



AUDITOR-GENERAL  
AUSTRALIAN CAPITAL TERRITORY



PA 00/16

4 March 2003

The Speaker  
ACT Legislative Assembly  
South Building  
London Circuit  
CANBERRA ACT 2601

Dear Mr Speaker

In accordance with *Section 17* of the *Auditor-General Act 1996*, I transmit to you my Report titled *Effectiveness of Annual Reporting* for presentation to the Legislative Assembly.

This audit was conducted by Jo Benton, Director Performance Audits and Administration, with the assistance of Julia Gane.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John A Parkinson'.

John A Parkinson

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# 1. REPORT SUMMARY AND AUDIT OPINIONS

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## INTRODUCTION

1.1 This report presents a summary of the results of a performance audit that reviewed the *Annual Reports (Government Agencies) Act 1995*, the Chief Minister's Annual Reports Directions and associated administrative arrangements.

## THE RELEVANCE OF THE ACT AND DIRECTIONS

1.2 Members of the Legislative Assembly and the public have the right to expect governments to be fully accountable to them for the ways in which they have discharged their statutory and other responsibilities and utilised public funds. They have a right to expect to receive a timely, balanced and corroborated account of each agency's performance and its general plans for the future. Stakeholders also have a right to be consulted in the extent of and manner in which information is presented to them.

1.3 The provision of meaningful operational and financial information by government to parliament and the public is a fundamental component of the accountability process<sup>1</sup>. Annual reports are a recognised means of providing such information in a timely manner.

1.4 The Act and the Directions play a crucial and central role in setting minimum standards for the preparation, form and content of annual reports by departmental Chief Executives and the chairpersons of public authorities. The Directions also specify the timeframe for annual reporting by Chief Executives and chairpersons.

1.5 Annual reports are the principal and most authoritative way in which Chief Executives and chairpersons account to the Legislative Assembly and other stakeholders, including the public, for the ways in which they have discharged their statutory and other responsibilities and utilised public funds over the preceding twelve months. They also provide

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<sup>1</sup> Public Accounts Committee, Legislative Assembly of Queensland, December 2001, Report No. 59, *Annual Reporting in the Queensland Public Sector*, p 1.

an opportunity for agencies<sup>2</sup> to advise all major stakeholders of their major plans and themes for the immediate future.

1.6 The crucial and central importance of the Act and the Directions lies in the fact that annual reports by Chief Executives and chairpersons can only be expected to be as authoritative, relevant, complete and timely as the Act and the Directions require them to be.

## **BACKGROUND**

1.7 The Annual Reports (Government Agencies) Act sets the framework for annual reporting across the ACT public sector. This framework includes requiring the presentation of reports on the operations of each agency; identifying which public bodies are to provide annual reports; determining deadlines for the presentation and tabling of reports; and prescribing the format of reports.

1.8 The Chief Minister's Annual Reports Directions are issued in accordance with section 15 of the Act. They provide the detailed requirements for annual reporting. The Directions contain the minimum reporting requirements and apply to all departments, public authorities and Territory Owned Corporations. The Chief Minister's Department is responsible for administering the Directions.

1.9 More than 40 annual reports are currently presented to the Legislative Assembly pursuant to the guidance contained in the Act and the Directions. Individual annual reports are prepared by designated staff in each agency.

1.10 In 2001 the Institute of Public Administration Australia (ACT Division) included, for the first time, a separate category for Territory bodies in its annual report awards as part of its program to foster excellence in public administration. Some 15 Territory bodies submitted their reports for assessment.

1.11 The results of the judging of 2001 annual reports were announced in July 2002. Overall the judges considered that the quality of reports

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<sup>2</sup> The term 'agency' or 'agencies' is used throughout this report to mean those departments, public authorities and Territory Owned Corporations that are required to present annual reports or provide information for inclusion in chief executives' annual reports in accordance with the Act.

submitted by Territory bodies was good. The judges, however, made a large number of suggestions for improvement and concluded that the reports presented for assessment were of a variable standard and there were several instances where content was inadequate.

## **AUDIT OBJECTIVES**

1.12 The objective of this Audit was to provide an independent opinion to the Legislative Assembly on whether:

- the Annual Reports (Government Agencies) Act is effective;
- the Chief Minister's Annual Reports Directions are effective; and
- related administrative arrangements are effective.

1.13 The approach taken by the Audit in addressing its objectives is explained in the following chapter.

## **AUDIT OPINIONS**

1.14 The independent opinions drawn against the audit objectives are set out below.

### **AUDIT OPINIONS**

*The Annual Reports (Government Agencies) Act 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.*

1.15 It should be noted that the Audit's opinions are focused on the systemic arrangements for the administration of the Directions. The Audit's opinions, findings, comments or suggestions should not be interpreted as adversely reflecting on the way in which individual executives or officers perform their duties.

## BASES FOR OPINION

### Effectiveness of the Annual Reports (Government Agencies) Act

1.16 The opinion that *the Annual Reports (Government Agencies) Act is generally effective but there is scope to improve its effectiveness* is supported by the following findings:

#### *Legislative Framework (Chapter 3)*

- The Annual Reports (Government Agencies) Act is generally an adequate legislative framework for annual reporting by government agencies to the Legislative Assembly and the people of the Territory.
- There may be a conflict between the provisions of the Annual Reports (Government Agencies) Act and the Public Sector Management Act and the Financial Management Act regarding who is responsible for the administration and business of departments.
- Annual reports tabled in the Legislative Assembly need not include audited financial statements when they are not available within the timeframe specified in the Directions.
- The Act makes no provision for whole of government reporting.
- There is no fixed date by which reports must be presented to the Legislative Assembly.
- The approving authority for the Directions is the Chief Minister and they may not be amended or rejected by the Legislative Assembly.

#### *Summary*

1.17 The Act is generally an adequate legislative framework for annual reporting by government agencies. There are a number of areas, however, where there are deficiencies in the Act. In particular, there may be a conflict between the provisions of the Act and other key legislation relating to who is responsible for the administration and business of departments.

1.18 There are also a number of other areas where there is scope to make the Act more effective. These include the absence of any requirement for whole of government reporting and that there is no fixed date by which annual reports must be presented to the Legislative Assembly. Rectification of these matters would enhance overall governance arrangements in the Territory.

### **Effectiveness of the Directions**

1.19 The opinion that *the Chief Minister's Annual Reports Directions are not fully effective* is supported by the following findings:

#### ***Strategic Scope of the Directions (Chapter 4)***

- The Directions do not require agencies to comprehensively disclose information of significant concern to stakeholders.
- The Directions suggest that only limited references to agencies future directions are necessary.
- There is no requirement in the Directions for agencies to report a balanced account of their performance.
- The Directions contain no guidance designed to seek stakeholder input to annual reports.
- There is no independent validation of the narrative parts of annual reports and the Chief Executive's transmittal certificate provides only limited assurance as to the veracity of information contained therein.

#### ***Legislative Assembly Experience with Annual Reports (Chapter 5)***

- One third of all recommendations by Assembly committees on annual reports are aimed at improving the extent, quality, or presentation of information in those reports.
- The Directions contain no specific guidance on performance reporting.
- There is no requirement in the Directions that agencies should provide helpful information in their annual reports to stakeholders.

- The Directions contain no guidance on the public disclosure of the discretionary quasi-judicial powers of statutory office holders and executives, the criteria for exercising those powers or decisions taken in exercising such powers.
- There is no requirement in the Directions for public authorities to disclose the qualifications, experience and other business interests of their board members.

***Better Practice Perspectives on the Directions (Chapter 6)***

- Departments are not required to state the purpose for which they were established, the principal legislation they administer and/or operate under or the services they provide.
- Chief Executives are required to report on only very limited aspects of the governance arrangements of their departments.
- The Directions for public authorities were not amended, as agreed, to provide for the comprehensive disclosure of their governance arrangements.
- It is not compulsory for agencies to report on progress in implementing recommendations made by Legislative Assembly committees, the Ombudsman or the Auditor-General.
- It is not compulsory for agencies to report on discretionary grants made by ministers or agencies.
- It is not compulsory for agencies to report on advisory and consultative boards and committees that provide advice to Ministers.
- It is not compulsory for agencies to include the financial statements of subsidiaries, joint ventures or bodies over which they have a controlling interest.
- It is not compulsory for agencies to follow a mandatory format in their reports to facilitate access to information contained therein.
- Agencies are not required to correct any material misstatements of fact included in their annual reports.

- The Directions do not advise agencies that they have an obligation under the Copyright Act to deposit a copy of their annual reports with the National Library.
- It is unclear whether the Directions contain a comprehensive list of all relevant agencies and all relevant statutory reporting obligations.

### ***Summary***

1.20 The Directions facilitate consistent reporting requirements across the public sector with a view to enhancing public accountability. A close examination of the Directions, however, has disclosed that they have a number of serious deficiencies that should be rectified.

1.21 In particular, there is no requirement for agencies to report a balanced account of their performance and there is no independent validation of the narrative parts of annual reports. Reporting on the governance arrangements of departments is elementary and there is almost no scope for stakeholder input to annual reports. In addition, agencies are given too much discretion in what they include in their reports.

### **Administration of the Directions**

1.22 The opinion that *the Directions are not being administered effectively* was informed by the opinion that the Directions are not fully effective and the following findings:

#### ***Administrative Arrangements (Chapter 7)***

- Primary responsibility for administering the Directions lies with a junior officer who attends to the function on a part time basis.
- The placement of responsibility for the Directions in a section that primarily deals with human resource matters would seem to be incongruous and may not take advantage of synergies that could be available if responsibility was placed elsewhere.
- A departmental review of compliance with the Directions was rudimentary and the results were not communicated to agencies.

- There is no evidence that recommendations made by Legislative Assembly standing committees were formally considered for their implications for the Directions.
- Almost half of all agencies have not met their obligations under the Copyright Act to deposit a copy of their annual reports with the National Library.
- It is also unclear whether Chief Executives may, should or should not formally annex to their annual reports, reports of agencies that fall outside the scope of the Act.
- The Directions contain a mixture of policy and administrative material that may not be helpful to either policy determination or administrative implementation.

### ***Summary***

1.23 The Directions are not being administered effectively because insufficient resources, at an appropriate level, have been allocated to the function. This is evidenced by the fact that deficiencies in the Directions have not been identified, a recent review of agency compliance with the Directions was rudimentary and there is no evidence that relevant recommendations made by Legislative Assembly standing committees have been formally considered for their implications for the Directions. In addition, almost half of all agencies have not met their obligations under the Copyright Act.

## **SUGGESTIONS FOR FUTURE ACTION**

### **A Perspective for the Consideration of the Audit's Suggestions**

1.24 In this section of the report the Audit makes a number of suggestions to address the audit findings made in the preceding section. In making these suggestions the Audit acknowledges that there may be resource implications involved in addressing some of the identified shortcomings. As a result, such suggestions are properly considered in a whole of government context that fully takes into account resourcing constraints, relevant policy settings as well as the interests of stakeholders.

1.25 In particular, the cost of implementing relevant Audit suggestions should be carefully balanced against the importance of ensuring that the

accountability obligations of Chief Executives and chairpersons are effectively discharged. It is also important to consider the cost of implementing suggestions made in this report against the desirability of establishing an environment in which stakeholders, in general, and members of the Legislative Assembly, in particular, may effectively review the extent to which statutory office holders have performed their responsibilities. Finally, it is important to consider the cost of implementing the Audit's suggestions against the appropriateness of ensuring that the management and oversight of the accountability function is efficient, economic and effective.

1.26 In cases where the Audit has identified what it sees as deficiencies in present arrangements, the Audit has adopted the approach of first assessing whether the function should be undertaken at all in light of all of the Territory's circumstances. It is only where the Audit considers that a function should be undertaken that it has made suggestions designed to ensure that the function may be undertaken effectively.

1.27 There is a danger that in considering the implementation of suggestions involving the expenditure of funds in a tight budgetary context that disproportionate attention will be given to their certain short term resourcing implications at the expense of their contingent longer term implications. The wider implications for the Territory, the government of the day and the agencies concerned of inadequate accountability arrangements are potentially much more costly than the short term cost of ensuring that effective accountability mechanisms are in place and are operating effectively.

1.28 It is against the above framework, that the following suggestions are made to address the findings detailed in this report.

1.29 It should be noted that the suggestions listed below are summaries of the Audit's proposals. For a full understanding of them, readers should refer to those paragraphs in which the suggestions are discussed in detail.

### **Enhancing the Annual Reports (Government Agencies) Act**

1. 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. See paragraphs 3.9 to 3.23.

2. 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. See paragraphs 3.24 to 3.29.
3. 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. See paragraphs 3.30 to 3.50.
4. The Act be amended to provide for the date by which all reports are to be 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. See paragraphs 3.51 to 3.60.
5. The Act be amended to provide for the Standing Committee on Public Accounts to have responsibility for approving the Directions. See paragraphs 3.61 to 3.70.

### **Enhancing the Directions**

6. 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. See paragraphs 4.2 to 4.12.
7. 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. See paragraphs 4.13 to 4.27.

8. The Directions be amended to require agencies to also focus on reporting on their immediate future environment and their general plans for the future. See paragraphs 4.28 to 4.34.
9. 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. See paragraphs 4.35 to 4.45.
10. The Directions be amended to require agencies to include in their annual reports a section on stakeholder consultation processes. See paragraphs 4.35 to 4.46.
11. 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. See paragraphs 4.47 to 4.56.
12. 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. See paragraphs 4.57 to 4.63.
13. Agencies be required to subject their annual reports to a systematic assurance process prior to them being published. See paragraphs 4.57 to 4.64.
14. The Directions be amended to include policy level guidance on performance measures. See paragraphs 5.11 to 5.25.
15. 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. See paragraphs 5.26 to 5.33.
16. 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. See paragraphs 5.34 to 5.38.

17. 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. See paragraphs 5.46 to 5.57.
18. 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. See paragraphs 6.2 to 6.9.
19. 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. See paragraphs 6.10 to 6.17.
20. 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. See paragraphs 6.18 to 6.24.
21. The Directions be amended to provide for a specific section on risk management. See paragraphs 6.25 to 6.31.
22. 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. See paragraphs 6.39 to 6.44.
23. 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, consideration be given to adopting a 'drill down' format for agencies' annual reports. See paragraphs 6.45 to 6.57.

## EFFECTIVENESS OF ANNUAL REPORTING

24. 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. See paragraphs 6.58 to 6.60.
25. 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. See paragraphs 6.61 to 6.65.
26. The Directions be amended to make it mandatory for agencies to report on advisory boards and committees that provide advice to their Minister. See paragraphs 6.66 to 6.71.
27. 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. See paragraphs 6.72 to 6.75.
28. 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. See paragraphs 7.29 to 7.37.

### **Enhancing Administrative Arrangements**

29. Appropriate processes be established to ensure that information published on government internet sites are as authoritative as that published in agencies' annual reports. See paragraphs 5.39 to 5.45.
30. Appropriate processes be established to ensure that the form of agency internet sites are broadly similar. See paragraphs 5.39 to 5.45.
31. Comprehensive risk management strategies be developed and endorsed for all Territory agencies, including that agencies certify their risk management practices. See paragraphs 6.32 to 6.38.
32. 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. See paragraphs 7.9 to 7.15.

33. 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. See paragraphs 7.16 to 7.24.
34. 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. See paragraphs 7.25 to 7.28.
35. 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. See paragraphs 7.25 to 7.28.
36. 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. See paragraphs 7.38 to 7.45.
37. Consideration be given to the preparation of model annual reports as a practical aid to assist officers in meeting the requirements of the Directions. See paragraphs 7.38 to 7.46.
38. Agencies continue to be encouraged to participate in the Annual Reports Awards scheme. See paragraphs 7.47 to 7.51.

## **Summary**

1.30 The Audit suggests that the Act, the Directions and administrative arrangements must be enhanced if they are to be fully effective.

1.31 The most important areas in which the Act might be enhanced would be to amend the Act to remove any ambiguity concerning the responsibilities of Ministers and Chief Executives. In addition, the Act should be amended to provide for the Standing Committee on Public Accounts to have responsibility for approving the Directions. The Act should also be amended to provide a date by which all reports are to be laid before the Legislative Assembly.

1.32 The most important areas in which the Directions might be enhanced would be to implement those suggestions relating to enhancing stakeholder input. In addition, the Directions should be amended to require all agencies to disclose the full range of their governance arrangements. The Directions should also be amended to provide for a specific section on risk management.

1.33 The most important area in which administrative arrangements might be enhanced would be to establish an adequately resourced element in the Chief Minister's Department that would be responsible for all public sector corporate governance matters managed by the Department. In addition, a comprehensive risk management strategy should be developed and endorsed for Territory agencies. Such a strategy would include a requirement that agencies certify their risk management practices in their annual reports.

### CHIEF EXECUTIVE'S RESPONSES

1.34 In accordance with section 18 of the *Auditor-General Act 1996*, a final draft of this report was provided to the Chief Executive of the Chief Minister's Department and the then Acting Chief Executive of the Department of Treasury for consideration and comments. The response from the Chief Executive of the Chief Minister's Department is set in the following paragraphs. The Chief Executive has advised the Audit that his response incorporates the views of the then acting Chief Executive of the Department of Treasury.

