings of all external scrutiny agencies such as Legislative Assembly committees, the Ombudsman and the Auditor-General.[52]

3.54. The Government agreed in principle to suggestion 22 and has stated that it would adopt the Commonwealth's reporting standards in relation to external scrutiny. This would include information about

> judicial decisions and decisions of administrative tribunals that have had, or may have, significant impact on the operation of the department;
>
> reports on the operations of the department by the Auditor-General (other than the report on financial statements) a parliamentary committee, or the Ombudsman.[53]

Suggestion 23

3.55. The Directions be amended to establish a mandatory and standardised reporting format and compliance index for the annual reports of all departments and public authorities. In addition, considerations be given to adopting a 'drill down' format for agencies' annual reports.[54]

3.56. The Government agreed in principle to suggestion 23 stating that the suggestions have been incorporated into the 2002-2003 annual report directions and would be refined further so as to enhance reporting standards.[55]

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[50] Audit report, p 12.
[51] Government submission, p 12
[52] Audit report, p 12.
[53] Government submission, p 13.
[54] Audit report, p 12.
[55] Government submission, p 13.

Suggestion 24

3.57. The Directions be amended to require agencies to include in their annual reports the financial statements of all entities over which they have a controlling interest.[56]

3.58. The Government disagreed with suggestion 24 stating that the financial information is already included in relevant agencies' annual reports, but that agencies with controlling interests would be required under the directions to cross reference in their annual reports.[57]

3.59. The Committee agrees that it will be sufficient for agencies to provide cross-references in their annual reports to all entities in which they have a controlling interest.

Suggestion 25

3.60. The Directions be amended to make it mandatory for agencies to report on any grants or other arrangements where a Minister or agency has discretion in determining whether or not particular persons receive grants or similar payments that may or may not impose conditions in return for the grant.[58]

Suggestion 26

3.61. The Directions be amended to make it mandatory for agencies to report on advisory boards and committees that provide advice to their Minister.[59]

3.62. The Government agreed with suggestions 25 and 26 stating that amendments were made to the 2002-2003 annual report directions incorporating the above suggestion.[60]

Suggestion 27

3.63. The Directions be amended to require agencies to correct any material misstatement of fact in their annual reports that they become aware of in the next available annual report.[61]

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[56] Audit report, p 13.
[57] Government submission, p 14.
[58] Audit report, p 13.
[59] ibid.
[60] Government submission, pp 14-15.
[61] Audit report, p 13.

3.64. The Government agreed with suggestion 27 stating that the Commonwealth's reporting requirement in this matter would be adopted.[62]

Suggestion 28

3.65. The Directions be amended to include reference to agencies' legal obligations under the Copyright Act and also to other requirements for the distribution of annual reports.[63]

3.66. The Government agreed with suggestion 28 stating the amendment would be included in the 2002-2003 annual report directions.[64]

Enhancing administrative arrangements

3.67. The Auditor-General made 10 suggestions for future action by the Government in relation to enhancing administrative arrangements.

Suggestion 29

3.68. Appropriate processes be established to ensure that information published on government internet sites are as authoritative as that published in agencies' annual reports.[65]

3.69. The Government agreed in principle to suggestion 29 stating that

> Agencies should ensure that reports published on the internet [are] accurate and consistent with information provided to the Legislative Assembly. However, extension of annual report certification standards to the very wide range of information published on the internet may not be practicable.[66]

Suggestion 30

3.70. Appropriate processes be established to ensure that the form of agency internet sites are broadly similar.[67]

3.71. The Government agreed in principle with suggestion 30 stating that the ACT Government website guidelines provide the requirements for websites,

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[62] Government submission, p 15.
[63] Audit report, p 13.
[64] Government submission, p 15.
[65] Audit report, p 13.
[66] Government submission, p 16.
[67] Audit report, p 13.

but that further consideration would be given to promoting greater consistency in agency websites.[68]

Suggestion 31

3.72. Comprehensive risk management strategies be developed and endorsed for all Territory agencies, including that agencies certify their risk management practices.[69]

3.73. The Government agreed in principle with suggestion 31 stating that reporting on risk management would be enhanced for the 2002-2003 annual report directions.[70]

Suggestion 32

3.74. An adequately resourced element in the Chief Minister's Department be made responsible for the oversight of all public sector corporate governance matters managed by the Department.[71]

3.75. The Government agreed in principle to suggestion 32 stating

> …responsibility for the preparation of the Annual Reports Directions lies with the Public Sector Management and Labour Policy Group. That arrangement is considered appropriate as police on governance, ethics, reporting etc lies within that Group. As with all areas of the Chief Minister's Department, each area has limited resources and a wide range of responsibilities. It is simply not practicable or affordable to establish separate sections for each subject area as is suggested in the report.[72]

Suggestion 33

3.76. A formal review of implementation of the Directions be undertaken each year and that identified deficiencies be brought to the attention of individual agencies as necessary.[73]

3.77. The Government agreed in principle to suggestion 33 stating that a compliance review occurs in relation to feedback on compliance issues and best practice examples as provided to agencies at the Annual Reports

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[68] Government submission, p 16.
[69] Audit report, p 13.
[70] Government submission, p 16.
[71] Audit report, p 13.
[72] Government submission, p 17.
[73] Audit report, p 14.

