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Joint Committee of Public Accounts and Audit

Answer to Question on Notice

Department/Agency: Australian National Audit Office

Inquiry: Inquiry into Commonwealth Financial Statements 2019–20

Committee Member: Senator Paul Scarr

Topic: Timeliness of financial statements preparation and reporting

Type of question: Hansard pages 1 - 2, 19 August 2021

Date set by the committee for the return of answer: 2 September 2021

Number of pages: 1

Question

Senator SCARR: Would it be possible for you to provide data with respect to the number of financial statements that were finalised and auditor's reports issued, with the report provided to the minister, by 15 October? Is that possible? That seems to be the key date. I was just interested in seeing where this three months came from as a performance parameter. If 15 October is the key date, shouldn't we be looking at how many financial statements are prepared by that date?

Ms Mellor: You might want to point Senator Scarr to the data in the report, and the tables, beyond paragraph 7 in the introduction.

Senator SCARR: I know that, in the report, the information provided—there are very helpful appendices et cetera. But I'm just looking at the higher level to try and get a feel for where we're up to in general performance in terms of timeliness of financial reporting. That's basically the thrust of the question. If 15 October is the key date, from my perspective it would be helpful to know from a global point of view how many entities aren't achieving that.

Ms Mellor: From a global point of view? We can speak today, Senator Scarr, about the data for the Commonwealth. If you wanted something more than that, we'd have to take it on notice.

Senator SCARR: Ok I will go to another specific thing....

ANAO Response

We have not collected the information on the when entities provided their Annual Reports to the relevant Minister. Annual Reports for Non-Corporate and Corporate entities are required to be prepared and provided to the Minister by 15 October. The auditor's reports on the financial statements are expected to be included in the entities' annual reports.

The annual reports for Commonwealth companies must be given to the responsible Minister by the earlier of:

- 21 days before the next annual general meeting after the end of the reporting period for the company; or
- 4 months after the end of the reporting period for the company.

There are 168 non-corporate and corporate entities required to table annual reports in Parliament. As at the 15 October 2020 the ANAO had signed audit reports for 165 of these entities.

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Department/Agency: Australian National Audit Office

Inquiry: Inquiry into Commonwealth Financial Statements 2019–20

Committee Member: Mr Julian Hill MP, Deputy Chair

Topic: Australian Rail Track Corporation – project financial performance

Type of question: Hansard pages 5 – 6, 19 August 2021

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Number of pages:2

Question

Mr HILL: Right. Let's take the second dot point that talks about the Australian Rail Track Corporation. The committee can reasonably understand that the reason for this deterioration in financial performance appears to relate to the Inland Rail network. Is that correct?

Mr Oyetunji: That's correct.

Mr HILL: I draw the committee's attention to that in passing because it perfectly illustrates the point in the previous hearing on alternative financing mechanisms and the point that I and previous members of the committee made some years ago about the government loading a loss-making project into a profitable entity as a fake way of decreasing the deficit—let's be blunt—instead of funding it through grants. This is what happens some years on—we get a write-down in values and deteriorating financial performance of an entity. Would it be reasonable to conclude that, if the Inland Rail project had not been funded through an equity injection in that way—and I'm joining the dots here—the financial performance of the ARTC would have been improved?

Mr Hehir: It's difficult for us to get into alternative scenarios because we don't know what else is going on. Both Inland Rail and the Hunter rail project were a part of that one I think. But to the extent that nothing else changes, that statement would be correct.

Mr HILL: I understand that you can't do a full counterfactual.

Mr Hehir: We also address some of these issues in paragraphs 1.28 and 1.29 about investments in public corporations and how that flows through.

Mr HILL: Okay, I can see that. Some interest previously, and I think in the previous hearing, from Senator Scarr and me was around the extent to which you can disaggregate particular major investments within a profitable corporation to track their performance. I think Senator Scarr used the comparison with large mining companies having separate business lines to see who's making money and who's losing money—in this case, the impact of a significant multibillion dollar project on the entity. Is that information which sits beneath the accounts that you get to peer into that we don't see in this report? Is that something which is feasible in terms of the way information is collected and managed within the entity?

Mr Hehir: I don't think the auditors for that project are here, so it would be difficult for us to make a comment on what sort of detail was available.

Mr HILL: Sure. Could you take that on notice? It would be interesting. It's a case study that the Parliamentary Budget Office have used in their paper on alternative financing, and it has been the subject of a bit of airtime, so it would be good to get a sense of how realistic the notion of disaggregation, in fact, is. It would be helpful.

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ANAO response

Yes, for Australian Rail Track Corporation (ARTC) the audit team consider the financial projections of the Interstate and Hunter Valley business units and the Inland Rail project as part of the annual audit.

The audit team consider these projections in relation to the future cash flows that support the valuation of assets as at 30 June each year. The asset valuation is considered through the grouping of assets at the Cash Generating Unit (CGU) level as determined by ARTC. The audit team undertakes analysis based upon the financial modelling that is produced by ARTC for the three identified CGUs being the Interstate network, the Hunter Valley network and the Inland Rail project.

Where there is an excess in asset carrying value over the net present value of expected cash flows for a CGU, this difference is recorded as an impairment in the financial report of ARTC.

ARTC outline the basis for valuation and asset grouping in note 7(c)(i) of their annual financial report.