*The conduct of this performance audit is welcome as there will always be a need to seek to improve the quality and relevance of reporting by Departments and agencies. The scope and comprehensiveness of reporting requires the achievement of an appropriate balance between the time and resources available to prepare reports and the expectations of stakeholder groups. The suggestions contained in this report will need to be considered in that light.*

*The report raises a number of issues of principle and practicality on which I would like to comment.*

*The report proposes that the Annual Reports (Government Agencies) Act be amended so that Ministers, rather than Chief Executives, be responsible for signing these reports. The apparent basis for this proposal is a concern that there may be a conflict between the provisions of that Act and the relevant provisions of the Public Sector Management*

*Act and the Financial Management Act. No such conflict exists. Chief Executives, under those two Acts, are responsible for the management of their Departments under the overall direction of their Minister or Ministers. The fact that Chief Executives then sign the annual reports and present them to their Minister reaffirms that relationship, and the accountability of Chief Executives.*

*The proposal for additional whole of government reporting raises issues of practicality and value. The report notes that any such reporting should not simply be a summary of agency reports, yet most of the examples cited in support of the proposal either fall within the responsibility of a department (such as sustainability which is a responsibility of Chief Minister's), or are matters of strategic direction which are generally not suitable for annual reporting. Such matters may be more appropriately addressed as part of the election cycle.*

*I strongly support the need for open and balanced reporting. However, I object to the unnecessary imputation in Chapter 4 that Chief Executives may seek not to disclose matters where their agencies may have fallen short of expectations. The report presents no evidence in support of that statement.*

*The report raises the issue of the need for the content of reports to be subject to more systematic assurance processes before they are published. The issues here are the limited time available to prepare reports and the accountability of Chief Executives. The introduction of mandatory additional processes does not necessarily assure a better outcome. Chief Executives are already accountable for the content and accuracy of their reports.*

*The report proposes, without any analysis, that the financial statements of controlled entities be included in agency annual reports. Financial information for controlled entities is already included in the controlling agencies financial statements. The report provides no evidence that the inclusion of further financial statements, would provide proportionate information benefits.*

*I do not agree with the Audit opinion that the Annual Report Directions are not being administered effectively. In particular, I do not agree with the report's comments on the detailed sectional location of this activity within my Department. Responsibility for the preparation of the Annual Reports Directions lies with the Public Sector Management and Labour Policy Group. That arrangement is clearly appropriate as policy on governance, ethics, reporting etc lies within that Group. In addition, the*

*development of the Annual Report Directions is undertaken with the direct involvement of the Executive Director of this Group. As with all areas of the Chief Minister's Department, each area has limited staffing 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.*

*Finally, there are a number of areas in the report where there are findings to the effect that "departments are not required", "it is not compulsory" etc. Such comments often carry the imputation that the aspects of reporting to which they refer are not addressed in the Annual Report Directions. That is generally not the case, and to that extent, the report, and in particular, the summary chapter, is misleading. In most instances the subjects covered by proposed additional directions are already addressed. The Audit Office somewhat pedantically prefers more directive language, seeking to replace "should" with "must". However, I would suggest that the word "should" in directions issued by the Chief Minister would be seen by public servants as being quite conclusive.*

## **CONCLUDING COMMENTS**

1.35 The Chief Executive has advised that the conduct of the performance audit is welcome as there will always be a need to seek to improve the quality and relevance of reporting by departments and other agencies. The Chief Executive then goes on to state that the scope of reporting requires a balance between the time and resources available to prepare reports and the expectations of stakeholder groups. He then states that the suggestions contained in the report will be considered in that light. The Audit agrees with this approach.

1.36 The Audit has provided opinions on the matters under consideration and has suggested a way ahead to improve public sector management and accountability where a clear need for improvements have been identified. The suggestions made by the Audit in this regard are designed to improve the quality of reporting to the Legislative Assembly and other stakeholders. The Audit's suggestions were not made lightly. In making the suggestions that it did, the Audit acknowledged that their implementation might, in certain cases, have resource and timing implications. The balancing of such matters with the objective of achieving better practice in reporting is properly a matter for the Government.

1.37 The Chief Executive also raises a number of matters in the report with which he does not agree. The arguments he raises are not new to the Audit. In each case they were considered carefully before the Audit's views crystallised. Brief comments on each of these matters are set out below.

1.38 The Chief Executive states that there is no conflict between the provisions of the Annual reports (Government Agencies) Act and the Public Sector Management Act and the Financial Management Act. The Audit argues at paragraphs 3.9 to 3.22 that there is an ambiguity in the legislation and suggests that the Legislative Assembly should give consideration to clarifying the matter.

1.39 The Chief Executive questions the practicability and value of whole of government reporting. The Audit argues at paragraphs 3.30 to 3.49 that, on balance, it would seem to be in the public interest if there were a requirement for regular whole of government reporting. This is also a matter for the Legislative Assembly to consider.

1.40 The Chief Executive supports the notion that annual reports should be balanced but objects to the 'unnecessary imputation ... that Chief Executives may seek not to disclose matters where their agencies may have fallen short of expectations'. The report of the audit points out that there is no requirement in the Directions for chief executives to report a balanced account of their performance. The reasons for this finding and a way to rectify the matter are set out in detail in paragraphs 4.13 to 4.27.

1.41 The Chief Executive questions the Audit's suggestions that annual reports should be subject to systematic assurances processes because agency chief executives sign them. The Audit argues at paragraphs 4.47 to 4.62 that all stakeholders expect annual reports to be credible, however, there are at present no processes to ensure that this is so. In suggesting that a formal assurance process be instituted to rectify this matter, the Audit is echoing the exhortations contained in world's best practice guidelines.

1.42 The Chief Executive questions the need for agencies to include in their annual reports the financial statements of joint ventures and similar entities in which they have a controlling interest or where no other person holds a greater interest in the entity than the reporting agency. As stated at paragraph 6.59, the Audit considers that, in the interests of adhering to

good governance practices, agencies should be required to include in their annual reports the financial statements of all entities over which they have a controlling interest.

1.43 The Chief Executive does not agree with the Audit's opinion that the Annual Directions are not being administered effectively. The Audit considered this matter very carefully before finalising its view. After the Audit received the Chief Executive's response to the proposed report, it again considered the matter very carefully. For the reasons set out in paragraphs 1.22 and 1.23 the Audit remains of the view that the Directions are not being administered effectively. In this regard, readers will note that the Audit has identified many areas where the effectiveness of administrative arrangements and the Directions need to be improved.

1.44 The Chief Executive suggests that the Audit is being pedantic in suggesting that where the word 'should' appears in the Directions it should be replaced with the word 'must'. The Audit agrees with the Chief Executive's comments that where the word 'should' is used in the Directions, it should provide sufficient direction to chief executives. It has been pointed out to the Audit, however, by one former chief executive, at least, that the words 'should' and 'must' have different meanings. The changes suggested by the Audit would put the matter beyond debate.

## **2. AUDIT APPROACH AND SCOPE**

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### **INTRODUCTION**

2.1 This chapter outlines the approach and scope of the audit. It establishes the criteria used by the Audit in forming its opinion.

### **AUDIT APPROACH**

2.2 The Audits' approach was to evaluate the effectiveness of the Annual Reports (Government Agencies) Act, the Chief Minister's Annual Reports Directions and arrangements for the administration of the Directions.

2.3 Members of the Legislative Assembly and the public have the right to expect governments to be fully accountable to them for the ways in which they have discharged their statutory and other responsibilities and utilised public funds. They have a right to expect to receive a timely, balanced and corroborated account of each agency's performance and its general plans for the future. Stakeholders also have a right to be consulted in the extent of and manner in which information is presented to them.

2.4 The Act and the Directions should unambiguously provide a comprehensive framework for these expectations to be met and monitored on a continuous basis. Administration of the Directions should be undertaken in accordance with the values and general principles for the public sector prescribed in sections 6 to 9 of the *Public Sector Management Act 1994*. The Audit's evaluation of the effectiveness of the Act, the Directions and their administration was assessed against these criteria.

2.5 In order to ascertain the effectiveness of both the Act and the Directions it was necessary for the Audit to consider the purpose of both the Act and the Directions. The effectiveness of the Act and the Directions was also evaluated against the expectations of members of the Legislative Assembly and better practice both in Australasia and internationally.

2.6 The expectations of members of the Legislative Assembly were assessed by two means. Firstly, the Audit analysed recent reports of each

of the Legislative Assembly's six standing committees on their consideration of departmental and other annual reports. The purpose of that analysis was to review those committee recommendations that had implications for the form and content of agencies' annual reports and by extrapolation, guidance contained in the Act and the Directions.

2.7 Secondly, the Audit conducted interviews with almost all Assembly members in order to obtain their views on the effectiveness of those annual reports that they had occasion to examine. Members' responses were assessed for their implications for the effectiveness of the Directions and the Act.

2.8 The Audit also reviewed a number of international and Australasian annual reporting directions, disclosure guides and expert reports for possible better practice reporting guidance. The most significant of these guides were the Global Reporting Initiative<sup>3</sup> guidelines for sustainability reporting, the Commonwealth Requirements for Annual Reports and a number of State annual reporting guides. The Audit also reviewed the Institute of Public Administration's detailed comments on those Territory bodies' annual reports submitted to it for assessment as part of its annual report awards.

2.9 After identifying possible better practice reporting guidance internationally and in other Australasian jurisdictions, the Audit reviewed those practices for their appropriateness in the context of the Territory. In particular, the Audit was concerned to ensure that any possible better practices identified were applicable to a small jurisdiction such as the Territory. It was only after judgements had been made on such matters that they were identified in this report as being better practice of relevance to the Territory.

2.10 The effectiveness of arrangements associated with the administration of the Directions was informed by judgements made on the effectiveness of the Directions. In addition, the effectiveness of the administration of the Directions was informed by the Audit's assessment

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<sup>3</sup> The Global Reporting Initiative was convened by the Coalition of Environmentally Responsible Economies in partnership with the United Nations Environment Program in 1997. It is now a permanent, independent international body with a multi-stakeholder governance structure. Its mission is to develop globally applicable guidelines for reporting on the economic, environmental and social performance of businesses, governmental and non-governmental organisations.

of relevant outputs, work practices and staffing and organisational arrangements.

2.11 The Audit's preliminary findings were discussed progressively with appropriate staff in the Chief Minister's Department, the Department of Treasury and other departments in order to obtain the benefit of their views and experience. Following refinement of its findings and suggested actions, a copy of the proposed report of the audit was forwarded to the Chief Executives of the Chief Minister's Department and the Department of Treasury for formal consideration in accordance with section 18(1) of the *Auditor-General Act 1996*.

2.12 The audit was conducted in accordance with those Australian Auditing Standards applicable to performance audits and included those tests and other procedures that the Audit considered necessary in the circumstances.

## **SCOPE OF THE AUDIT**

2.13 The scope of the audit included analysing the Annual Reports (Government Agencies) Act and the Chief Minister's Annual Reports Directions, May 2002. The scope of the Audit also included analysing related administrative arrangements.

2.14 Through the authority of their positions, Ministers, board members and senior executives are able to command the preparation of reports that provide them with the type and quality of information they need. These stakeholders therefore do not need to rely on annual reports as a source of information. Accordingly, the Audit did not address whether reports meet the information needs of Ministers, board members and senior executives.

2.15 The Audit did not address the veracity of any of the information contained in any of the annual reports of any agencies. Nor did the Audit review the work of line agency staff in the preparation of annual reports.

### 3. LEGISLATIVE FRAMEWORK

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#### INTRODUCTION

3.1 This Chapter considers the legislative framework for the Chief Minister's Annual Reports Directions. Specific sections of this chapter discuss:

- the purpose of the Annual Reports (Government Agencies) Act;
- the legislative framework;
- the presentation of reports;
- the inclusion of financial statements in annual reports;
- whole of government reporting;
- timings for the presentation of reports; and
- approval arrangements for the directions.

#### SIGNIFICANT FINDINGS

##### *Positive Findings*

- *The Annual Reports (Government Agencies) Act is generally an adequate legislative framework for annual reporting by government agencies to the Legislative Assembly and the people of the Territory.*

##### *Negative Findings*

- *There may be a conflict between the provisions of the Annual Reports (Government Agencies) Act, the Public Sector Management Act and the Financial Management Act regarding who is responsible for the administration and business of departments.*
- *Annual reports tabled in the Legislative Assembly need not include audited financial statements when they are not available within the timeframe specified in the Directions.*
- *The Act makes no provision for whole of government reporting.*
- *While a fixed time is specified for the provision of reports to Ministers, there is no fixed date that specifies when reports are to be made available to the Legislative Assembly or the public.*

- *The approving authority for the Directions is the Chief Minister and they may not be amended or rejected by the Legislative Assembly.*

## **PURPOSE OF THE ACT**

3.2 The Presentation Speech made in the Legislative Assembly on the occasion of the introduction of the Annual Reports (Government Agencies) Bill 1995 indicated that the Act would provide a simple, streamlined and consistent annual reporting arrangement for government agencies. In making the Presentation Speech, the then Chief Minister said that ‘most importantly’, the Act would raise the level of accountability to the community and would encourage agencies to improve their level of service.

3.3 The then Chief Minister also said that the legislation was a key element of the then Government’s program of ‘enhancing the performance and accountability of the ACT Government Service’.<sup>4</sup> The Presentation Speech included the comments that the Act would ‘clearly place responsibility for reporting with chief executives and make them accountable to the Assembly for the program performance of each administrative unit under their control’.<sup>5</sup>

3.4 At the time the Bill was introduced there was no legal requirement for departments to provide annual reports, other than financial statements, to the Legislative Assembly. In the case of public authorities annual reporting requirements were contained in their individual enabling legislation. The Act was designed to create a single reporting framework for all government agencies.

### ***Audit Comments***

3.5 The purposes of the Act are clear.

3.6 One purpose is to provide for consistent annual reporting arrangements by all government agencies. Another purpose is designed to enhance the level of accountability of government agencies to stakeholders and thereby make agencies more responsive to their needs. Stakeholders include members of the Legislative Assembly, providers of

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<sup>4</sup> Chief Minister, Hansard, 22 June 1995, *Presentation Speech*, pp 1057 - 1058.

<sup>5</sup> Chief Minister, *opt cit*, p 1057.

agency funding, consumers of agencies' outputs, those otherwise affected by agency outputs, suppliers, agency staff and the public.

## OVERVIEW OF THE LEGISLATIVE FRAMEWORK

3.7 The *Annual Reports (Government Agencies) Act 1995* sets the framework for annual reporting by departments, statutory authorities, Territory Owned Corporations and certain other bodies. The framework includes requiring the presentation of reports on the operations of each agency, identifying which public bodies are to provide annual reports; determining deadlines for the presentation and tabling of reports; and prescribing the format of reports.

### *Audit Comments*

3.8 The Act is generally an adequate legislative framework for annual reporting by government agencies to the Legislative Assembly and the people of the Territory. A number of specific concerns with the Act, however, are discussed below.

## PRESENTATION OF REPORTS

3.9 In accordance with sub-section 7 (1) of the Act, the Chief Executives of departments are required to present a report relating to the operations of the department to the responsible Minister<sup>6</sup> each year. Administrative units are the departments of the Public Service established under section 13 of the *Public Sector Management Act 1994*.

3.10 In accordance with sub-section 8(1) and paragraph 8(5)(a) of the Act, public authorities are required to present reports on their operations each year. The Minister<sup>7</sup> may direct a public authority to either present a report to the responsible minister<sup>8</sup> or to the Chief Executive of the appropriate department. Alternatively the Minister may direct a public authority to provide the Chief Executive of the appropriate department with specified information relating to the operations of the authority.

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<sup>6</sup> The responsible Minister for an administrative unit is the Minister who has been allocated responsibility for the administrative unit by the Chief Minister.

<sup>7</sup> The Minister is the Minister responsible for administering the *Annual Reports (Government Agencies) Act 1995*, which is the Chief Minister.

<sup>8</sup> The responsible Minister for a public authority is the Minister who administers the public authority's enabling legislation or in cases where there is no enabling legislation, the Minister declared by the Chief Minister to be the responsible Minister.

3.11 In accordance with sub-section 14(2) of the Act, reports presented to responsible ministers are presented to the Legislative Assembly. Reports presented to appropriate Chief Executives are annexed to Chief Executives' own annual reports. Finally information on the operations of public authorities provided to Chief Executives are subsumed in Chief Executives' own annual reports.

3.12 The steps outlined above for the presentation of reports to Ministers is given effect by Chief Executives or the chairpersons of statutory authorities or Territory Owned Corporations formally transmitting their reports to the responsible minister under the cover of a 'transmittal certificate'. Transmittal certificates are in the form of a letter in the front of each annual report. Each letter states that the attached report has been prepared in accordance with the Annual Reports (Government Agencies) Act.

3.13 Transmittal letters also include a certification that the report is an honest and accurate account of the operations of the agency during the reporting period. They are signed by the relevant Chief Executive or chairperson. Responsible Ministers then table agencies' annual reports, including their transmittal certificates, in the Legislative Assembly.

3.14 There is no provision in the Act for Ministers to have any involvement in the content of annual reports. Their only role is to receive completed reports from Chief Executives and chairpersons and to table them in the Legislative Assembly.

### ***Audit Comments***

3.15 A key question that arises is whether there is a conflict between those provisions of the Annual Reports (Government Agencies) Act referred to above and relevant provisions of the Public Sector Management Act and the Financial Management Act. If there appears to be a conflict between the three Acts, a second key question that arises is whether it is appropriate for Chief Executives of departments to sign their annual reports or whether it would be more appropriate for the transmittal letters, including the associated certification, to be signed by the responsible Minister. This matter is discussed below. The form and content of transmittal letters is discussed in the following chapter.

3.16 Section 29 of the *Public Sector Management Act 1994* provides for each Chief Executive to be responsible, under the relevant Minister,

for the administration and business of the department under their control. In addition, section 28B of the Act, which specifies the effect of Chief Executives' employment contracts on the responsibilities of Ministers, is also relevant. That section states that nothing in a Chief Executive's contract shall be taken to derogate, in any way, from the responsibility of relevant Ministers for the policies developed or applied by the administrative unit or the performance of the administrative unit.

3.17 The inclusion of the phrase 'under the relevant Minister' indicates the Legislative Assembly's intention that the Chief Executive's legislated responsibilities for the administration of and business of their departments does not affect the ultimate responsibility and accountability of Ministers for the operation of departments.

3.18 Section 31 of the *Financial Management Act* 1996 sets out the financial management responsibilities of Chief Executives. At section 31(2) of the Act, a role for Ministers in this process is identified. That section states that Chief Executives of departments are responsible, under the responsible Minister, for ensuring, amongst other things, that the moneys spent by the department are within the appropriations made for the department and that adequate control is maintained over the incurring of liabilities by the department.

