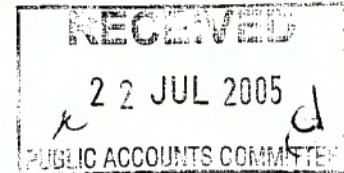


**Lawrence Springborg** MP  
Leader of the Opposition  
Leader of The Nationals



22 July 2005

Mr G Fenlon MP  
Chair  
Public Accounts Committee  
Parliament House  
George Street  
**BRISBANE QLD 4000**

Dear Mr Fenlon

I refer to your previous correspondence in relation to the Public Accounts Committee's inquiry into government financial reporting.

I am pleased to provide the Committee with a Submission on behalf of the Opposition.

I wish the Committee well with its deliberations.

Yours faithfully

[Original Signed]

**LAWRENCE SPRINGBORG**  
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JF/mh

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SUBMISSION  
to the  
PUBLIC ACCOUNTS COMMITTEE  
FINANCIAL REPORTING  
JULY 2005

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INTRODUCTION:

In May 2005 the Public Accounts Committee decided to conduct an inquiry into government financial reporting. Issues the Committee will consider include –

- Clarity and utility of financial reports for decision making
- Auditor-General's reports to Parliament
- Impact of implementation of accrual accounting
- Evolution and application of accounting standards including implementation of international accounting standards
- Convergence of government finance statistics and generally accepted accounting principles reporting.

As Members of Parliament were identified by the Committee as one of the key users of government financial reports, the Committee invited written submissions.

On behalf of the Opposition, it is my pleasure to make this submission to the Public Accounts Committee. Whilst significance of the Terms of Reference is acknowledged, this Submission will focus mainly on clarity and utility of financial reports for decision making and Auditor General's reports to Parliament.

ACCOUNTABILITY IN GOVERNMENT:

If Parliamentarians or members of the community were expert accountants, the accounting practices and instruments used by government to report financial results would not be a significant issue. However, in the absence of the essential accounting expertise and the perception of creative accounting practices by government, the significance of transparent and user-friendly financial documents and reports is increased.

Public sector accountability is traditionally established when Parliament confers responsibility on government departments and agencies, under the

control of a Minister of the Crown. Consequently it is the responsibility of the relevant Minister to ensure that the departments and agencies under their respective authority meet the government's objectives whilst meeting the expectations of the community by reporting honestly and accurately to the Parliament. Anything less could be considered as contempt of the Parliament, and should be regarded as such.

While it is recognised that specialised accounting expertise does not prevail across the Parliament, society as a whole is infinitely more educated and informed and discriminating than generations past. Consequently, the community has the ability and desire to scrutinise the activities of public sector entities particularly when those entities have recorded successive failures in service delivery.

Simply put, the community rightly demands to know how and why failures occurred. Additionally, the community questions the effectiveness and efficiency achieved for appropriations of their tax dollar.

It is therefore imperative that all analytical and reporting instruments which include the Budget papers, Ministerial Program Statements, and Annual Reports serve the community by assuring them that public sector operations and performance are subject to scrutiny. However, the scrutiny is lessened if those documents are obscure in detail.

#### ACCOUNTABILITY AUTHORITY:

Various Commissions across Australian jurisdictions have identified opportunities to produce a more open and accountable system of government.

Queensland's Fitzgerald Inquiry identified the role of the Opposition in exposing financial errors or misconduct by public officials. In his Report, Fitzgerald stated: *"Without information, there can be no accountability. It follows that in an atmosphere of secrecy or inadequate information, corruption flourishes. Wherever secrecy exists, there will be people who are prepared to manipulate it. One of the functions of any Opposition party in Parliament is to expose errors and misconduct by public officials.....the Opposition is dependent for information on the Government's own accounting to Parliament. There is a need for structure and systems to ensure that Parliament and the public are properly informed."* (pg 124 1989)

Further Fitzgerald recognised the Opposition as *"the constitutional critic of public affairs"*. To do that job effectively, the Opposition must have access to information which has not been sanitised by the government or its agencies.

In the absence of ministerial responsibility and in the absence of government's understanding of accountability, the significance of the role of the Auditor General is amplified. Consequently it is imperative that the Auditor General's role is not limited and that performance auditing is included

within the Auditor General's tools of assessment to ensure accountability of government departments, agencies, and government owned corporations.

#### PERFORMANCE AUDITING:

Performance Auditing is a total audit service which encompasses: -

- auditing the financial statements and performance indicators of all departments and agencies;
- ensuring controls within agencies are adequate and that all relevant legislation has been complied with; and
- direct examinations into the efficiency, effectiveness and economy of agency operations or programs.

Elements fundamental to the success of this total audit service are independence, integrity, objectivity, legislative knowledge, professional and technical skills, and a comprehensive understanding of public sector operations.

Performance auditing would enable the Auditor General to examine whether the government's stated objectives were being met. Performance auditing would enable the Auditor General to highlight examples of good practice and make recommendations where public agency performance could be improved.

#### AUDITOR GENERAL REPORTS:

Independent and forthright reports tabled in Parliament by the Auditor General assist Parliamentarians and the public to have a better understanding of the financial management of public sector agencies. Together with advice and recommendations provided to agencies, the reports assist Ministers and departmental management to improve the cost effectiveness and responsiveness of their respective services.