Information Session. Further the Government has stated that while a brief report on compliance would be prepared that the resources are not available to implement the extent of what is suggested in the Audit report.[74]

Suggestion 34

3.78. The Chief Minister's Department determine whether the list of public authorities listed in the attachments to the Directions is complete and that all relevant statutory reporting obligations have been included in the Directions.[75]

3.79. The Government agreed in principle with suggestion 34 stating

> Each year administrative units are asked to provide written advice about the list of reporting entities within their portfolio. Occasionally, a small reporting entity (e.g. an annexed or subsumed report) is excluded from agency feedback. In these circumstances, the advice is to provide the report, and identify the entity in the next year's directions.
>
> The audit concerns about the accuracy of this information will be flagged with agencies in the preparation of 2002-03 reports. Agencies have been asked to make a detailed check and sign-off on reporting entities for 2002-03. The accuracy of the list of reporting entities will continue to rely on agency feedback as an independent audit of all reporting entities, which would require survey of all ACT Legislation, is not considered to be justified.
>
> To improve the reliability of the list of reporting entities, a more detailed check has been conducted for the preparation of the 2002-03 Directions, although the list of reporting entities will continue to rely on agency feedback as it has in the past.[76]

Suggestion 35

3.80. The Chief Minister's Department decide whether Chief Executives may annex to their annual reports, reports of public authorities that fall outside the scope of the Act and, if so, under what circumstances.[77]

3.81. The Government disagreed with suggestion 35 stating

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[74] Government submission, p 17.
[75] Audit report, p 14.
[76] Government submission, p 18.
[77] Audit report, p 15.

> Reporting should follow the responsibilities set out in the administrative arrangements orders and should be covered by application of Annual Report Directions to administrative units. Chief Executives may consider additional reporting is relevant outside that mandated or guided by the Annual Report Act or the Directions. This should continue to be a matter of judgment about agencies' organisational and environment context.[78]

3.82. The Committee accepts that the chief executives of agencies should be responsible for information that is incorporated in their annual reports, including information relating to organisations that fall outside the scope of the Act.

Suggestion 36

3.83. Administrative guidance relating to the Directions be excised from the Directions and included in a separate administrative instruction that would be issued to agency contact officers and other interested persons.[79]

3.84. The Government disagreed with suggestion 36 advocating the merit of keeping together all the relevant information about guidance on the preparation of annual reports directions.[80]

3.85. The Committee believes that all guidance relating to annual reports irections should be kept together.

Suggestion 37

3.86. Consideration be given to the preparation of model annual reports as a practical aid to assist officers in meeting the requirements of the Directions.[81]

3.87. The Government disagreed with suggestion 37 stating

> This proposal is not considered to be feasible within existing resources. In addition, agencies' reporting requirements need to be matched to a considerable degree to the nature of the agency and its activities. Participation in the Annual Report Awards identifies high standard reporting plus provides feedback on reporting and identifies best practice examples and outstanding reports for agencies to use as reference points. Information about

[78] Government submission, p 18.
[79] Audit report, p 14.
[80] Government submission, p 18.
[81] Audit report, p 14.

best practice is given to agencies in the Annual Reports Information Session held each year.[82]

3.88. The Committee agrees that the annual reports directions should identify matters that should be included in annual reports, but that chief executives must be responsible for the way in which information is presented in annual reports.

3.89. The Committee also believes in the intent of the Auditor-General's suggestion that is that best practice should be supported. The Standing Committee on Public Accounts will keep a watching brief on the Government's current arrangements.

Suggestion 38

3.90. Agencies continue to be encouraged to participate in the Annual Reports Awards scheme.[83]

3.91. The Government agreed to suggestion 38 stating that agencies are already encouraged to participate in the annual reports awards scheme, which will continue.[84]

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[82] Government submission, p 18.
[83] Audit report, p 14.
[84] Government submission, p 19.

4. Committee comment

4.1. The Committee believes that the Audit Report made a number of important findings and suggestions in relation to annual reporting.

4.2. The Committee notes that the Government agreed in part with two of the three findings made by the Auditor-General and that the Government did not agree with the finding relating to the administration of annual reports directions.

4.3. The Committee is inclined to accept the Government's view that reporting on the activities of government should be through a number of avenues, including annual reports.

4.4. The Committee welcomes the Government's agreement to 27 of the suggestions for future action made by the Auditor-General.

4.5. The Committee notes that the Government did not agree with 11 of the suggestions for future action made by the Auditor-General. In these instances, the Committee agrees with the Government in relation to nine of the suggestions. In relation to the remaining two suggestions, the Committee does not accept the Government's views.

4.6. With the new Annual Reports (Government Agencies) Act and the process for requiring draft annual report directions to go before the Standing Committee on Public Accounts for comment, the Committee believes that accountability and transparency in relation to annual reporting have been enhanced.

4.7. The Committee thanks the Auditor-General's Office for undertaking the audit and recommends that:

Recommendation 3

The Government reconsider its position on Auditor-General's suggestions 3 and 13 of Report No 1 of 2003.

Brendan Smyth, MLA
Chair

20 August 2004