3.19 Those parts of the Public Sector Management Act and the Financial Management Act referred to above make it clear that Ministers have a responsibility for directing and assessing the business of their departments. Taken together these provisions are clear evidence that Ministers have an overall responsibility for the performance of their departments. As such they should be accountable for the policies and performance of their departments. This matter was discussed in some detail in the Auditor-General's Report on *Enhancing Professionalism and Accountability*.<sup>9</sup>

3.20 As indicated above, however, section 7 (1) of the Annual Reports (Government Agencies) Act requires Chief Executives to present reports relating to the operations of their departments to their Minister. In accordance with section 14 (2) of that Act, the responsible Minister is required to present that report to the Legislative Assembly. These provisions appear to be in conflict with those provisions of the Public

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<sup>9</sup> Auditor-General, 2001, Report No. 2, *Enhancing Professionalism and Accountability*, pp 30 - 38.

Sector Management Act and the Financial Management Act referred to above. That is, the latter two Acts place ultimate responsibility for the operation of departments with Ministers whereas the Annual Reports (Government Agencies) Act requires Chief Executives to account for the operation of their departments, as if Ministers had no involvement.

3.21 It would serve the interests of effective public administration if any ambiguity between the provisions of the Public Sector Management Act, the Financial Management Act and the Annual Reports (Government Agencies) Act were clarified. 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 each year. Although not supported by the Audit, any ambiguity could also be removed by amending the Public Sector Management Act and the Financial Management Act to remove those provisions that give Ministers responsibility for the administration and business and their departments.

3.22 These are matters for the Legislative Assembly to resolve.

### ***Suggested Action No 1***

3.23 Accordingly, the Audit suggests that 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.

## **ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS**

3.24 As indicated above, in accordance with sub-section 7(1), 8(1) and paragraph 8(5)(a) of the Act, Chief Executives or public authorities are required to present reports on their operations each year. In accordance with subsection 8(2), 8(6) and 8(7) of the Act, reports are required to be in the form and include such information as the Minister directs.

3.25 The Directions state that annual reports must include annual financial statements prepared in accordance with the *Financial Management Act 1996* or the *Territory Owned Corporations Act 1990* as

appropriate. The Directions then go on to state that it is intended that the Auditor-General's Opinion will be available in time to meet reporting deadlines. Where available, the Audit Opinion must be included in annual reports.

3.26 The Department has advised the Audit that the Directions are framed in this way to meet the small number of cases where agencies are unable to finalise their statements in time for audit opinions to be issued by the cut off date. The Department notes that this is a pragmatic way of balancing a tight statutory timetable against the practicalities of finalising audits in some agencies.

3.27 In practice this means that where an agency has not been able to finalise its accounts and, as a result, an audit opinion is not available, a report may be presented on time in accordance with the Act and then correct financial statements with an audit opinion are subsequently included in the report after it has been finalised in the period between the time when the report is presented to the Minister and when the Minister tables it in the Legislative Assembly.

### ***Audit Comment***

3.28 The process outlined above has been devised for administrative convenience to cover the possibility that agencies may fail to have their annual audited financial statements finalised by the time by which annual reports must be forwarded to responsible ministers. In these cases, audited financial statements are usually forwarded to responsible ministers in the time between when reports are forwarded to ministers and the time by which they are tabled in the Legislative Assembly. The legal effect of this approach, however, is that annual reports tabled in the Legislative Assembly need not necessarily include audited financial statements.

### ***Suggested Action No 2***

3.29 Accordingly, the Audit suggests that the Act be amended to make it clear that the presentation of annual reports to the Legislative Assembly 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.

## **WHOLE OF GOVERNMENT REPORTING**

3.30 The Act refers to three main kinds of reporting entities. That is, administrative units, public authorities and the Commissioner for Public Administration. An administrative unit is one constituted under the Public Sector Management Act. As indicated above, the administrative units so constituted are the departments of state. A 'public authority' is defined in section 4 of the Act.

3.31 In accordance with section 6 of the Act, the Commissioner for Public Administration is required to present to the Chief Minister a report relating to the operations of the public service each year. The report is required to give an account of the personnel management of the public service as a whole during the financial year and must include such other information as directed by the Chief Minister. The Chief Minister is required to table the Commissioner's report in the Legislative Assembly within six sitting days after he receives it.

3.32 The Act makes no provision for whole of government reporting.

### **Assembly Members' Views**

3.33 In discussions with the Audit, most members of the Legislative Assembly gave tentative support to the notion of whole of government reporting. There was a general view, however, that if such reports were to be produced, they should not merely summarise material published in agency reports. Whole of government reports would need to be seen as adding value to the reporting process. This would occur if whole of government reports focused on whole of Territory matters and other matters that extended beyond the reporting responsibilities of one agency. Members also raised the issue of the frequency of such reports and were interested in alternatives to annual publication.

### ***Audit Comments***

3.34 It would appear that if the idea of whole of government reporting were to be pursued, such a report would principally address three matters. These would be whole of government initiatives, specific high profile policy objectives and whole of government financial matters. These matters are discussed further in the following paragraphs.

### *Whole of Government Objectives*

3.35 Whole of government objectives are currently included in the budget papers. For example, in the 2001-02 budget papers, Budget Paper No. 3 included a chapter entitled *Government Plan 1998-2002*. That chapter set out a vision for the Government, the outcomes for the term and the key areas the Government would target. It also included key measures of success used to assess the achievement of outcomes.

3.36 In addition, in the 2002-03 budget papers, Budget Paper No. 3 included a chapter entitled *Shaping Canberra's Future*. That chapter set out the new Government's vision, the agenda that it had committed itself to and how it would achieve good government. The Chapter also listed the Government's priorities.

3.37 There is no obligation, however, to report against these objectives. While whole of government achievements are reported from time to time in documents such as 'State of the Territory' reports, there is no formal requirement to do so and no framework exists for the presentation of such reports. Furthermore, while aspects of whole government reporting are present in the budget papers, the focus of the budget is forward looking. The budget is not seen, nor should it be seen, as an accountability document.

### *Specific Policy Objectives*

3.38 From time to time the Government announces specific key policy objectives that may extend beyond the responsibilities of any one agency. For example, the Chief Minister recently issued a discussion paper on sustainability in the ACT.

3.39 The discussion paper states that an agreed sustainability policy framework will provide broad direction for the Government and its agencies, business and community organisations. The discussion paper also suggests that measuring progress towards sustainability will be based on identifying and reporting changes over time against the social, environmental and economic goals that are eventually agreed.

3.40 The medium for reporting these matters and possible verification processes has yet to be determined.

### *Whole of Government Financial Statements*

3.41 Whole of government financial statements are required to be prepared by the Treasurer in accordance with sub-section 22(1) of the *Financial Management Act 1996*.

3.42 In accordance with sub section 22 (2) and section 23 of the Act, the statements are required to include a statement of responsibility signed by the Treasurer and the Chief Executive of the Department of Treasury, consolidated financial statements, a statement of accounting policies adopted by the Territory, 'such other statements as are necessary to fairly reflect the financial operations of the Territory' and an opinion on them prepared by the Auditor-General.

3.43 In accordance with section 25 of the Act, the whole of government financial statements, together with a copy of the audit opinion, are required to be presented to the Legislative Assembly.

3.44 The whole of government financial statements are arguably the most important financial statements presented to the Legislative Assembly each year. The statements summarise the Territory's overall financial results and financial position, however, they do not explain the significance of the trends contained therein nor do they otherwise meet the reporting requirements of constituent agencies.

3.45 The statements are not required to have attached to them any narrative discussion or analysis that would explain the information in the financial statements and assist members of the Legislative Assembly and other stakeholders to better understand the Territory's past and current results and position. Nor do the statements provide an aggregated overview of the government's performance by comparing its objectives with its achievements together with explanations for variances.

### *In Summary*

3.46 It would seem to the Audit that it would be in the public interest if there were a requirement for formal regular whole of government reporting similar to that, which is currently required of agencies. Such a report would draw together those aspects of whole of government reporting that already exist and are in prospect. It would also report in an aggregated way on the operations of the entire government sector.

3.47 Specific matters of key interest to members of the Legislative Assembly and other stakeholders that might be expected to be found in such whole of government reporting could include reporting and comment on: progress towards achieving those whole of government objectives included in the Budget papers, major Territory initiatives such as progress towards sustainability and the soundness of Territory's financial position including whole of government financial statements.

### ***Frequency of Whole of Government Reporting***

3.48 A further issue for consideration is whether a whole of government report should be prepared on an annual basis or once during the life of an Assembly. In this regard, whole of Territory financial statements are already prepared on an annual basis and could be included in an annual whole of government report.

3.49 On the other hand some of the performance information included in a whole of government report could be assessed more effectively if it were presented every three years. In addition, the introduction of whole of government reporting is a new concept and it could be administratively easier if a report were prepared once during the term of an Assembly.

### ***Suggested Action No 3***

3.50 Accordingly, the Audit suggests that the Annual Reports (Government Agencies) 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.

## **TIMINGS FOR THE PRESENTATION OF REPORTS**

3.51 Under section 11 of the Annual Reports (Government Agencies) Act, all reports must be presented to Ministers within ten weeks of the end of the reporting year. This means that all reports for the year ending 30 June 2002 should have been presented to Ministers by 8 September 2002. Agencies reporting for 31 December 2002 are required to present their reports by 11 March 2003.

3.52 Sub-section 14 (2) of the Act, provides for the responsible Minister to cause a copy of each annual report presented to him to be laid

before the Legislative Assembly within six sitting days after the day on which he or she receives the report.

3.53 This year Cabinet agreed that all agencies with financial year reports should present their reports to Ministers by 8 September 2002. Cabinet also agreed that all reports should be tabled in the 24-26 September 2002 sitting week. That is within three sitting days after Ministers receive the reports. The Audit understands that Cabinet agreed on an earlier than required tabling date in order to provide adequate time for Legislative Assembly Standing Committees to consider and report on each report and for any Government responses to be included in agencies' 2002-03 reports.

### *Audit Comments*

3.54 The presentation of annual reports to the Legislative Assembly is the principal way in which Chief Executives and chairpersons account publicly for the performance of departments and public authorities under their control. Accordingly, the key date in the annual reporting process is the date by which reports must be laid before the Legislative Assembly.

3.55 Indeed the Presentation Speech made in the Legislative Assembly on the occasion of the introduction of the Annual Reports (Government Agencies) Bill 1995 suggested that the Act would include such a provision. In that speech, the then Chief Minister indicated that the legislative framework 'provides a legislative requirement to report by the date by which the Assembly shall receive annual reports'.<sup>10</sup>

3.56 While a fixed date is specified for the provision of reports to Ministers, there is no fixed date in the Act that specifies when reports are to be laid before the Legislative Assembly. The date by which agencies must report depends on the days on which the Legislative Assembly is scheduled to sit. Under current arrangements it would be possible for a government to delay the presentation of annual reports for an indefinite period.

3.57 As indicated earlier in this chapter, reports are sometimes presented to Ministers with incorrect and unaudited financial statements in order to meet the statutory reporting deadline. In these cases, audited

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<sup>10</sup> Chief Minister, *opt cit*, p 1057.

and correct financial statements are provided to Ministers at a later date but before reports are presented to the Legislative Assembly.

3.58 It would, therefore, seem to be more appropriate if the Act specified the date on which reports must be presented to the Legislative Assembly rather than an intermediate date, as is now the case. If such a suggestion were agreed, it would be appropriate for the Act to specify that the reports of all agencies be laid before the Legislative Assembly by, say, 30 September each year in the case of those agencies with 30 June year ends and say 31 March for those agencies with 31 December year ends. This approach would provide greater flexibility for agencies in setting intermediate timing deadlines. It would also overcome the present practice of presenting Ministers with reports that contain incorrect and unaudited financial statements.

3.59 If the Act was amended along these lines, it would also be necessary to provide for the possibility that the Legislative Assembly was not scheduled to sit on or immediately prior to 30 September each year. To cover this possibility, any amendment to the Act should make provision for out of session publishing of annual reports.

***Suggested Action No 4***

3.60 Accordingly, the Audit suggests that the Act be amended to provide for the date by which all reports are to be made public and that the intermediate date for the presentation of reports to responsible Ministers be removed. If such a suggestion were agreed, it would be appropriate for the Act to specify that the reports of all agencies be laid before the Legislative Assembly by, say, 30 September each year for those agencies with 30 June year ends and 31 March for those agencies with 31 December year ends, irrespective of whether the Legislative Assembly is sitting or otherwise.

**APPROVAL OF THE DIRECTIONS**

3.61 In the Presentation Speech made in the Legislative Assembly on the occasion of the introduction of the Annual Reports (Government Agencies) Bill 1995 the then Chief Minister stated that 'in order to ensure that the maximum accountability and reporting requirements of the

Assembly are met, the legislation provides for ... annual reporting directions and guidelines to be tabled in this Assembly'.<sup>11</sup>

3.62 Sub-sections 7(2), 8(2) and 8(6) of the Act provide for annual reports to be in the form and include such information as the Minister directs. Section 15 of the Act allows for the Chief Minister to issue directions in respect of annual reports. Such directions must be laid before the Legislative Assembly within six sitting days after the day on which they are made.

3.63 The Minister usually makes new directions each year to take account of emerging policy issues and administrative and timing changes. As part of this process, proposed Directions are the subject of annual consideration and approval by Cabinet.

3.64 The Directions are presented to the Legislative Assembly as part of an instrument signed by the Chief Minister that will make the Directions, reporting deadlines and the declaration of reporting entities legally binding. The instruments, however, are not disallowable. This means that the instruments may not be amended or rejected by the Legislative Assembly.

***Possible Better Practice***

3.65 In some other jurisdictions, notably the Commonwealth, the approving authority for the requirements for annual reports rests with the Parliament. In the Commonwealth, annual report requirements are prepared pursuant to sub-sections 63(2) and 70(2) of the Public Service Act 1999 (Cwlth) and are then approved by the Joint Committee of Public Accounts and Audit.

***Audit Comments***

3.66 Clearly the objective enunciated by the then Chief Minister that the maximum reporting requirements of the Assembly should be met has, in fact, not been met. If the Legislative Assembly was to have maximum reporting requirements, then they should have the power to determine what was being reported to them. This is not the case, as the Directions are not disallowable and the Assembly can have no input into them.

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<sup>11</sup> Chief Minister, opt cit, p 1058.

3.67 The present arrangements do not appear to be effective from the perspective of the Legislative Assembly. If that proposition were agreed, two alternatives would appear to be feasible to rectify this situation. That is the Directions could be made disallowable instruments or alternatively the Directions could be subject to the approval of the Legislative Assembly or a committee thereof. Both of these alternatives would involve changes to the Act.

3.68 If the Act were amended to make the Directions disallowable, the Legislative Assembly could amend them if it was not satisfied with them. Such an amendment to the Act, would not, however, provide a sound environment for the Legislative Assembly to consider possible enhancements to the Directions and to formally determine their contents.

3.69 If, however, the Annual Reports (Government Agencies) Act were amended to provide for the Standing Committee on Public Accounts to have responsibility for approving the Directions, then the Legislative Assembly would have control over the contents of the Directions.

#### ***Suggested Action No 5***

3.70 Accordingly, the Audit suggests that the Act be amended to provide for the Standing Committee on Public Accounts to have responsibility for approving the Directions.

### **CONCLUSION**

3.71 The Act is generally an adequate legislative framework for annual reporting by government agencies to the Legislative Assembly and the people of the Territory. It provides a simple, streamlined and consistent annual reporting arrangement for almost all government agencies.

3.72 There are a number of areas, however, where enhancements to the Act would raise the level of accountability to the community. The most important areas in which the Act might be enhanced would be to amend the Act to remove any ambiguity concerning the responsibilities of Ministers and Chief Executives. Another important area in which the Act might be enhanced would be to provide for the Standing Committee on Public Accounts to have responsibility for approving the Directions. Finally the Act should be amended to provide a date by which all reports are to be laid before the Legislative Assembly.

## 4. THE STRATEGIC SCOPE OF THE DIRECTIONS

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### INTRODUCTION

4.1 This Chapter discusses overarching strategic issues associated with the Directions. Specific sections of this chapter discuss:

- the purpose of the Directions;
- balanced reporting;
- the focus of reporting;
- stakeholder input;
- the credibility of information in annual reports; and
- attesting non-financial information in annual reports.

### SIGNIFICANT FINDINGS

#### *Positive Findings*

- *The Directions facilitate consistent reporting requirements across the public sector with a view to enhancing public accountability.*

#### *Negative Findings*

- *The Directions do not require agencies to comprehensively disclose information of significant concern to stakeholders.*
- *The Directions suggest that only limited references to agencies future directions are necessary.*
- *There is no requirement in the Directions for agencies to report a balanced account of their performance.*
- *The Directions contain no guidance designed to seek stakeholder input to annual reports.*
- *There is no independent validation of the narrative parts of annual reports and the Chief Executive's transmittal certificate provides only limited assurance as to the veracity of information contained therein.*

## THE PURPOSE OF THE DIRECTIONS

4.2 The Presentation Speech made in the Legislative Assembly on the occasion of the introduction of the Annual Reports (Government Agencies) Bill 1995 indicated that the Bill would enable the Government to stipulate the form and content of annual reports through the mechanism of annual reporting directions and guidelines that will be issued under the legislation. In that speech, the then Chief Minister indicated that ‘the guidelines will ensure that annual reports give an accurate and comprehensive account of the implementation, by programs and sub-programs, of the Government’s policies and priorities.’<sup>12</sup>

4.3 The Directions state that ‘Annual reports are the principal way in which agencies account for management performance through Ministers to the Legislative Assembly and the community. Annual reports are therefore primarily accountability documents.’ The Directions provide the detailed requirements for meeting these objectives. In doing so, the Directions require reporting of immediate past operational and financial performance. They also require reporting on a range of specific policy and legislative matters.

4.4 The Directions are divided into three main parts:

- *Part A – Overview of Major Achievements*, which provides the guidelines for the overview of major achievements and linking of detailed output reporting in performance statements with the achievement of Government outcomes;
- *Part B – Financial and Performance Reporting*, which includes audited financial and performance statements; and
- *Part C – Whole of Government issues*, which covers reporting of achievements against key policy objectives, resource use and statutory requirements.

4.5 A number of Acts require that specific material be included in the annual reports of all agencies. Those Acts are the:

- *Freedom of Information Act 1989*;
- *Occupational Health and Safety Act 1989*;
- *Commissioner for the Environment Act 1993*;
- *Public Interest Disclosure Act 1994*;

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<sup>12</sup> Chief Minister, opt cit, pp 1057 - 1058.