Importantly the broader community is reassured that an independent watchdog is serving the public interest. But independence of the watchdog is the key element. Whilst the Opposition continually demands transparency and accountability in government decision making and financial reporting, the Opposition's activities can be regarded as subjective.

Accordingly, it is time the current executive government joined with the Opposition to recognise that the Auditor General's independence and accountability measures contribute to improving community confidence in the public service.

As stated above, the reporting role of the Auditor General should be expanded to include performance auditing, so that the Auditor General does not simply ensure public money is spent according to the *Financial Administration and Audit Act 1977* and associated Financial Management

Standards, but also ensures that the community receives good value for its tax dollar.

#### MINISTERIAL PROGRAM STATEMENTS:

Parliament must remain the centrepiece of our democracy. It should be the undisputed arena in which the government of the day can be challenged and put under intense scrutiny.

Similarly, Parliamentary Committees in their various forms should also provide the necessary avenues for the executive government to be subject to scrutiny.

However, the Estimates Committee process has degenerated into a farcical time consuming exercise with little productivity and a lot of monotony.

Whilst the Budget documents, including the Ministerial Program Statements, may satisfy the needs of the government, the documents do not provide impartial easily understood information which depicts public sector accountability or performance or lack thereof. Consequently, Ministerial Program Statements have joined Annual Reports as instruments for this government to perpetuate their use of public relations to obscure realities of performance.

For the benefit of the Committee, a couple of examples are provided in support of the claim. The Committee should note that these examples are not an exhaustive list –

- Ministerial Program Statement – Minister for Health –
  - The MPS provides details on Capital Acquisitions. However, a comparison of capital works expenditure reveals approximately \$36 million underspent than anticipated during the 2004-05 financial year. However, no explanation was provided. Similarly the 2004-05 Ministerial Program Statement outlined an expenditure of \$287 million on hospital and community care technology. Even though Queensland Health lauded the clinical enablement system, only \$28 million had been spent. However, there was no explanation on the massive shortfall in expenditure. There is no record explaining the project's delay and with the speed of technological advancement, is the proposed system now out of date and the public will not get value for money? As well the government was only able to deliver part of the 2004-05 capital program with some 45 projects re-announced in the 2005-06 MPS, but no explanations were provided to ascertain whether the department has the capacity to deliver on their capital works program in the ensuing financial year, or what steps the department is taking to ensure the capital program can be delivered.

- Ministerial Program Statement – Minister for Public Works and Housing and Racing
  - The MPS provides basic details on Project Services, a business entity of the Department of Public Works. Even though Project Services allegedly procure, project manage and risk manage some \$600 million worth of projects which allegedly run into the thousands, details cannot be provided to ascertain whether the projects are on time, on budget, or have endured significant cost variances. The Parliament and the public have no avenue to check the effectiveness or efficiency of Project Services and their capability to deliver the projects on time or on budget. The Estimates Committee process has failed to provide the information on two consecutive years. It is not good enough for evasive answers to be provided on some \$600 million worth of projects. How do the Parliament and the public know with certainty that the projects are being handled and managed with the utmost integrity?
  
- Ministerial Program Statement – Minister for Transport and Main Roads
  - The MPS indicated that in 2004 the Australian government provided \$194 million and in 2005 the Australian government was providing \$206 million, an increase in funding of \$12 million. Nevertheless, the MPS referred to a decrease in funding. There was clearly a mistake in reporting, but the Minister and departmental officers were unable to explain the error.

## CONCLUSION:

As the public service evolves over time, and as it continues to extricate itself from politicisation that continues to occur under this government, the Auditor General will play an integral role. De-politicisation of the public service is integral to returning integrity and honesty to the Budget documents. So too is the enhancement of the Auditor-General's role to include performance auditing.

The users of financial information, Parliamentarians and the community, will benefit from initiatives which make reporting easier to understand and which provide clarity on value for money. Most importantly, Parliamentarians and the community will benefit from documentation which can be trusted to be honest and accurate.

Whilst the initiative of the Public Accounts Committee is commendable, it is the responsibility of government and the public sector, including all government owned corporations, to ensure that financial and performance delivery reform takes place in an environment which upholds the importance of transparency and accountability.

When executive government engages in public relations representations, in conjunction with false projections, public confidence in government service delivery is lost. To restore public confidence it is imperative that government accountability and performance enjoys transparency of decisions and arrangements.

Arrangements and agreements including commercial in confidence clauses which keep the arrangements and agreements outside the budgetary process need to cease once the agreement has been reached. The non-disclosure of commercial in confidence information reduces transparency resulting in the decline of public confidence in the decision.

The government is the custodian of taxpayers' money. The public, and the Parliament as representatives of the public, need to have access to documents which have clarity and utility. In the words of Fitzgerald, "*it is essential that the government is not able to claim secrecy is necessary when the only thing that is at risk is the exposure of a blunder or a crime*"

[Original Signed]

Lawrence Springborg  
Leader of the Opposition  
21 July 2005