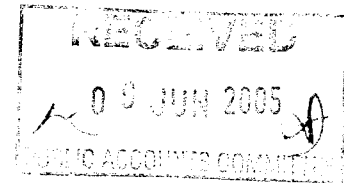




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Leanne Clare  
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**BRISBANE QLD 4000**

Dear Ms Clare

Thank you for giving me the opportunity to respond to the Public Accounts Committee enquiry into government financial reporting.

I consider the extent and quality of current information that is included in the government's current accountability framework is readily accessible and allows any interested party to critically and adequately to make an assessment as to the integrity, economy, efficiency and effectiveness of government financial management and associated activities. These associated activities may include use of resources and predetermined goals and objectives.

While some aspects of these activities might be closed to public scrutiny eg *Freedom of Information Act 1992* I believe that interested parties can access sufficient information to critically analyse the performance, future outcomes and expectations of individual agencies and indeed the government as a whole.

Those elements of the accountability framework that are currently available to interested parties who might wish to assess the performance of the government's financial management include -

- Agency annual reports that include financial and non-financial information;
- Audited financial statements;
- Audited consolidated whole of government financial statement;
- Auditor-General reports to Parliament;
- The Ministerial Portfolio Statements (MPS) documents;
- Annual Budget papers;

- Transcripts of Parliamentary Estimates Committees;
- Hansard reports of debates and proceedings of Parliament and its committees;
- Other publications available on government websites.

The Agency annual reports contain financial and non-financial information. The *Financial Administration and Audit Act 1977* mandates information to be included in the annual reports of Agencies (sec39). The Department of Premier and Cabinet issues *Annual Report Guidelines for Queensland Government Agencies* that are more prescriptive in nature and include comprehensive reporting requirements for government agencies.

The presentation and contents of financial statements is mandated by the respective accounting standards and 'best practice' guidelines distributed by Treasury. Whilst the annual financial statements in themselves are not the sole basis of decision-making by management, they play an important role as an annual financial report card of the Agency.

The audited consolidated whole of government financial statement gives a 'snapshot' of the State's assets and liabilities and this information can be used to determine the financial position of the State with comparisons from year to year.

The MPS documents are the primary source of information for the hearings of the Parliamentary Estimates Committees and are also used by stakeholders including the public for obtaining information on key strategies and prospective outcomes and financial performance of individual government agencies. The information included in the MPS documents is budgeted financial and non-financial in nature.

The QAO is currently undertaking a sector wide review of Agency output performance measurement and reporting particularly in relation to information included in the MPS documents. The objective of this review is to determine whether there are suitable systems in place to support output performance measurement and reporting across the budget sector. The reliability, timeliness and appropriateness of output performance measures will also be included in this review. I believe this review will greatly assist the performance reporting and give additional assurance over the completeness and integrity of data disclosed in the MPS documents.

Additional independent scrutiny of the activities of Agencies' performance is undertaken through -

- Estimates Committee hearings where Members of Parliament have the opportunity to review and challenge both the stated expectations and the actual results reported; and
- QAO conduct annual reviews of agencies and provide assurance of the fairness and reliability of reported information. The Auditor-General reports regularly to Parliament on the outcome of his audit reviews.

Transcripts of the Estimates Committee hearings and the Auditor-General's reports are freely available to anyone wishing to assess the performance of government financial management.

The current Freedom of Information processes allow additional access to information that can be used to assess the effectiveness of various government programmes.

Generally accrual accounting has provided a sound and consistent base of measurement throughout government enabling comparability and consistency of entities, their results and position. However one area of information provision in General Purpose Financial Statements that could be presented more clearly for users is the Reconciliation of Consolidated Fund payments to Output Revenue. The information presented in this note is very sector specific and uses terminology not easily understood by general users. Further it does not provide clarity for users in differentiating the various sources of revenue of an entity and how these funds have been applied over the reporting period in delivering its outcomes. This type of data adds value to the information provided to a general purpose user in determining the economy and effectiveness of an entity's performance in the government sector.

If the Public Accounts Committee finds that the enhancements to the current financial reporting regime might be required, I would anticipate that consideration would be given to the level of risk and consequences of misstatement and the cost particularly in resources, staff and time in determining appropriate recommendations.

Yours sincerely

[Original Signed]

Bob McCarthy  
**Director-General**