- *Government Contractual Debts (Interest) Act 1994; and*
- *Environment Protection Act 1997.*

4.6 Obligations under these Acts are addressed in Part C of the Directions.

### **Assembly Members' Views**

4.7 In discussions with the Audit, most Members of the Legislative Assembly indicated that they considered the primary purpose of annual reports to be both accountability and information documents. Further, Members of the Legislative Assembly also stated that in this regard, they would like annual reports to have a clearer link between an agency's forecasts or objectives and its achievements.

### ***Possible Better Practice***

4.8 The Commonwealth's *Requirements for Annual Reports* states the purpose of annual reports in the Commonwealth arena. The Requirements state that:

The primary purpose of annual reports of departments (and agencies) is accountability, in particular to the Parliament.

Annual reports serve 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.

### ***Audit Comments***

4.9 The Directions facilitate consistent reporting requirements across the public sector with a view to enhancing public accountability. They contain the minimum reporting requirements that apply to all departments, public authorities and Territory Owned Corporations. The format of the Directions is sufficiently flexible to accommodate a range of reporting strategies or styles to meet different operational requirements.

4.10 The Directions, however, contain no requirement or encouragement that agencies should seek to use annual reports to comprehensively and cooperatively disclose information of significant concern to stakeholders. The Audit agrees with the sentiments expressed in the Commonwealth Requirements but suggests that they should go further. That is, the scope of the Directions should be expanded to also encompass the concepts of comprehensiveness and cooperation.

***Suggested Action No 6***

4.11 Accordingly, the Audit suggests that the Directions be amended to require agencies to use their 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.

4.12 Possible ways to refocus the Directions to achieve this outcome are addressed in subsequent sections of this chapter. The Audit has also made a number of related comments and suggestions on specific aspects of the Directions arising from consideration of comments by members of the Legislative Assembly and an analysis of the guidance in other jurisdictions and forums. They are addressed in chapters five and six of this report.

**BALANCED REPORTING**

4.13 There is no requirement in the Directions for agencies to report a balanced account of their performance. In particular, there is no explicit requirement for agencies to report setbacks that have occurred during the year and results that are unfavourable.

**Assembly Members' Views**

4.14 In discussions with the Audit, most members of the Legislative Assembly considered that agencies should be required to present balanced reports. They supported a 'warts and all' approach. There was a general opinion that honest reporting on achievements against forecasts, including unachieved targets, could encourage agencies to actively seek solutions to any shortfalls that they were required to report on. Some members also suggested that a 'warts and all' approach would also protect Ministers in cases where Chief Executives or chairpersons may otherwise be tempted

not to disclose matters where their agencies may have fallen short of expectations.

***Possible Better Practice***

4.15 The Global Reporting Initiative guidelines include the reporting principle of neutrality. That principle states that ‘reports should avoid bias in selection and presentation of information and should strive to provide a balanced account of reporting the organisations performance’.<sup>13</sup> This means presenting an account that includes both favourable and unfavourable results, free from intentional tilt, understatement or overstatement of the organisations performance. Under the neutrality principle the overall report must present an unbiased picture of an agency’s performance, avoiding selections, omissions or presentation formats that are intended to influence stakeholders.

4.16 A number of State annual report guidelines have adopted a ‘warts and all approach’ in annual reporting. For example, NSW’s *Annual Reports (Departments) Regulation 2000* requires that departments provide a description of the major problems and issues that have arisen during the reporting period. In addition, NSW departments are also required to report on the reasons for any significant delays to or amendment, deferment or cancellation of major works or programs.

4.17 In addition, the Western Australian Guidelines state that 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. They should include all relevant information, not just ‘good news’.<sup>14</sup>

4.18 Furthermore, the South Australian Directions state that the focus of annual reports should be on communicating the success or otherwise of agency activities in achieving government policy outcomes’.<sup>15</sup> The Directions make it clear that high quality annual reports are those that ‘report good and bad news associated with their performance’.<sup>16</sup>

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<sup>13</sup> Global Reporting Initiative, April 2002, *Draft 2002 Sustainability Reporting Guidelines*, p 24.

<sup>14</sup> Western Australian Government, op cit, p 3.

<sup>15</sup> SA Directions, opt cit, page 4.

<sup>16</sup> SA Directions, opt cit, page 5.

4.19 The Judges' report of the ACT Division of the Institute of Public Administration's 2001 annual report awards drew attention to this matter. The judges said that 'it can be a welcome measure of senior executive accountability and management clarity where some comments are also made about performance shortfalls'.<sup>17</sup>

4.20 The report of the NSW Parliament's Public Bodies Review Committee also commented on this matter as part of its review of a number of NSW agencies. In its report it stated that 'usually only "good" news was included and no setbacks and problems'.<sup>18</sup> The Committee also noted that one of the key obstacles that had emerged, as a hindrance to good annual report preparation, was reluctance at management level to publish performance information that was not entirely positive.

4.21 The NSW Audit Office's reporting guide notes that often factors outside of the control of an agency affect its performance. The guide suggests that better practice would be for agencies to discuss these matters in their annual reports and provide readers with information on:

- the external and internal factors that affect or constrain an agency's day to day activities;
- internal and external factors that might impact on success, both present and those likely in the future;
- the agency's responses to issues of significant public interest; and
- the future operating environment and developments.

### ***Audit Comments***

4.22 Notwithstanding the absence of the Directions to provide a balanced account of their performance, the Audit notes that a number of agencies do include information on factors that affect or constrain an agency's day to day activities and the future operating environment and challenges. Those agencies are to be commended.

4.23 The absence in the Directions of any requirement for balanced reporting, however, would seem to fall short of the possible better practice guidance referred to above. In particular, the GRI principle of

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<sup>17</sup> Institute of Public Administration (ACT Division) Incorporated, *Annual Reports Awards, Judges Report 2000-2001*, p 29.

<sup>18</sup> Parliament of NSW, November 2000, Report of the Public Bodies Review Committee, *Towards Better Performance Reporting*, p 7.

neutrality which states that the overall report must present an unbiased picture of an agency's performance, avoiding selections, omissions or presentation formats that are intended to influence stakeholders would seem to be better practice.

4.24 The Institute of Public Administration judges' report has recommended that the Directions be reviewed with a view to 'including a segment referring to under-achievements'.<sup>19</sup> The Audit agrees. One possibility would be for the Directions to require agencies to include a mandatory section that would report on objectives and targets forecast in the budget, media releases and elsewhere that have not been fully achieved within the forecast timeframe. Where matters are in progress at year end, progress reports should be provided. In each case reasons should be provided.

4.25 Inclusion in annual reports of a discussion of an agency's setbacks and failures would have a number of important benefits for an agency. Firstly, the public identification of a setback would ensure that it was precisely identified and, where possible, quantified. In most cases this would lead to a discussion on the reasons for the setback and the implications arising from the setback. It would also lead to an enumeration of the steps that would be required to correct the situation and a consideration of the relative benefits of taking those steps.

4.26 Secondly, the public identification of a setback may assist an agency, and indeed the government of the day, to reach a decision to abandon a poor initiative that had failed to produce the intended benefits. Finally, identification and discussion of setbacks would provide an opportunity for stakeholders to contribute to their resolution. Such an approach could provide a basis for the consideration of possible solutions that may not have otherwise come to hand.

### ***Suggested Action No 7***

4.27 Accordingly, the Audit suggests that a section be included in the Directions that would require agencies to report on factors affecting or constraining their activities and those objectives and targets that have not been fully achieved within the forecast timeframe. Where matters are in progress a situation report should be provided. In each case frank reasons for setbacks or failures should be provided.

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<sup>19</sup> IPAA, opt cit, p 27.

## FUTURE DIRECTIONS

4.28 In addition to reporting on past outcomes, the Directions also state that departments should, in their annual reports, make some reference to the agency's future directions, based on reference to the future Budget Papers. In respect of public authorities, the Directions state that 'it may also be relevant to provide some insights into the authorities future directions.

### *Possible Better Practice*

4.29 The Western Australian Public Sector Annual Report Framework clearly states the purpose of agencies' annual reports. Under the heading 'Purpose of Annual Reports', the Guidelines state that annual reports are 'a vital communication and accountability mechanism in which agencies report on the status of their service delivery and extent of compliance with the various legislative and Government policy requirements'.<sup>20</sup>

4.30 The Western Australian Guidelines go on to state that annual reports should answer the following questions.

- What is the agency's purpose?
- Who are the agency's clients/customers and stakeholders?
- What did the agency intend to achieve?
- What did it achieve?
- How did it achieve what it did?
- Where is it heading?<sup>21</sup>

4.31 The Queensland Financial Management Standard requires that agencies include in their annual reports 'a review of the proposed future operations'<sup>22</sup>. Furthermore, the South Australian Requirements states that high quality annual reports are those that 'report on the previous financial year, but also on issues facing the agency in the immediate future'.<sup>23</sup> The NSW Audit Office better practice guide<sup>24</sup> to annual reporting supports including a forward looking component when it states that an annual

<sup>20</sup> Department of the Premier and Cabinet, June 2001, *Western Australian Public Sector Annual Report Framework*, p 1.

<sup>21</sup> Western Australian Government, *Western Australian Guidelines*, opt cit, p 3.

<sup>22</sup> Queensland Government, 1997, *Queensland Financial Management Standard*, ss 95 -96.

<sup>23</sup> SA Requirements, opt cit, page 5.

<sup>24</sup> Audit Office of NSW, *Reporting Performance: a guide to preparing performance information for annual reports*, p 6.

report should provide a clear discussion on what the agency planned to achieve, did achieve and plans to achieve in the future.

### ***Audit Comments***

4.32 Almost exclusively, the focus of the Territory's Directions is on the past. As indicated, the Directions suggest only limited references to agencies' future directions.

4.33 This guidance stands in contrast with that of a number of other jurisdictions, including those referred to above. Whilst acknowledging the primary role of annual reports to actually report on what has occurred during the reporting period, the Audit agrees with the guidance referred to above that annual reports should also be required to include a discussion on what are the major issues that an agency expects to face in the immediate future and also what it plans to achieve in the future.

### ***Suggested Action No 8***

4.34 Accordingly, the Audit suggests a specific section be included in the Directions requiring agencies to also focus on reporting on their immediate future environment and their general plans for the future. The purpose of such a section would be to require Chief Executives and chairpersons to give stakeholders, especially the Legislative Assembly, an insight into where agencies are heading and to provide an opportunity for them to provide advance input if that is considered appropriate.

## **STAKEHOLDER INPUT**

4.35 The Directions contain no guidance designed to encourage agencies to seek stakeholder input to their annual reports.

### **Assembly Members' Views**

4.36 In discussions with the Audit, members of the Legislative Assembly expressed their interest in having an opportunity to contribute suggestions for specific matters to be addressed in annual reports. Members indicated that, given the opportunity, they may wish to suggest the inclusion of new or expanded information on:

- the costs of implementing particular decisions;
- change management;

- individual profit centres within agencies;
- agencies' legislative responsibilities
- organisational information;
- crime;
- insurance payouts;
- equal employment opportunities;
- OHS issues; and
- agencies links with the community.

### *Possible Better Practice*

4.37 Internationally, governance systems are increasingly expected to pay heed to the concerns of stakeholder groups. In this regard, the Global Reporting Initiative Guidelines<sup>25</sup> state that the primary purpose of reporting is 'providing information that meets the needs of the organisation's stakeholders'.<sup>26</sup> The Guidelines also state that organisations should be encouraged to engage in direct and frequent consultation with their key stakeholders to identify additional indicators of interest to their stakeholders.

### *Audit Comments*

4.38 The absence of any guidance in the Directions designed to encourage agencies to seek stakeholder input to their annual reports would seem to fall short of the possible better practice guidance referred to above. The Audit considers that the GRI exhortation that organisations should be encouraged to engage in direct and frequent consultation with their key stakeholders would seem to be better practice.

4.39 Agencies' stakeholders include, the members of the Legislative Assembly, the users of agencies' outputs, employees, suppliers, other persons directly affected by agencies and the general community. It is to be expected that stakeholders information needs will change over time. On occasions such changes will occur rapidly in response to changing circumstances.

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<sup>25</sup> The GRI guidelines are not specific to any sector. The 2002 guidelines have been developed primarily with the needs of business organisations in mind. The Guidelines state, however, that with some adaptation they can be applied to other types of organisations such as government agencies and non-profit organisations.

<sup>26</sup> GRI Guidelines, page, 16.

4.40 At present, however, any stakeholder input that occurs is usually on an ad hoc basis after the event and is made in respect of individual annual reports. This matter is further discussed at Chapter 4 where the Audit discusses input from members of Legislative Assembly standing committees.

4.41 The Audit considers that there could be considerable benefit if a structured process of seeking stakeholder input to annual reports occurred on a regular basis. Such input would be designed to help focus and enhance the quality of agencies' annual reports. Aspects of reporting that would benefit from consultation would include information disclosure and analysis, the adequacy and analysis of performance indicators, disclosure and discussion of successes and failures and the format of the report. The consultation could occur on two levels.

4.42 Firstly, it may be appropriate for the Chief Executive of the Chief Minister's Department to seek early stakeholder input to whole-of-government issues. The purpose of such consultation would be to inform the content of the Directions. Such consultation should be on a regular basis, but not necessarily annually. It might be undertaken in two phases. Firstly consultation might be undertaken with one or more standing committees of the Legislative Assembly. The second phase might be with other groups of stakeholders with whole-of-government interests.

4.43 The second level of stakeholder input would take place between stakeholders and individual agencies after the Directions had been finalised. The purpose of the second level consultation would be to inform decisions about the detailed nature of information to be included in individual annual reports. Such consultation should also be on a regular basis, but not necessarily annually. It also might occur in two phases. Firstly consultation might be undertaken with the relevant standing committee of the Legislative Assembly. The second phase might be with other groups of stakeholders.

4.44 If these suggestions were taken up there would also be merit if the processes and their outcomes were publicly reported. This could be achieved by including in each annual report a section on stakeholder consultation processes.

*Suggested Actions No 9 and 10*

4.45 Accordingly the Audit suggests that 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.

4.46 It is also suggested that consideration be given to amending the Directions to require agencies to include in their annual reports a section on stakeholder consultation processes.

**CERTIFYING THE VERACITY OF INFORMATION IN ANNUAL REPORTS**

4.47 The Directions provide for reports to be forwarded to responsible Ministers under the cover of a formal transmittal letter. Chief Executives, normally sign transmittal letters, in the case of departments, and Chairpersons, in the case of statutory authorities. They are normally affixed to the front of agencies' annual reports. This section addresses the form and content of transmittal letters. The question of who should sign them was addressed in the preceding chapter.

4.48 The minimum content of a transmittal letter is specified in the Directions. Each letter provides for a certification that 'the attached annual report is an honest and accurate account of the operations of (the agency) during the period'.

4.49 As discussed above, annual reports normally comprise a narrative section that summarises the operations of the agency, a section on the agency's financial statements and a section on a number of whole of government matters. The financial statements section can comprise three separate documents. They are the financial statements, performance statements and a narrative management discussion and analysis commentary on the financial statements.

4.50 The Auditor-General subjects the financial statements and performance statements to auditing processes in accordance with professional standards. The processes involve ensuring that the financial statements have been prepared in accordance with Australian Accounting Standards. As a result of that process, the Auditor-General issues an

audit opinion on them. Where issues cannot be resolved to the Auditor-General's satisfaction, a qualified opinion is given.

4.51 As part of the normal financial auditing process, auditors are required to consider other information in documents, such as annual reports, which contain audited financial statements.<sup>27</sup> Auditors' responsibilities in this regard, however, are limited to reading the other information to identify material that is inconsistent with the audited financial statements and seek to have any inconsistencies resolved. Auditors normally have no specific responsibility to determine that other information in annual reports is complete, accurate or otherwise properly stated.

### **Assembly Member's Views**

4.52 In discussions with the Audit, most members of the Legislative Assembly expressed their confidence that annual reports were generally reliable. They considered that annual reports were not deliberately deceptive but agreed that omissions, deliberate or otherwise, could be significant.

### ***Audit Comments***

4.53 All stakeholders expect annual reports to be credible.

4.54 At present, the form of the transmittal letter included in the Directions provides only limited assurance as to the veracity of information contained in annual reports. In the transmittal certificate a Chief Executive or chairperson is merely required to 'certify that the attached annual report is an honest and accurate account of the operations of his or her agency during the period'.

4.55 Such a certification does not provide assurance that all material information on the operations of the agency has been included in the annual report. Furthermore, the certification contains no assurances on anything contained in the report that does not fall within the reporting period.

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<sup>27</sup> Australian Auditing Standard 212, *Other Information in Documents Containing Audited Financial Reports*, p 2.

*Suggested Action No 11*

4.56 Accordingly, the Audit suggests that 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.

**ATTESTING NON-FINANCIAL INFORMATION IN ANNUAL REPORTS**

4.57 There is no formal requirement for agencies to attest the operational, narrative financial information or whole of government information in their annual reports. In addition, the Directions contain no requirements for agencies to include in their reports a statement of their policies and practices designed to provide assurance about accuracy, completeness and reliability of information in their reports.

*Possible Better Practice*

4.58 In order to address stakeholders' concerns about the credibility of reports, the Global Reporting Initiative<sup>28</sup> recommends that reports include a statement of:

- the reporting organisation's policies and internal practices to enhance and provide assurance about the accuracy, completeness and reliability that can be placed on its sustainability report<sup>29</sup>; and
- the reporting organisation's policy and current practice with regard to providing independent assurance about the full report.

4.59 The GRI recognises that providing assurance about the trustworthiness of sustainability reports is, like sustainability reporting itself, is at an early stage of development. Reporting organisations have adopted a variety of strategies for providing stakeholders with assurance. These include stakeholder consultation panels, internal audits, independent reviews and systematic independent assurance processes.

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<sup>28</sup> GRI Guidelines, p 17.

<sup>29</sup> The Global Reporting Initiative uses the term 'sustainability report' as synonymous with social reporting, triple bottom line reporting, citizenship reporting, and other terms that encompass the economic, environmental and social aspects of an organisations performance.

4.60 This view is supported by the OECD Guidelines for Multinational Enterprises. The OECD Guidelines support the development of high quality internationally recognised standards of accounting, financial and non-financial disclosure and audit. The standards or policies under which non-financial information are compiled and published should be reported. The Guidelines state that ‘the transparency and effectiveness of non-financial disclosure may be enhanced by independent verification.’<sup>30</sup>

### ***Audit Comments***

4.61 The Audit agrees with the GRI and OECD statements about the importance of providing an assurance about the reliability of annual reports. The Audit also agrees with the GRI and OECD statements concerning independent assurance about the accuracy, completeness and reliability of information in their annual reports.

4.62 Properly oversighted and managed systematic internal audits or a systematic external independent assurance process would seem to be more appropriate mechanisms to achieve these objectives.

### ***Suggested Actions No 12 and 13***

4.63 Accordingly, the Audit suggests that 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.

4.64 The Audit also suggests that agencies be required to subject their annual reports to a systematic assurance process prior to them being published. One possible way of achieving this objective would be to amend the Annual Reports (Government Agencies) Act. Alternatively, this objective could be achieved by amending the Directions to require agencies to undertake appropriate assurance processes and to report those assurance processes that they have undertaken.

## **CONCLUSION**

4.65 The Directions facilitate consistent reporting across the public sector with a view to enhancing public accountability. They contain the

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<sup>30</sup> The OECD, October 2000, *Guidelines for Multinational Enterprises: Text, Commentary and Clarifications*, p 15.

minimum reporting requirements and are sufficiently flexible to accommodate a range of reporting strategies to meet different operational requirements.

4.66 There is scope, however, to enhance the Directions to require agencies to use their annual reports to comprehensively, cooperatively and frankly disclose information of significant concern to stakeholders. This objective could be achieved by requiring agencies to focus more on the future, formally engage significant stakeholders, including the Legislative Assembly, early in the reporting cycle and certifying and attesting the veracity of all information in annual reports.

## 5. LEGISLATIVE ASSEMBLY EXPERIENCE WITH ANNUAL REPORTS

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### INTRODUCTION

5.1 This Chapter examines the reports of each of the Legislative Assembly standing committees' reviews of agency annual reports and assesses whether their recommendations have implications for the Directions. Specific sections of this chapter address:

- overall comments by Assembly standing committees;
- enhanced performance reporting;
- the provision of helpful information;
- disclosing criteria for administrative decision making;
- the status of information on the web; and
- the disclosure of the private business interests of board members.

### SIGNIFICANT FINDINGS

#### *Positive Findings*

- *Standing committees made 116 recommendations arising from their consideration of the ten reports presented to the Legislative Assembly in 2000 and 2001.*

#### *Negative Findings*

- *One third of all recommendations by Assembly committees on annual reports are aimed at improving the extent, quality, or presentation of information in those reports.*
- *The Directions contain no specific guidance on performance reporting.*
- *There is no requirement in the Directions that agencies should provide helpful information in their annual reports to stakeholders.*
- *The Directions contain no guidance on the public disclosure of the discretionary quasi-judicial powers of statutory office holders or executives, the criteria for exercising those powers or decisions taken in exercising such powers.*

- *There are no Chief Executive level assurances of the veracity of information published on either the ACT government home page or agency internet sites.*
- *There is no requirement for public authorities to disclose the qualifications, experience and other business interests of their board members.*

## COMMENTS BY LEGISLATIVE ASSEMBLY COMMITTEES

5.2 The Presentation Speech made in the Legislative Assembly on the occasion of the introduction of the Annual Reports (Government Agencies) Bill 1995 reflected on the importance of the role of the Legislative Assembly in the periodic enhancement of the Directions. In that speech, the then Chief Minister said the Directions ‘will be updated annually to reflect comments by the Estimates Committee, the Assembly and the Auditor-General’.<sup>31</sup>

5.3 During the fourth Legislative Assembly, the Assembly referred all of the annual reports tabled in the Legislative Assembly during 1998 to 2001 to each of the Assembly’s five standing committees for inquiry and report. The Committees reviewed and reported on agency annual reports for 1998-99 and 1999-2000. Due the intervention of the election in October 2001, however, reports for 2000-01 were not reviewed.

5.4 The Audit reviewed the reports of each of the standing committees on their reviews of agencies’ annual reports for 1998-99 and 1999-2000 with a view to identifying and analysing those recommendations relating to the form and content of annual reports. In particular, the Audit examined those recommendations relating to the extent, quality, explanation or presentation of information included in the reports. Each of those recommendations was then assessed for their implications for the form and content of the Directions.

5.5 The Audit also reviewed the then Government’s responses to each of the standing committees’ recommendations. The purpose of this review was to assess the Government’s responses in respect of individual recommendations in individual agencies with a view to their broader implications for the Directions as a whole.

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<sup>31</sup> Chief Minister, opt cit, p 1058.

5.6 The reviews by each of the standing committees reflected to some degree the membership and focus of each committee. As a result, the number and focus of the recommendations made by individual committees varied widely. Notwithstanding this divergence in approach, committees mainly made two types of recommendations. That is recommendations where committees considered that the Government should take action on a particular matter relating to the agency under review and recommendations relating to the form and content of the annual reports under review.

5.7 In summary, committees made 116 recommendations arising from their consideration of the ten reports presented to the Legislative Assembly in 2000 and 2001. A total of 72 recommendations called for some specific action arising out of committees' consideration of the reports. A total of 39 recommendations were information related. Details by committee and type of recommendation are presented at Table 4.1.

### ***Audit Comment***

5.8 One third of all committee recommendations were suggestions to improve the extent, quality, explanation or presentation of information in annual reports. This is an indication of the extent to which committee members were dissatisfied with aspects of the information or commentary contained the reports. It should be of concern that so much of committees' effort appears to have been devoted to seeking additional information and otherwise commenting on the form or content of annual reports. Given the limited time available to committee members, it is possible that had committees had available to them all of the information they required to perform their review functions, they could have devoted a higher proportion of their time to the consideration of substantive issues.

5.9 The Audit analysed those recommendations that were information related with a view to identifying particular themes. As a result the Audit identified seven individual themes. Those themes were:

- enhanced performance reporting;
- accurate, complete, relevant and helpful information;
- disclosure of criteria for administrative decision making;
- status of information; and
- disclosure of private business interests.

**EFFECTIVENESS OF ANNUAL REPORTING**

5.10 Each of these themes is discussed in the following sections of this chapter.

<b>Table 4.1 Legislative Assembly Standing Committee Reports – Analysis of Recommendations</b>				
<b>Committee Report</b>	<b>Recommendations</b>			
	<b>Total</b>	<b>Action Related</b>	<b>Information Related</b>	<b>Other</b>
1999-2000 Department of Urban Services and associated agencies	3			3
1998-99 Department of Urban Services and associated agencies	12	1	10	1
1999-2000 Department of Justice and Community Safety and associated agencies	18	10	8	
1998-99 Department of Justice and Community Safety and associated agencies	20	12	7	1
1999-2000 Department of Health and Community Care and associated agencies	2	2		
1998-99 Department of Health and Community Care and associated agencies	12	12		
1999-2000 Department of Education and Community Services and associated agencies	4	2	2	
1998-99 Department of Education and Community Services and associated agencies	9	4	5	
1999-2000 Chief Minister's Department, Department of Treasury and associated agencies	23	22	1	
1999-2000 Chief Minister's Department, Department of Treasury and associated agencies	13	7	6	
<b>Total</b>	<b>116</b>	<b>72</b>	<b>39</b>	<b>5</b>

## ENHANCED PERFORMANCE REPORTING

### Introduction

5.11 Section 27 of the *Financial Management Act 1996* requires departments to prepare, as soon as practicable after the end of each financial year, annual financial statements relating to their operations during the year. Those financial statements include a statement of the performance of departments in providing each class of outputs<sup>32</sup> provided by it during the year. The Act requires that each department's statement of performance compare its performance with that forecast in the budget and to give particulars of the extent to which performance criteria specified in the budget were satisfied.

5.12 The Directions reproduce section 27 of the Act. The Directions also state that 'performance reporting must be in accordance with the Accounting Policy Manual; accounting standards; urgent issues group's pronouncements; and generally accepted accounting practice'. The Directions also state that performance statements should take account of guidance released from time to time through the Department of Treasury finance memoranda.

### Committee Consideration

5.13 A number of committee recommendations related to enhancing performance measures. For example, in considering the 1999-2000 annual report of the Department of Justice and Community Safety and related agencies, the Standing Committee on Justice and Community Safety recommended revising performance targets for random breath tests to become more outcome focused rather than activity based.<sup>33</sup> In addition, the committee also recommended that all performance measures in the Australian Federal Police performance agreement be included in the annual report.<sup>34</sup> The Government agreed with both of the Committee's recommendations.

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<sup>32</sup> A class of outputs is defined in section 3 of the *Financial Management Act 1996* as meaning a group of outputs identified as a class by an Appropriation Act.

<sup>33</sup> Standing Committee on Justice and Community Safety *Report No. 12, February 2000, The 1999-2000 1998-99 Annual and Financial Report of the Department of Justice and Community Safety and Related Agencies*, p 3.

<sup>34</sup> *Ibid* page 3.

5.14 The Audit notes that in the Budget Report prepared by the Select Committee on Estimates 2002-03, members also expressed concern with many aspects of performance indicators in annual reports and the implications for valid comparisons of performance. This includes changing or removing some performance indicators and the apparently meaningless nature of others.<sup>35</sup>

### **Assembly Members' Views**

5.15 This concern was also strongly reinforced in discussions that the Audit had with members of the Legislative Assembly. During discussions, members indicated that they considered performance information to be very important to them. Members, however, expressed concern with inconsistencies they had experienced with some performance measures and the difficulties this created for useful comparisons in annual reports.

### ***Audit Comments***

5.16 Statements of performance are clearly important sources of information for most Legislative Assembly members. The concerns of Assembly members about existing performance measures raise two separate issues. That is the appropriateness of the measures themselves and the guidance on performance measure reporting included in the directions. Both of these matters are discussed below.

### **Appropriateness of Current Performance Measures**

5.17 The Auditor-General has been giving consideration for some time to the outputs reported by agencies and the adequacy and relevance of their associated performance measures. In the Auditor-General's report on Financial Audits with Years ending 30 June 2000, it was noted<sup>36</sup> that the Office was particularly concerned about the number of outputs and the measures that are included in the budget papers and agencies annual reports. The report noted that many outputs, such as ministerial support, are not genuine outputs but are more in the nature of activities. In turn, the measures reported for many 'activities' are in fact the outputs or deliverables of the activities.

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<sup>35</sup> Select Committee on Estimates, Budget 2002-03, page 5.

<sup>36</sup> Auditor-General, 2001, Report No. 1, *Financial Audits with Years Ending 30 June 2000*, pp 11– 12.

5.18 That report noted that the Chief Executive of the Department of Treasury agreed with the Audit's views and suggested that a systematic effort should be made to determine which outputs and performance measures should be reported on regularly and in what format. As a result, the Auditor-General recommended that the 'systematic effort' should be undertaken as soon as possible.

5.19 The Auditor-General again raised this matter some 12 months later in the Auditor-General's report on Financial Audits with Years Ending 30 June 2001<sup>37</sup>. At that time, the Auditor-General found that no significant progress has been made to address the recommendation that a systematic effort be made to determine which outputs and performance measures should be reported.

5.20 This matter has again been addressed in the Auditor-General's report on Financial Audits with Years ending 30 June 2002.

### **Guidance on Performance Measure Reporting**

5.21 The Directions contain no explicit guidance on performance reporting. The Directions merely state the provisions of the Financial Management Act and advise that performance reporting must be undertaken in accordance with a number of technical publications and Treasury memoranda. This approach is in contrast to other sections of the Directions where explicit guidance is provided on what information is to be provided and in what manner.

5.22 As indicated earlier in this report, the Directions are considered and endorsed by Cabinet each year and are subsequently tabled in the Legislative Assembly. These processes result in the Directions achieving a high degree of visibility amongst Ministers, members of the Legislative Assembly and senior executives. The range of technical publications referred to in the Directions do not, however, achieve that degree of visibility.

5.23 If high level guidance on performance measures were included in the Directions it would significantly enhance their visibility. Such guidance could be drawn from the publications referred to in the Directions. The inclusion of such guidance in the Directions may help to

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<sup>37</sup> Auditor-General, 2001, Report No. 11, Financial Audits with Years Ending 30 June 2001, pp 36 – 38.

inform members of the Legislative Assembly and assist them in their consideration of the relevance and adequacy of existing performance measures and new measures that might be included in future annual reports.

5.24 In addition, the inclusion of such guidance in the Directions would regularly expose such guidance to robust review at the highest level prior to decisions being made on the appropriateness of such material. The inclusion of such guidance in the Directions would also make it more visible to key departmental decision makers, including Chief Executives.

***Suggested Action No 14***

5.25 Accordingly, the Audit suggests that the Directions be amended to include policy level guidance on performance measures.

**PROVISION OF HELPFUL INFORMATION**

5.26 A number of recommendations were made by committees concerning the provision of additional information in order to better understand particular issues.

5.27 For example, in considering the 1998-99 annual report of the Department of Urban Services and related agencies, the Standing Committee on Planning and Urban Services recommended that more information should be provided on variances between target and actual performance.<sup>38</sup> In addition, in considering the 1998-99 annual reports of the Department of Justice and Community Safety and related agencies, the Standing Committee on Justice and Community Safety recommended that annual reports include an explanation for the apparent discrepancy in clear up rates for theft and recovery of stolen motor vehicles.<sup>39</sup> In both cases the Government agreed with the Committees' requests.

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<sup>38</sup> Standing Committee on Planning and Urban Services *Report No. 38, December 1999 1998-99 Annual Report of the Department of Urban Services*, p 2.

<sup>39</sup> Standing Committee on Justice and Community Safety *Report No. 8, February 2000, The 1998-99 Annual and Financial Report of the Department of Justice and Community Safety and Related Agencies*, p 9.

*Possible Better Practice*

5.28 The GRI guidelines include the reporting principle of clarity. That principle states that ‘the reporting organisation should remain cognizant of the diverse needs and backgrounds of their stakeholder groups and should make information available in a manner that is responsive to the maximum number of users while still maintaining a suitable level of detail.’<sup>40</sup> The Guidelines suggest that reporting organisations should design reports that are responsive to the maximum number of users without sacrificing important details of interest to a subset of user groups.

*Audit Comments*

5.29 The Audit suggests that the GRI principle of clarity should be regarded as better practice. Appropriate analysis of performance information and other data by subject matter experts would be a very helpful service for readers of annual reports. There is no requirement or guidance in the Directions that agencies should try and anticipate what readers may require and structure annual reports to provide helpful information to stakeholders. In addition there is no suggestion that the drafters of annual reports should provide accurate, complete, relevant and helpful information to the Legislative Assembly.

5.30 In this regard Audit has previously suggested that ‘consideration should be given to enacting legislation to require executives to provide accurate, complete, relevant and helpful information to the Legislative Assembly’.<sup>41</sup> In its submission to the then Legislative Assembly Standing Committee on Finance and Public Administration (Incorporating the Public Accounts Committee) the then government agreed with Audit’s suggestion.<sup>42</sup>

5.31 In addition, the Auditor-General recommended in 2001<sup>43</sup> that a narrative discussion and analysis of agencies’ financial information be included in their annual reports. At the time it was suggested that the inclusion of such information would assist users of financial statements,

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<sup>40</sup> GRI Guidelines, opt cit, p 24.

<sup>41</sup> Auditor-General, opt cit, p 4.

<sup>42</sup> Government Submission to the Standing Committee on Finance and Public Administration (Incorporating the Public Accounts Committee). July 2001, p 1.

<sup>43</sup> Auditor-General, Report No 1 of 2001, *Financial Audits with Years Ending 30 June 2000*, pp 18 – 30.

including members of the Legislative Assembly, to more completely understand the information presented. This suggestion was accepted and all agencies now include a '*Management and Discussion and Analysis*' section in their annual reports from this year.

5.32 Actions taken to date will help to provide more helpful information to stakeholders. Consistent with the GRI principle of clarity, however, the Audit considers that the Directions should also 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.

***Suggested Action No 15***

5.33 Accordingly, the Audit suggests that 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.

**DISCLOSURE OF CRITERIA FOR ADMINISTRATIVE DECISION MAKING**

5.34 In considering the 1999-2000 annual report of the Department of Justice and Community Safety and related agencies, the Standing Committee on Justice and Community Safety recommended that annual reports should include the criteria by which appeals to the Chief Police Officer requesting the dismissal of traffic offences are assessed.<sup>44</sup> The Government agreed.<sup>45</sup>

***Audit Comments***

5.35 The Directions contain no guidance on the public disclosure of the discretionary quasi-judicial administrative powers of statutory office holders or executives, the criteria for exercising those powers or decisions taken in exercising such powers. These are important accountability issues. The publication of information on such matters would make an

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<sup>44</sup> Standing Committee on Justice and Community Safety Report No. 12, February 2001, *The 1999-2000 Annual and Financial Report of the Department of Justice and Community Safety and Related Agencies*, p 3.

<sup>45</sup> Government response to Standing Committee on Standing Committee on Justice and Community Safety, Report No. 12, p 1.

important contribution to the transparency of the performance of quasi-judicial administrative functions.

5.36 Such information should be made available to the public as a means of accounting for the use of such powers. The information should also be made available as a means of informing members of the community of the grounds that can be taken into account in determining such matters.

5.37 The former Government agreed that the criteria by which appeals to the Chief Police Officer requesting the dismissal of traffic offences are assessed. There would seem to be no good reason why similar powers held by other statutory office holders or executives should not be made public. In addition, it would also be appropriate for agencies to account for the occasions on which such powers are used.

### ***Suggested Action No 16***

5.38 For the reasons outlined in this section, the Audit suggests that consideration be given to amending the Directions 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.

## **THE STATUS OF INFORMATION ON THE WEB**

5.39 In considering the 1998-99 annual report of the Department of Education and Community Services and related agencies, the Standing Committee on Education, Community Services and Recreation recommended that annual reports include the membership of ministerial councils and other consultative bodies.<sup>46</sup> The Government agreed but indicated that the information would be removed when it is made available on the ACT government home page.

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<sup>46</sup> Standing Committee on Education, Community Services and Recreation, *1998-1999 Annual and Financial Reports of the Department of Education and Community Services and Related Agencies*, Report No 4 February 2000, p 4.

*Audit Comments*

5.40 A wide range of media is now available to distribute information to members of the Legislative Assembly and other stakeholders. This means that agencies have a significant degree of freedom in the manner and timing of making information available to the public. In the future information disclosure is likely to be through a mix of annual reporting, budget papers, Ministerial statements, media releases, other public documents and 'real-time' information made available through the internet.

5.41 A key question for the users of such information is how authoritative and current is information published on the internet on both the ACT government home page and individual agency sites. At present non-financial material published in annual reports is vetted through a series of internal procedures and is updated annually. At the end of the process the relevant Chief Executive or chairperson certifies that, to some extent at least, the information contained in his or her annual report is honest and accurate. In addition, if the suggestions made in this report are taken up, the veracity of such information will be significantly enhanced.

5.42 There are no assurances, however, at Chief Executive or similar level about the veracity of information published on either the ACT government home page or individual agency websites. In this regard, the ACT Government website guidelines do not specify the level of authority that is required before material is published on an agency's website. The guidelines state that it is preferable for 'agency content approvers' to be at the manager or senior executive level from the relevant business unit.

5.43 In view of the accelerating trend to publishing real time information on internet sites, the Audit considers that appropriate processes should be put in place now to ensure that information published on the internet is at least as authoritative as that published in agencies' annual reports. Until assurances can be given on the authoritativeness of information on internet sites, the Audit considers that publishing information on agency internet sites should not be used as a substitute for publishing information in agencies' annual reports.

5.44 A number of concerns have been expressed in the media about the inconsistency of information provided by government agencies on their internet sites and the difficulty this presents to users. As a result, there

would also seem to be merit in harmonising the form of information published on agency internet sites.

***Suggested Actions No 29 and 30***

5.45 Accordingly, the Audit suggests that appropriate processes be established to ensure that information published on government internet sites are as authoritative as that published in agencies' annual reports. The Audit also suggests that consideration be given to establishing appropriate processes to ensure that the form of agency internet sites are broadly similar.

**DISCLOSURE OF PRIVATE BUSINESS INTERESTS OF BOARD MEMBERS**

**Introduction**

5.46 The Directions requires public authorities to disclose the names of board members and the number of meetings they have attended during the reporting period.

**Committee Consideration**

5.47 In considering the 1999-2000 annual report of the Chief Minister's Department, Department of Treasury and the Legislative Assembly Secretariat, the Standing Committee on Finance and Public Administration recommended that all Territory Owned Corporations and Authorities that have a commercial role, provide information in their annual reports relating to the business interests of members of their boards. The committee noted that one authority had included such details in its annual report.<sup>47</sup>

5.48 The authority referred to by the Committee was Totalcare Industries Limited. Totalcare disclosed the qualifications, summary background experience and the current other business interests of all of its directors in its 1999-2000 annual report. This practice was continued in 2000-01.

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<sup>47</sup> Standing Committee on Finance and Public Administration *Report No. 9, January 2001 Report on Chief Minister's Department Annual and Financial Reports 1999-2000, Department of Treasury and Infrastructure Annual and Financial Reports 1999-2000 and Legislative Assembly Secretariat Annual and Financial Reports 1999-2000s*, p 25.

5.49 The then Government did not agree with the committee's recommendation. The Government's response stated that 'it is inappropriate to require board members to provide information on their business interests in annual reports. There are appropriate rules in place to manage conflicts of interests. Members of governing boards are expected to make full disclosure of their personal and financial interests on appointment to these boards; statutory boards also generally have specific conflict of interest provisions in legislation; TOCs are covered by provisions of the Corporations Law. Public disclosure of business interests in annual reports is an unreasonable invasion of privacy and a disincentive to community members joining Territory boards'.<sup>48</sup>

### *Audit Comments*

5.50 The then Government's response raises two separate issues. The first issue is the mechanisms in place to provide for the management of conflicts of interest. The Audit agrees that some agencies have rules in place to manage conflicts of interests. In most cases, however, those mechanisms are deficient.

5.51 The Auditor-General's Report on *Governance Arrangements of Selected Statutory Authorities* discussed this matter in some detail. In that report the Audit found that 'the disclosure of personal interest provisions in the enabling legislation of statutory authorities is inconsistent and insufficient'.<sup>49</sup> The Audit also found that most statutory authority boards have not formally adopted the model code of conduct for the disclosure of private interests issued by the Chief Minister's Department'.<sup>50</sup>

5.52 The Government has now responded to the findings and the related suggestions made in Auditor-General's report. In that response the Government agreed to standardise the disclosure interest provisions of board members and extend the scope of disclosure requirements to include non-pecuniary interests. The Government also agreed to enhance

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<sup>48</sup> Government Response to the Standing Committee on Finance and Public Administration's Report No. 9 on the 1999-2000 annual and financial reports for the Chief Minister's Department, Department of Treasury and Infrastructure and the Legislative Assembly Secretariat, June 2001, p 15.

<sup>49</sup> Auditor-General, 2002 Report No. 3, *Governance Arrangements of Selected Statutory Authorities*, p 57.

<sup>50</sup> Ibid p 57.

the code of conduct and personal interest declaration arrangements for board members<sup>51</sup>.

5.53 The second issue relates to the view that the disclosure of business interests in annual reports is an unreasonable invasion of privacy and a disincentive to community members joining Territory boards. This issue involves consideration of important issues relating to public accountability and transparency.

5.54 The members of the boards of public authorities are entrusted with the strategic direction of the use of public funds. Accordingly, stakeholders, including members of the community, are entitled to be publicly assured that the members of boards of public authorities have appropriate qualifications and experience for the roles they are undertaking and that any possible potential conflicts of interest are fully in view. If some persons are deterred from accepting positions on the boards of public authorities because they consider it an invasion of their privacy then that is properly a matter for them.

### ***Possible Better Practice***

5.55 The Australian Stock Exchange has formalised guidance on this matter for listed entities that may provide a better practice solution for Territory public authorities. In a guidance note on the disclosure of corporate governance practices, the ASX discusses the disclosure of information in annual reports. With respect to the disclosure of additional details about directors, the ASX notes that entities often include additional details about board composition in their corporate governance statements including:

- the age of each director;
- qualifications and experience of directors;
- the status of individual directors as executive or non-executive members<sup>52</sup>;
- whether directors are nominees or representatives of particular shareholders; and

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<sup>51</sup> Government Submission to the Public Accounts Committee relating to Auditor-General's Report No 3 of 2002 – Governance Arrangements of Selected Statutory Authorities, October 2002, pp 4, 5 and 8.

<sup>52</sup> The term 'non-executive director' refers to those directors who hold part-time office as board members, whereas the term 'executive director' refers to those directors who are also full time employees of an entity.

- information on directorships of other public entities held by directors.<sup>53</sup>

5.56 There is no requirement in the Directions for public authorities to disclose the qualifications, experience, status and other business interests of each of their board members. For the reasons outlined in this section, the Audit considers that these matters should be disclosed in each authorities annual report.

***Suggested Action No 17***

5.57 Accordingly, the Audit suggests that 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. Further related governance issues are discussed in chapter 6 of this report.

**CONCLUSION**

5.58 Standing Committees of the Legislative Assembly have made a number of important recommendations for enhancing the information made available in the annual reports of individual agencies. Many of these suggestions have been accepted by the government of the day. Other recommendations are relevant to specific agencies only.

5.59 Unfortunately, however, some decisions taken in respect of individual agencies do not appear to have been considered in a whole of government context. As a result such decisions have not been reflected in amendments to the Directions.

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<sup>53</sup> Australian Stock Exchange, September 2001, *Guidance Note 9*, p 6.

## 6. BETTER PRACTICE PERSPECTIVES ON THE DIRECTIONS

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### INTRODUCTION

6.1 This Chapter summarises the results of research by the Audit on a number of international and Australasian regulations, requirements, directions, guidelines and inquiries on annual reporting by public sector agencies. Specific sections of this report address individual better practice findings. They include:

- disclosing agencies' roles;
- governance arrangements for departments and other agencies;
- managing risk;
- reporting on external scrutiny;
- facilitating access to reports;
- inclusive reporting;
- discretionary grants;
- advisory boards and committees; and
- correcting misstatements of fact.

### SIGNIFICANT FINDINGS

#### *Negative Findings*

- *Departments are not required to state the purpose for which they were established, the principal legislation they administer and/or operate under or the services they provide.*
- *Chief Executives are required to report on only very limited aspects of the governance arrangements of their departments.*
- *The Directions for public authorities were not amended, as agreed, to provide for the comprehensive disclosure of their governance arrangements.*
- *It is not compulsory for agencies to report on progress in implementing recommendations made by Legislative Assembly committees, the Ombudsman or the Auditor-General.*
- *It is not compulsory for agencies to report on discretionary grants made by ministers or agencies.*

- *It is not compulsory for agencies to report on advisory and consultative boards and committees that provide advice to Ministers.*
- *It is not compulsory for agencies to include the financial statements of subsidiaries, joint ventures or bodies over which they have a controlling interest.*
- *It is not compulsory for agencies to follow a mandatory format in their reports to facilitate access to information contained therein.*
- *Agencies are not required to correct any material misstatements of fact included in their annual reports.*

## **DISCLOSING AGENCIES' ROLES**

6.2 The Directions state that the analysis of performance should also cover, at an overview level, the department's role in administration of legislation. In addition, the Directions state that public authorities' annual reports should include an outline of relevant legislation, statutory powers and functions.

### *Audit Comments*

6.3 The wording referred to in the preceding paragraph indicates that agencies are encouraged to disclose aspects of their raison d'être. Disclosure of such information, however, is not obligatory. In addition, despite their relative overall importance to public administration, the Directions indicate that there is a less onerous disclosure expectation for departments than public authorities.

6.4 The Directions do not require departments to explicitly state the purpose for which they were established or the principal legislation they administer. In addition, the Directions do not require agencies to report the major services or products they provide.

6.5 The inclusion of a statement of an agency's purpose, the principle legislation it administers and/or operates under and the major services it provides or products it produces would be an effective way of focusing stakeholders attention on an agency's raison d'être. It would also provide an effective formal start point for strategic level consideration of an agency's overall performance.

*Possible Better Practice*

6.6 This approach has been adopted in a number of Australian jurisdictions. For example, in NSW the *Annual Reports (Departments) Regulation 2000* requires departments to include a statement of the manner in which and the purpose for which a department was established and a statement of the principal legislation administered by it. Similarly, the *Annual Reports (Statutory Bodies) Regulation 2000* requires statutory bodies to include a statement of the manner in which, and the purpose for which, statutory bodies were established and a statement of the legislation under which they operate.

6.7 In addition, the South Australian Public Sector Management Regulations requires annual reports to include the functions and objectives of the agency, the legislation administered by the agency and the organisation of the agency. Furthermore, the Northern Territory's *Public Sector Employment and Management Act 1993* requires that agencies' annual reports to include information about the functions and objectives of agencies. The Act also states that agencies must include information about the legislation they administer.

6.8 The Audit agrees with the approaches adopted by the jurisdictions referred to above. They are considered to be better practice.

*Suggested Action No 18*

6.9 Accordingly, the Audit suggests that 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.

**GOVERNANCE ARRANGEMENTS FOR DEPARTMENTS**

6.10 The Directions require Chief Executives to include an organisational structure or chart describing their department and its senior management structure. The Directions also state, under the heading 'Key Achievements', that reference to significant developments in scrutiny of the department should be included. This could include internal measures such as risk assessments, management reviews or internal audit activity.

### *Audit Comments*

6.11 Other than these meagre requirements, the Directions do not require Chief Executives to report on any governance arrangements that have been put in place in respect of their departments. This stands in stark contrast with the requirements in a number of other key jurisdictions and those of corporate Australia.

### *Possible Better Practice*

6.12 The Commonwealth's *Annual Report Requirements* requires all agencies, including departments, to include in their annual reports a separate section on management and accountability. The first item in that section relates to corporate governance. The Requirements state that annual reports must include a statement of the main corporate governance practices that agencies had in place during the year. The Requirements suggests that the statement include:

- 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.

6.13 In addition, NSW's *Annual Reports (Departments) Regulation 2000* requires that departmental annual reports disclose the names of the principal officers of departments, the offices they occupy and particulars of any appropriate qualifications they hold. The Regulation also require annual reports to disclose the names of significant committees of each department, the names of members of those committees and the names of officers and offices held by those officers as members of significant statutory bodies. The Regulation also requires departments to include in their annual reports an organisation chart indicating functional responsibilities within departments.

6.14 The Australian Stock Exchange Listing rules state that listed companies must include in their annual reports a statement of the main corporate governance practices that reporting entities had in place during the reporting period<sup>54</sup>. In addition the ASX listing rules state that entities must include in their annual reports whether the entity had an audit committee as at the date of the directors report. If an entity does not have an audit committee it is required to explain in its annual report why it does not have one<sup>55</sup>.

6.15 The Audit considers that the requirements outlined above for the Commonwealth and NSW are better practice. In furtherance of transparency and accountability objectives, the Audit considers that departments should report their governance practices in a manner similar to agencies in the Commonwealth and NSW. Such disclosures should include, in particular, departments' approaches to identifying areas of significant business risk and arrangements to manage them and policies on ethical standards, including whether a code of ethics or code of conduct has been established.

6.16 In most cases Ministers have a role in the governance of departments. Where this is so, it should be disclosed in agencies' annual reports.

### ***Suggested Action No 19***

6.17 Accordingly, the Audit suggests that 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.

## **GOVERNANCE ARRANGEMENTS FOR PUBLIC AUTHORITIES**

6.18 The Auditor-General's Report on *Governance Arrangements of Selected Statutory Authorities* suggested that consideration be given to amending the Chief Minister's Annual Reports Directions to require statutory authorities to include a statement of governance arrangements that were in place during the reporting period. The report stated that the suggestions contained in the Australian Stock Exchange's guidance paper

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<sup>54</sup> ASX Listing Rule 4.10.3.

<sup>55</sup> ASX Listing Rule 4.10.2.

could be used as an initial guide to the specific matters that might be required to be included in such statements.<sup>56</sup>

6.19 The Chief Executive of the Chief Minister's Department in providing formal comments on the report, in accordance with section 18 of the Auditor-General Act, advised that 'the suggestions for better practice in relation to the annual reports of statutory authorities have been anticipated in the 2002 revisions to the Annual Reports Directions'<sup>57</sup>.

6.20 The 2002 Directions state that public authorities should include in their annual reports 'a statement of the corporate governance practices that the entity has in place during the reporting period. Details should include:

- board structure;
- board members and meeting attendance;
- remuneration;
- board committees and meeting attendance;
- risk management practices; and
- ethical standards (including management of conflict of interest for board members).

### ***Audit Comments***

6.21 Notwithstanding the Chief Executive's comments referred to above, the Audit's suggestions have not been fully included in the 2002 revisions to the Directions. The following matters were suggested for consideration in preparing a statement of an entity's governance practices:

- 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;

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<sup>56</sup> Auditor-General, 2002, Report No. 3, *Governance Arrangements of Selected Statutory Authorities*, p 28

<sup>57</sup> Ibid, page 16.

- 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.

### ***Possible Better Practice***

6.22 In this regard, the Audit notes that the *NSW Annual Reports (Statutory Bodies) Regulation 2000* requires statutory bodies to report in their annual reports the names of the members of the statutory body, particulars of any appropriate qualifications of those members, the method and term of appointment of those members, the frequency of meetings of the body, the attendance at those meetings, the names of significant committees of the body, the names of the members of those committees, the titles of the senior offices within the body, the names of the occupants of those offices and any appropriate qualifications of those occupants. In addition, the Regulation requires that statutory bodies publish an organisation chart indicating functional responsibilities within each body.

6.23 For similar reasons to those outlined above the Audit believes that the suggestions made in its report on the governance arrangements in statutory authorities should be revisited.

### ***Suggested Action No 20***

6.24 Accordingly, the Audit suggests that 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.

## MANAGING RISK

6.25 The Directions envisage that agencies will conduct risk assessments as necessary. For example, the Directions suggests that Chief Executives should include in their statements of key achievements reference to significant developments in external and internal scrutiny such as risk assessments. In addition, the Directions suggest that public authorities should include reference to their risk management practices when reporting on their governance and organisational structure.

### *Possible Better Practice*

6.26 The NSW Audit Office advises<sup>58</sup> that to manage risk a comprehensive, structured and systematic process is necessary. Each risk should be recorded in a risk register, together with source, nature and existing controls, as well as risk analysis, evaluation and treatment decisions. Agencies also need to monitor risks and the effectiveness of their risk treatment plan, strategies and management systems. It is important that executives of agencies ensure that reviews of risk management arrangements are carried out at specified intervals. Records of such reviews should be maintained.

6.27 Key elements of a risk management strategy would, therefore, include:

- developing an overall risk management doctrine and plan;
- identifying areas of significant business risk;
- identifying risk indicators associated with those risks;
- developing risk mitigation or management strategies;
- monitoring risk management arrangements; and
- setting in place arrangements for reviews of agencies' risk management arrangements.

### *Audit Comments*

6.28 A professional culture is one that includes realistically analysing and managing risks.<sup>59</sup> Risk management is an attitude of mind that should pervade all levels of an agency. It is an integral component of management. It needs to be undertaken on an ongoing basis and should

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<sup>58</sup> NSW Auditor-General, June 2002, *Performance Audit Report, Managing Risk in the NSW Public Sector*, pp 35 - 38.

<sup>59</sup> Auditor-General, 2001, opt cit, page 17.

be considered as part of every significant decision making process. Without proper risk management, an agency is less likely to achieve its objectives in an efficient and effective way.

6.29 In view of the crucial importance of risk management in the public sector, the Audit considers that it should be given more prominent treatment in the Directions. This would enable stakeholders to make informed judgements about the risks faced by agencies and the management of those risks. Most importantly, it would enable the key stakeholder, that is the Legislative Assembly, to assess whether proposed treatments for major risks were appropriate, and if they were considered to be inappropriate or insufficient, to take steps to provide for those risks.

6.30 The Audit considers that the advice offered by the NSW Audit Office could be used as a basis for developing an approach to managing risk in the Territory.

### *Suggested Action No 21*

6.31 Accordingly the Audit suggests that the Directions be amended by providing for a specific section on risk management.

## **ASSESSMENT OF RISK MANAGEMENT PRACTICES**

6.32 The NSW Public Accounts Committee has expressed concern about risk management in the NSW public sector. In two separate reports the PAC commented on the extent to which the NSW Audit Office could play a greater part in monitoring risk management by agencies.

6.33 The PAC's report on the Inquiry into the Collapse of the New South Wales Grains Board<sup>60</sup> recommended that the NSW Auditor-General ... 'examine how the monitoring and expression of an opinion on the risk management disclosures included in annual reports might be implemented'. In addition, earlier the PAC had recommended that the Auditor-General's mandate be extended to include monitoring and the expression of an opinion on the risk management disclosures included in annual reports of government departments and agencies.<sup>61</sup>

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<sup>60</sup> NSW Public Accounts Committee Report No. 128, May 2001, Inquiry into the Collapse of the New South Wales Grains Board, page xiii.

<sup>61</sup> NSW Public Accounts Committee Report No. 120, February 2000, Review of the Audit Office of New South Wales, Part II, page xvi.

***Audit Comments***

6.34 Consideration of the PAC's recommendations was still under review by the NSW government at the time of writing. In view of the importance of risk management in an environment of increasing resource constraint, there would be merit in providing an increased level of assurance to stakeholders about the adequacy of agencies' risk management strategies.

6.35 A desirable precursor to the adoption of such an approach would be for the Government to endorse a comprehensive risk management strategy for all Territory agencies. Such a strategy would encapsulate those principles to be applied in managing risk in public sector organisations.

6.36 Developmental work would involve a number of departments and agencies, under the leadership of the Department of Treasury. The ACT Insurance Authority would also need to be closely involved in view of its legislated function to promote good risk management practices. A start point for the strategy should be the Risk Management Standard published by Standards Australia. Advantage could also be taken of the work already undertaken by other Australasian jurisdictions.

6.37 As part of this strategy it would be highly desirable for Chief Executives and Chief Executive Officers to sign a certification in their annual reports that they have processes in place to assess their operational risks, implement measures to implement the risks and monitor the situation on a regular basis. Readers should note that the Auditor-General included such a certification in the Auditor-General's report on the operation of the Auditor General's Office for the year ending 30 June 2002. A copy of that certification is at Annex A to this report.

***Suggested Action No 31***

6.38 Accordingly, the Audit suggests that consideration be given to developing and endorsing a comprehensive risk management strategy for all Territory agencies. Part of that approach would include requiring agencies to certify their risk management practices.

## REPORTING ON EXTERNAL SCRUTINY

6.39 The Directions state that agencies should include lists of all reports by Legislative Assembly committees, the Ombudsman and the Auditor-General relating to the agency. The Directions also state that lists should include details of agencies' responses to Legislative Assembly committee recommendations that have been agreed to by the government of the day, all recommendations by the Ombudsman and the reports the Auditor-General.

### *Possible Better Practice*

6.40 The Commonwealth's *Annual Reports Requirements* states that agencies must report on the most significant developments in external scrutiny. Such reporting must include particulars of judicial decisions and decisions of administrative tribunals that have had or may have a significant impact on their operations. The Requirements also states that agencies must report on reports on the operation of agencies by the Parliamentary committees, the Ombudsman and the Auditor-General.

### *Audit Comments*

6.41 The Audit is concerned about the use of the term 'should' in the Directions in relation to reporting on the external scrutiny of agencies. The use of the term 'should', rather than 'must' may suggest that agencies have an option in reporting on these matters.

6.42 While reporting on these matters is clearly obligatory for Commonwealth agencies, it may be interpreted as being optional for Territory agencies. It would seem desirable to make reporting on responses to the findings of all external scrutiny of agencies clearly mandatory.

6.43 Such reporting must also be comprehensive. It is considered that annual reporting by agencies should include a statement of the overall findings in each case or report, a list of all individual recommendations or suggestions, agencies' responses to all recommendations and suggestions and follow up action undertaken or proposed. Responses should include progress reports where recommendations have not been implemented in full.

### ***Suggested Action No 22***

6.44 Accordingly, the Audit suggests that the Directions be amended to require all 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. Responses must include a statement of the overall findings in each case or report, a list of all individual recommendations or suggestions, agencies' responses to all recommendations and suggestions, follow up action undertaken or proposed and progress reports where recommendations or suggestions have not been implemented in full.

## **FACILITATING ACCESS TO REPORTS**

### **Guidance in the Directions**

6.45 As a means of facilitating readers' access to annual reports, the Directions include a suggested format for annual reports and a recommended compliance index. The suggested format is applicable to all reports and the recommended compliance index is applicable to the reports of departments.

6.46 The suggested format for annual reports includes the following headings:

- transmittal certificate;
- overview and major achievements;
- financial and performance statements;
- whole of government issues;
- annexed reports;
- appendices; and
- compliance index.

6.47 The Directions contain additional guidance material that might be included under each of the headings. For example, the Directions include a large list of items for inclusion under the *Whole of Government Issues* heading. Furthermore, some headings, such as *Annexed Reports* and *Appendices*, may not be relevant for some agencies.

6.48 The recommended compliance index contains all of the headings and the other material listed in the suggested format together with a section entitled *Assistance to readers*. The assistance to readers section provides for the inclusion of:

- a table of contents;
- an alphabetical index;
- a glossary of abbreviations and acronyms; and
- the name of a 'contact officer, web site, etc'.

6.49 As indicated above, the Directions state that a compliance index should be included in the annual reports of departments. The Directions also suggests that public authorities may find the recommended compliance index 'useful as a check list to see if the report is complete and to include it as an aid to access'.

### **Assembly Members' Views**

6.50 In discussions with the Audit, many members of the Legislative Assembly expressed concern about the difficulty of locating information in different reports. Members' concern applied to both cross-agency and year-to-year comparisons. Members expressed a strong preference for a common, obligatory format for all annual reports.

6.51 Further, some Members of the Legislative Assembly suggested that a 'drill down' format, similar to that used in reports of performance audits undertaken by the Auditor-General, would be a useful means of facilitating access to annual reports. In reports of the Auditor-General all of the audit's important findings and suggestions are summarised in a summary chapter at the beginning of each report and are cross referenced to the relevant chapter within the report where the matter is discussed in detail. In addition, each detailed chapter commences with a listing of the major findings arising from the issues discussed in that chapter.

### **Analysis of Annual Reports**

6.52 The Audit examined a sample of 2001 annual reports to ascertain the degree to which those reports followed the suggested format for annual reports and the recommended compliance index included in the Directions.

6.53 The Audit found that the Directions were being adhered to in the majority of cases. The Audit noted, however, that:

- almost one third of the sample of reports did not include an alphabetical index;

- other information required to be included in annual reports, such as overviews, were not always found at that part of the report suggested in the suggested format, and
- the table of contents of a number of reports did not include reference to the compliance index, alphabetical index, contact details or glossaries.

***Audit Comment***

6.54 The Audit considers that, as far as is reasonably possible, annual reports should be structured in such a way that facilitates access to them by busy stakeholders. On the basis of comments by members of the Legislative Assembly and the Audit's own analysis, the present arrangements are clearly not working as well as they might.

6.55 As the current format for annual reports is recommended, rather than mandatory, this may account for the inconsistency in the structure and content of annual reports and some of the difficulties that members of the Legislative Assembly have encountered. Clearly any inconsistency in the location of information in annual reports would hinder cross-agency and year-to-year comparisons.

6.56 The Audit considers standardising the format of all annual reports would make access easier and would facilitate comparisons both between agencies in any one year and within an agency over time. In addition, the inclusion of a compliance index in the reports of all agencies would further assist in this regard. Access would also be facilitated by the placement of aids to readers, such as alphabetical and compliance indexes and glossaries, in the one place in all reports. Finally, the presentation of information using a 'drill down' format, along the lines of that outlined above, may also facilitate stakeholders' access to the information contained in annual reports.

***Suggested Action No 23***

6.57 Accordingly, the Audit suggests that consideration be given to amending the Directions to establish a mandatory and standardised reporting format and compliance index for the annual reports of all departments and public authorities. The Audit also suggests that consideration be given to adopting a 'drill down' format for agencies' annual reports.

## **INCLUSIVE REPORTING**

6.58 There is no requirement in the Directions for agencies to include in their annual reports the financial statements of all subsidiaries, joint ventures, or other bodies where the agency has a controlling interest.

### ***Audit Comment***

6.59 In the interests of adhering to good governance practices, all agencies should be required to include in their annual reports the financial statements of all of their subsidiaries and joint ventures or other bodies over which they have a controlling interest<sup>62</sup>.

### ***Suggested Action No 24***

6.60 Accordingly, it is suggested that the Directions be amended to require all agencies to include in their annual reports the financial statements of all entities over which they have a controlling interest.

## **DISCRETIONARY GRANTS**

6.61 The Directions state that annual reports should contain, where appropriate, details of grants, assistance and sponsorship provided by an agency. The detail that should be required in each case include recipient, amount and an outline of the services provided or purpose of the grant, assistance or sponsorship. The Directions contain no definitions of the terms used.

### ***Possible Better Practice***

6.62 The Commonwealth's *Annual Report Requirements* state that annual reports must contain lists of discretionary grant programs

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<sup>62</sup> Section 5 of the Auditor-General Act states that the Territory or a Territory entity has a controlling interest in a company if its interest in the company is such that-

- (a) it is able to;
  - (i) control the composition of the board of directors of a company;
  - (ii) cast or control the casting of more than 50% of the maximum number of votes that might be cast at a general meeting of the company;
  - (iii) control more than 50% control of the issued share capital of the company; or
- (b) Where paragraph (a) does not apply,- no other person holds a greater interest in the company.

Similar provisions apply in respect of controlling interests in joint ventures and trusts.

administered by departments. A list of grant recipients is required to be available either in an appendix to the report, on request or through the internet. The Requirements defines discretionary grants as payments where the portfolio minister/paying agency has discretion in determining whether or not particular applicants receive funding and may or may not impose conditions in return for the grant. Similar provisions exist in NSW.

### ***Audit Comments***

6.63 The Audit notes that while reporting on these matters is clearly obligatory for Commonwealth and NSW agencies, it may be seen as being optional for Territory agencies. The Audit agrees with the approach adopted by the Commonwealth and NSW.

6.64 The Audit is also concerned about the use of the term ‘should’, rather than ‘must’, in the Directions in relation to reporting on discretionary grants. The use of the term ‘should’ may suggest that agencies have an option in reporting on these matters.

### ***Suggested Action No 25***

6.65 Accordingly, the Audit suggests that 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.

## **ADVISORY BOARDS AND COMMITTEES**

6.66 The Directions state that agencies should include the name, membership and a description of the activities of advisory boards and committees that provide advice to their Minister. The Directions state that as an alternative, such information could be included on agency internet sites.

### ***Possible Better Practice***

6.67 The Audit notes that The South Australian Public Sector Management Regulations requires annual reports to include details of the bodies established within a Minister’s portfolio that do not constitute

agencies in themselves. Such bodies include boards, committees and trusts.

### ***Audit Comments***

6.68 Advisory and consultative boards and committees provide independent advice to Ministers on a wide range of high profile matters of key interest to the community. Such bodies can play an important role in the formulation of government policy on those matters that are included within their terms of reference.

6.69 In view of their importance in the development of government policy and in the interests of transparency of public administration, the Audit considers that the provision of such information in agencies' annual reports should be mandatory.

6.70 The Audit is again concerned about the use of the term 'should', rather than 'must', in the Directions in relation to reporting on advisory boards and committees. The use of the term 'should' suggests that agencies may have an option in reporting on these matters.

### ***Suggested Action No 26***

6.71 Accordingly, the Audit suggests that the Directions be amended to make it mandatory for agencies to report on advisory boards and committees that provide advice to their Minister. The appropriateness of publishing information of key importance to stakeholders on internet sites as an alternative to reporting in annual reports has been discussed in chapter 4.

## **CORRECTING MISSTATEMENTS OF FACT**

6.72 The Directions do not contain a requirement that agencies correct any material misstatements of fact that may be included in their annual reports.

### ***Possible Better Practice***

6.73 The Commonwealth's *Annual Reports Requirements* includes a statement that if a previous annual report of an agency contains any significant statement on a matter of fact which has proved to be wrong in

a material respect, the annual report must include information to correct the record.

***Audit Comments***

6.74 The Commonwealth provision appears to be sensible.

***Suggested Action No 27***

6.75 Accordingly, the Audit suggests that 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.

**CONCLUSIONS**

6.76 The review of better practice in annual reporting guidance has disclosed that in some important areas, the Directions must be significantly improved. Governance arrangements, risk management and requiring, rather than suggesting that agencies report on external scrutiny and a number of other matters would seem to be the most important areas for attention.

## **7. ADMINISTRATIVE ARRANGEMENTS**

### **INTRODUCTION**

7.1 This Chapter describes and comments on the processes in the Chief Minister's Department and elsewhere for administering the Annual Reports (Government Agencies) Act and overseeing the Chief Minister's Annual Reports Directions. Specific sections of this chapter address:

- the annual reports directions cycle;
- functional arrangements;
- monitoring compliance with the Directions;
- ensuring completeness of the Directions;
- legal deposit requirements;
- the mechanics of the Directions process; and
- annual report awards.

7.2 It should be noted that findings and comments made in this chapter are focused on the Audit's concerns about systemic arrangements for the administration of the Directions. None of the Audit's findings, comments or suggestions should be interpreted as adversely reflecting on the way in which individual executives or officers perform their duties.

### **SIGNIFICANT FINDINGS**

#### *Positive Findings*

- *The annual reports cycle adopted for updating the Directions would appear to be a reasonable approach to administering the Act.*

#### *Negative Findings*

- *Primary responsibility for administering the Directions lies with a junior officer who attends to the function on a part time basis.*
- *The placement of responsibility for the Directions in a section that primarily deals with human resource matters would seem to be incongruous and may not take advantage of synergies that could be available if responsibility was placed elsewhere.*
- *A departmental review of compliance with the Directions was rudimentary and the results were not communicated to agencies.*

- *There is no evidence that recommendations made by Legislative Assembly standing committees were formally considered for their implications for the Directions.*
- *It is unclear whether the Directions contain a comprehensive list of all relevant agencies and all relevant statutory reporting obligations.*
- *The Directions do not advise agencies that they have an obligation under the Copyright Act to deposit a copy of their annual reports with the National Library and almost half of all agencies have not done so.*
- *It is also unclear whether Chief Executives may, should or should not formally annex to their annual reports, reports of agencies that fall outside the scope of the Act.*
- *The Directions contain a mixture of policy and administrative material that may not be helpful to either policy determination or administrative implementation.*

## **ANNUAL REPORTS DIRECTIONS CYCLE**

7.3 The Annual Reports Direction cycle comprises four major phases. They are updating the Directions, obtaining cabinet approval for them, overseeing implementation of the Directions and reviewing annual reports for compliance with the Directions. Each of these phases involves a considerable administrative workload for the responsible action officer. Each of the phases is discussed further in the following paragraphs.

### **Updating the Directions**

7.4 Updating the Directions involves taking account of changes to the Administrative Arrangements, the establishment or disestablishment of authorities and other agencies, new legislative requirements and requests by the Legislative Assembly and others for changes to the Directions. At this time the Directions are also reviewed for their administrative effectiveness against lessons learned during the previous year. This phase also involves seeking advice from all agencies on the need to update the Directions and can involve much discussion and negotiation with interested parties.

### **Obtaining Cabinet Approval**

7.5 Obtaining Cabinet approval to the Directions involves the preparation of a Cabinet submission in which the Chief Minister seeks the approval of Cabinet for the updated Directions and the related tabling instrument and tabling statement. Finally, this phase involves arranging for the tabling of the Directions in the Legislative Assembly.

### **Implementing the Directions**

7.6 After the Directions have been tabled in the Legislative Assembly they need to be distributed to agencies so they may be used in the preparation of their annual reports. As part of this phase, the Department convenes an information session for appropriate staff in all agencies. At the information session, and subsequently, the Department responds to queries from agencies. This phase of the Annual Reports Directions cycle involves the action officer in extensive coordination activity.

### **Implementation Review**

7.7 After agency reports have been tabled in the Legislative Assembly, the action officer reviews them to assess the extent to which they have complied with the Directions. The review also assesses where it might be necessary to clarify the language of future Directions. This process involves assessing reports against a 'Continuous Improvement Cycle Check' list derived from requirements contained in the Directions. The process also involves assessing annual reports against a number of in-depth subjective criteria. This phase of the cycle is discussed further in the following section.

### ***Audit Comments***

7.8 The Annual Reports Direction cycle would appear to be a reasonable approach to administering the Act. Notwithstanding the Audit's overall general agreement with present arrangements, there are a number of matters that require further consideration. These matters are discussed in the following sections of this chapter.

## **FUNCTIONAL ARRANGEMENTS**

7.9 The Public Sector Management and Labour Policy Group in the Chief Minister's Department has responsibility for administering the

Annual Reports (Government Agencies) Act. The Group's functions are to develop policy and guidelines on human resource issues and employment conditions. The Group also provides support for the Commissioner for Public Administration and the Remuneration Tribunal. In addition, the Group provides advice on ethics and accountability issues, including the Annual Reports Directions, and advice on fraud prevention and whole of government corporate management policies.

7.10 Administering the Directions is undertaken over a 12 month cycle by an Administrative Service Officer, Class 6 who is employed in the Strategic Human Resources section of the Group. In this role the action officer works closely with the Director of the Group. The section's Manager (Senior Officer Grade B) and a Senior Office Grade C have also contributed to various aspects of annual reporting. The Audit was advised that the occupant of the position spends about 50 percent of her time on Annual Reports Directions related matters. The remainder of her time is spent on administering other responsibilities of the Group including the Equity and Diversity Framework and the Learning and Development Program for Executives.

#### ***Audit Comments***

7.11 As indicated in previous chapters, administering the Chief Minister's Annual Reports Directions is a very important function in the overall process by which agencies are accountable to the Legislative Assembly and through the Assembly to the people of the Territory. The placement of responsibility for the Directions in the Public Sector Management and Labour Policy Group would appear to be sound.

7.12 The detailed placement of the function in a section that primarily deals with human resource matters would seem, however, to be incongruous and may not take advantage of synergies that may be available if the function were placed elsewhere. In addition, if the existing duties of the action officer were to be performed effectively, it would seem that substantially more time would need to be devoted to them.

7.13 It may be more effective if the function were grouped in a section with other whole of government corporate governance and management responsibilities. Such functions would include the development of governance and management policies, administrative arrangements

matters, whole of government achievement reporting and ethics and accountability issues.

7.14 Such an arrangement would ensure that a suitability focused senior officer would be in a position to bring his or her experience and expertise to bear on key aspects of the Annual Reports Directions cycle. In addition, if the suggestions made in this report are accepted the amount of time that the action officer spends on Annual Reports Direction matters could expand somewhat.

***Suggested Action No 32***

7.15 Accordingly, the Audit suggests that 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.

**MONITORING COMPLIANCE WITH THE DIRECTIONS**

7.16 As indicated earlier in this chapter, agencies' annual reports are reviewed to assess the extent to which they comply with the Directions. This process involves assessing reports against a 'Continuous Improvement Cycle Check' list derived from requirements contained in the Directions. The process also involves assessing annual reports against a number of in-depth qualitative criteria.

7.17 The checklist is a replication of the 'Recommended Compliance Index' contained in the Directions together with a column for marking binominal, which are Yes/No/Not applicable, responses. The in-depth assessment criteria section of the review checklist provides for detailed responses to questions about whether each report:

- includes clear objectives;
- is complete and informative and whether it could be improved;
- focuses on results and outcomes; and
- is appropriately styled, formatted and is accessible.

7.18 During the review of 2000-01 annual reports the binominal section of the checklist was completed for 24 agencies. Six agencies had adverse comments marked against them. The qualitative section of the review was not completed for any agency. Documentation relating to the review was not placed on a departmental file. A report on the overall review process was not prepared and no officer or executive senior to the

action officer reviewed the analysis. There was no formal communication with those agencies whose annual reports were found to be defective.

7.19 The review did not formally examine the annual report directions of other jurisdictions or better practice annual report criteria published by national or international organisations for possible improvements to the Directions. In addition, there was no evidence that suggestions made by the Legislative Assembly had been formally analysed for their potential whole of government implications.

### ***Audit Comments***

7.20 In 2000-01, 80 agencies were required to submit independent or attached reports to the Legislative Assembly. While a sample of 24 agencies is adequate, the review of compliance with the Directions was otherwise rudimentary. The Audit suggests that it would have been more effective if the review had focused on qualitative issues such as the extent to which the reports would have been of use to readers and whether the 'Overview and Major Achievements' sections of reports were adequate and had addressed all of those matters listed in the Directions. In addition, it would have been more useful if the checklist section of the review had been undertaken in more depth and addressed specific matters raised in the Directions.

7.21 Most importantly the review should have paid close attention to any available better practice guidance and any suggestions by Legislative Assembly committees. It would have been more effective if the review had culminated in a formal report to the Chief Executive on major findings. Key deficiencies in individual annual reports should then have been taken up formally with individual agencies concerned.

### ***Possible Better Practice***

7.22 The Audit notes that the NSW Treasury annually reviews a sample of agencies annual reports for compliance with the legislation and regulations. The purpose of the reviews is to enhance statutory compliance and the overall quality and relevance of agencies' annual reports. Following its annual reviews, the Treasury issues a circular that reports its findings and makes suggestions to enhance reporting in future annual reports. Recent suggestions have included enhancements to

performance reporting, grants to community organisations and consumer complaints.

7.23 The Audit agrees with the approach adopted in NSW.

***Suggested Action No 33***

7.24 Accordingly, the Audit suggests that a formal review of implementation of the Directions be undertaken each year taking account of the above matters and that identified deficiencies be brought to the attention of individual agencies as necessary. Such a review would then provide a major input into updating the Directions.

**COMPLETENESS OF THE DIRECTIONS**

7.25 The Directions contain a list of those agencies that are required to have their annual reports presented independently to the responsible Minister, those agencies that are required to have their report annexed to the report of a Chief Executive and those agencies that are required to have their reports subsumed in the report of a Chief Executive. In addition, the Directions contain a number of references to parts of enactments that should be taken into account in preparing annual reports.

7.26 In the main this information is updated annually by seeking input from agencies. The Audit observed that on occasions, however, a small number of agencies have been omitted from the Directions. In addition, some chief executives' annual reports have included annexed reports without being required to do so by the Directions. Furthermore, the Audit observed that on occasions, incorrect or incomplete references have been made to parts of enactments that should be taken into account in preparing annual reports.

***Audit Comments***

7.27 On the basis of the foregoing, it is unclear whether the current Directions contain a comprehensive list of all agencies that should be included. In addition, it is unclear whether all relevant statutory reporting obligations have been included in the Directions. In addition, it is unclear whether Chief Executives may, should or should not formally annex to their annual reports, reports of public authorities that fall outside the scope of the definition of public authorities for the purpose of the Act. Furthermore, it is unclear that if Chief Executives choose to annex to their

annual reports, reports that fall outside of the scope of the Act, whether those reports should, nonetheless, comply with the Directions.

***Suggested Actions No 34 and 35***

7.28 Accordingly, the Audit suggests that a comprehensive audit be undertaken by the Chief Minister's Department to 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. It is also suggested that consideration be given to deciding 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.

**LEGAL DEPOSIT REQUIREMENTS**

7.29 Pursuant to section 201 of the *Copyright Act 1968* (Cwlth), the publisher of any library material that is published in Australia must ensure that it is deposited with the National Library of Australia. For the purposes of section 201 of the Act, library material includes the annual reports of Territory agencies.

7.30 ACT Public Service Best Practice Note 6.7 *Publications*, includes under the heading, 'Distribution requirements for published material' a reference to the requirement under the Copyright Act for all publishers to lodge a copy of each annual report with the National Library. The Best Practice Note also includes a requirement for copies of each annual report to be forwarded to the ACT Public Library Service and a number of other bodies.

7.31 The Directions includes a reference to the Best Practice Note. The Directions, however, do not contain a direct reference to the statutory obligation to lodge annual reports with the National Library of Australia.

7.32 The Department of Urban Services has advised the Audit that it arranges for copies of those annual reports that it publishes to be forwarded to the National Library. Where agencies do not use the services of the Department of Urban Services to publish their reports, those agencies have a responsibility to ensure that copies of their reports are forwarded to the National Library.

*Audit Comments*

7.33 The Audit sought confirmation from the National Library that the 39 agencies that prepared independent annual reports in 2001 had forwarded copies of them to the National Library in accordance with the requirements of the Copyright Act. As a result, the National Library advised the Audit that 17 agencies or 44 percent of all agencies had not complied with the Act. Ten of the agencies had never forwarded copies of their annual reports to the National Library and a further seven had forwarded copies of their reports in previous years but had not done so in 2001.

7.34 The Audit also sought advice from the Department of Urban Services on this matter, as that Department is responsible for publishing half of the annual reports presented to the Assembly in 2001. A range of private contractors publishes the remaining reports. The Department advised that of the 20 reports that it published, 18 had been forwarded to the National Library. The Department also advised that it was arranging for copies of the two reports, not forwarded to the National Library, to be forwarded to the Library as soon as possible.

7.35 The Audit notes that the South Australian Annual Reporting Requirements outlines the legal deposit obligations and states that a copy of every annual report published in that State must be deposited with the National Library. The Requirements also state that a copy of all South Australian annual reports must be deposited with a nominated library in that State.

7.36 The Audit considers that it would be of benefit if the Directions included a specific reference to agencies' legal obligation under the Copyright Act to deposit copies of their annual reports with the National Library. Such a reference might also include reference to the requirement to forward copies of all annual reports to the ACT Public Library Service and perhaps other bodies.

*Suggested Action No 28*

7.37 Accordingly, the Audit suggests that 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.

## THE MECHANICS OF THE DIRECTIONS PROCESS

7.38 Administration of the Directions is a time consuming activity that requires extensive coordination and the provision of detailed guidance to agency contact officers on the preparation of annual reports and their presentation to the Legislative Assembly. The amount of detailed guidance required is evidenced by the extensive number and range of contacts between the action officer and departmental contact officers in the period leading up to the presentation of reports to the Legislative Assembly.

### *Audit Comments*

7.39 In some cases administrative guidance, such as publication standards, formatting suggestions and an action checklist have been included in the Directions. In other cases, however, detailed guidance, such as presentation arrangements, has not been included and is passed on to agency contact officers orally or by Legislative Assembly staff.

7.40 Furthermore, it appears that the action officer spends an unreasonable amount of time establishing each year who the contact officer is for particular agencies. In the main this difficulty occurs because of staffing changes in agencies that are not advised to the action officer.

7.41 One solution to the present difficulties in administering the Directions could be to remove all administrative material from the Directions and include them in a separate and comprehensive administrative guidance document. Such an approach would also ensure that the Directions addressed only policy issues and would reduce the amount of the material submitted to Cabinet for its consideration.

7.42 The Audit notes that the Audit New Zealand regularly issues a model annual report for local authorities. The principle objective in publishing model annual reports 'is to assist chief executives and chief finance officers of local authorities by providing a ready reckoner.'<sup>63</sup> The model annual report includes an introduction that highlights and explains changes in requirements since the model was last issued.

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<sup>63</sup> Audit New Zealand, November 2000, *Model Annual Report for a Local Authority (Te Motu District Council)*, p vii.

7.43 The Audit also notes that the Department of Treasury has published a set of model financial statements that highlights accounting standards requirements. The model financial statements include marginal notes to explain the reason why individual items have been included. It is intended that the model will provide a useful guide for agencies in the preparation of their annual reports.

7.44 A similar approach might be adopted to assist in the preparation of annual reports prepared in accordance with the Directions. Practical 'how to' examples would be useful for those officers charged with preparing annual reports in Territory agencies.

### ***Suggested Actions No 36 and 37***

7.45 Accordingly, the Audit suggests that all 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.

7.46 It is also suggested that consideration be given to the preparation of model annual reports as a practical aid to assist officers in meeting the requirements of the Directions.

## **ANNUAL REPORT AWARDS**

7.47 In 2001, the Chief Minister's Department 'expanded its approach to encourage and reward excellence in reporting'. This was done by encouraging the Institute of Public Administration Australia (ACT Division) to include a separate category for Territory bodies in its annual report awards as part of its program to foster excellence in public administration. This suggestion was taken up and 15 Territory bodies submitted their reports for assessment.

7.48 The results of the judging of 2001 annual reports were announced in July 2002. Overall the judges considered that the quality of reports submitted by Territory bodies was good. The judges, however, made a large number of suggestions for improvement and concluded that the reports presented for assessment were of a variable standard and there were several instances where content was inadequate.

***Audit Comments***

7.49 The Audit notes that Western Australian Guidelines states that it is useful for agencies to obtain feedback on their reports. Those Guidelines suggest that one way of receiving feedback is for agencies to enter their reports in one of the States annual reports awards competitions. The guidelines also note that participation in the awards has emphasised the need for improvement in the quality of information presented in annual reports.

7.50 The Audit supports the annual report awards initiative as a means of achieving feedback, rewarding excellence in public reporting and encouraging agencies to think more widely about fulfilling their accountability obligations to the Legislative Assembly and the public.

***Suggested Action No 38***

7.51 Accordingly, the Audit suggests agencies continue to be encouraged to participate in the scheme. This could be done by including a reference to the awards in the Directions.

**CONCLUSION**

7.52 While the Annual Reports Directions cycle is a reasonable approach to administering the Directions, there is scope for it to be considerably enhanced to make an effective contribution to the overall process by which the government of the day discharges its accountability responsibilities. Enhancements are most clearly warranted in respect of functional arrangements, monitoring compliance and establishing processes to ensure the completeness of the Directions.



**AUDITOR-GENERAL'S STATEMENT OF RESPONSIBILITY FOR INTERNAL CONTROL**

**CONTEXT**

As Auditor-General, I have responsibility for ensuring a sound system of internal control operates within the Auditor-General's Office. The system of internal control supports my legislated functions and provides me with assurance that the policies, aims, and objectives that I have set for the Office are being achieved. This includes ensuring the integrity and reliability of financial and non-financial information, as well as safeguarding the Office's funds and assets from loss through fraud or as a result of other occurrences. It also includes safeguarding the confidentiality of audit evidence and audit work-in-progress.

The system of internal control includes an ongoing process designed to identify the major risks which could negatively affect the achievement of my legislated functions or the Office's achievement of its principal policies, aims and objectives. The system includes evaluating the nature and extent of identified risks and implementing methods to manage the risks effectively and efficiently.

The system of internal control is intended to manage and not to eliminate all risk. The level of assurance sought that each risk is effectively managed is commensurate with the significance of that risk.

**CERTIFICATE**

I certify that internal control procedures, which are consistent with the preceding description, operated in the Auditor-General's Office throughout the year ended 30 June 2002.



**John A. Parkinson, FCPA**

## PREVIOUS AUDIT REPORTS<sup>64</sup>

### *Reports Published in 2003*

1. Effectiveness of Annual Reporting

### *Reports Published in 2002*

1. Special Purpose Review of Part of the Commission of Audit Report on the State of the Territory's Finances at 31 October 2001
2. Operation of the Public Access to Government Contracts Act
3. Governance Arrangements of Selected Statutory Authorities
4. Frameworks for Internal Auditing in Territory Agencies
5. V8 Car Races in Canberra – Costs and Benefits
6. Annual Management Report for the Year Ended 30 June 2002
7. Financial Audits with Years Ending to 30 June 2002

### *Reports Published in 2001*

1. Financial Audits with Years Ending to 30 June 2000
2. Enhancing Professionalism and Accountability
3. Market Research and Marketing (Second Report)
4. Peer-Based Drug Support Services Tender – 1998
5. The Administration of Payroll Tax
6. Annual Management Report for the Year Ended 30 June 2001
7. Managing Canberra Urban Parks and Open Spaces
8. Canberra Tourism and Events Corporation – Relocation to Brindabella Business Park
9. Agents Board – Financial Administration of Training Grant Program
10. Corrective Services – Review of Certain Allegations
11. Financial Audits with Years Ending to 30 June 2001
12. The Freedom of Information Act

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<sup>64</sup> 46 Reports were issued prior to 1996. Details can be obtained from the ACT Auditor-General's Office or the ACT Auditor-General's homepage: <http://www.audit.act.gov.au>.

### ***Reports Published in 2000***

1. Bruce Stadium Redevelopment — Summary Report
2. Bruce Stadium Redevelopment — Value for Money
3. Bruce Stadium Redevelopment — Costs and Benefits
4. Bruce Stadium Redevelopment — Decision to Redevelop the Stadium
5. Bruce Stadium Redevelopment — Selection of the Project Manager
6. Bruce Stadium Redevelopment — Financing Arrangements
7. Bruce Stadium Redevelopment — Stadium Financial Model
8. Bruce Stadium Redevelopment — Actual Costs and Cost Estimates
9. Bruce Stadium Redevelopment — Market Research and Marketing
10. Bruce Stadium Redevelopment — Stadium Hiring Agreements
11. Bruce Stadium Redevelopment — Lawfulness of Expenditure
12. Bruce Stadium Redevelopment — Governance and Management
13. Annual Management Report for the Year Ended 30 June 2000

### ***Reports Published in 1999***

- 1 Stamp Duty on Motor Vehicle Registrations
- 2 The Management of Year 2000 Risks
- 3 Annual Management Report for Year Ended 30 June 1999
- 4 Financial Audits With Years Ending to 30 June 1999

### ***Reports Published in 1998***

- 1 Management of Preschool Education
- 2 Lease Variation Charges - Follow-up Review
- 3 Major IT Projects - Follow-up Review
- 4 Annual Management Report for Year Ended 30 June 1998
- 5 Management of Housing Assistance
- 6 Assembly Members' Superannuation and Severance Payments to Former Members' Staffers
- 7 Magistrates Court Bail Processes
- 8 Territory Operating Losses and Financial Position
- 9 Financial Audits with Years Ending To 30 June 1998

- 10 Management of Schools Repairs and Maintenance
- 11 Overtime Payment To A Former Legislative Assembly Member's Staffer

***Reports Published in 1997***

- 1 Contracting Pool and Leisure Centres
- 2 Road and Streetlight Maintenance
- 3 1995-96 Territory Operating Loss
- 4 ACT Public Hospitals - Same Day Admissions  
Non Government Organisation - Audit of Potential Conflict of Interest
- 5 Management of Leave Liabilities
- 6 The Canberra Hospital Management's Salaried Specialists Private Practice
- 7 ACT Community Care - Disability Program and Community Nursing
- 8 Salaried Specialists' Use of Private Practice Privileges
- 9 Fleet Leasing Arrangements
- 10 Public Interest Disclosures - Lease Variation Charges and Corrective Services
- 11 Annual Management Report for Year Ended 30 June 1997
- 12 Financial Audits with Years Ending to 30 June 1997
- 13 Management of Nursing Services

***Reports Published in 1996***

1. Legislative Assembly Members – Superannuation Payments/Members' Staff – Allowances and Severance Payments
- 2 1995 Taxi Plates Auction
- 3 VMO Contracts
- 4 Land Joint Ventures
- 5 Management of Former Sheep Dip Sites
- 6 Collection of Court Fines
- 7 Annual Management Report For Year Ended 30 June 1996
- 8 Australian International Hotel School
- 9 ACT Cultural Development Funding Program
- 10 Implementation of 1994 Housing Review
- 11 Financial Audits with Years Ending to 30 June 1996

### **Availability of Reports**

Copies of Reports issued by the ACT Auditor-General's Office are available from:

ACT Auditor-General's Office  
Scala House  
11 Torrens Street  
BRADDON ACT 2612

or

PO Box 275  
CIVIC SQUARE ACT 2608

Phone (02) 62070833 / Fax (02) 62070826

Copies of Reports are also available from the  
ACT Auditor-General's Homepage: <http://www.audit.act.gov.au>