

Report 376

▪ **Financial information in
management reports**

▪ **Control structures of major
Commonwealth agencies**

Review of Auditor-General's Reports
1999–2000
First Quarter

Joint Committee of Public Accounts and Audit

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Canberra

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Foreword

This report is the review by the Joint Committee of Public Accounts and Audit (JCPAA) of the Auditor-General's reports tabled in the first quarter of 1999–2000. From these, the Committee selected two reports for further examination.

The Committee reviewed *Audit Report No. 2*, into the use of financial information in management reports, and *Audit Report No. 10*, into control structures of major Commonwealth agencies. Both reports outline some serious shortcomings of agencies with respect to the reliable and timely collection and use of financial information.

As the Auditor-General has observed, the key components of effective financial management include the following:

- access to relevant information;
- use of that information to enhance corporate governance; and
- assurance that the information is accurate, user friendly and well protected.¹

The audit report on the use of financial information in management reports found substantial scope for improvement.

The Committee's review focuses on the issues of the costing of outputs, the need for cultural change within agencies and the time frame for implementation. The report makes two recommendations in this area, each of which is designed to confer a greater degree of responsibility on managers, particularly those at senior levels. The Committee takes the view that the most effective way to ensure the success of the new framework is to clearly define the responsibilities of managers,

¹ Auditor-General, *Transcript*, p. 24.

provide the necessary support, and then hold those managers accountable for implementation. Once accountability mechanisms are established, managers will have a strong incentive to implement the new framework successfully.

The audit report on control structures found that an important pre-condition for the effective use of financial information is reliable and timely information. The audit report found there was considerable scope for improvements in this area.

It was brought to the Committee's attention that control structures were lacking in the areas of information technology, asset management, accounting systems, and financial management information systems. The report makes a recommendation, regarding information technology systems, which is designed to prevent unauthorised access to certain information.

The Committee believes it is necessary for management in each agency to demonstrate its commitment to establishing effective control structures. However, before this can be undertaken, I urge agency heads to have a fully operational financial system in place as soon as possible. This will in turn, provide management with relevant and accurate information in a timely manner.

Mr Bob Charles MP
Chairman



Membership of the Committee

Chair Mr R Charles MP

Deputy Chair Mr D Cox MP

Members	Mr K Andrews MP	Senator H Coonan
	Mr M Brough MP ²	Senator the Hon J Faulkner
	Mr P Georgiou MP	Senator the Hon B Gibson AM
	Ms J Gillard MP	Senator J Hogg
	Mr P Lindsay MP ³	Senator A Murray
	Hon A Somlyay MP	Senator J Watson
	Mr L Tanner MP	
	Mr S St Clair MP	
	Ms T Plibersek MP ⁴	
	Mr K Thomson MP ⁵	

2 Mr Malcolm Brough departed from the JCPAA on 7 March 2000.

3 Mr Peter Lindsay joined the JCPAA on 7 March 2000.

4 Ms Tanya Plibersek departed from the JCPAA on 10 April 2000.

5 Mr Kelvin Thomson joined the JCPAA on 10 April 2000.

Membership of the Sectional Committee on Auditor-General's reports

Chair	Mr R Charles MP	
Deputy Chair	Mr D Cox MP	
Members	Mr M Brough MP ⁶	Senator the Hon B Gibson AM
	Mr P Georgiou MP	Senator A Murray
	Ms J Gillard MP	
	Mr P Lindsay MP ⁷	
	Hon A Somlyay MP	
	Mr L Tanner MP	

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Secretary	Dr Margot Kerley
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- 6 Mr Malcolm Brough departed the Sectional Committee on Auditor-General's reports on 7 March 2000.
- 7 Mr Peter Lindsay joined the Sectional Committee on Auditor-General's reports on 7 March 2000.



Duties of the Committee

The Joint Committee of Public Accounts and Audit is a statutory committee of the Australian Parliament, established by the *Public Accounts and Audit Committee Act 1951*.

Section 8(1) of the Act describes the Committee's duties as being:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth, including the financial statements given to the Auditor-General under subsections 49(1) and 55(2) of the *Financial Management and Accountability Act 1997*;
- (b) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
- (c) to examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each House of the Parliament;
- (d) to report to both Houses of the Parliament, with any comment it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, that the Committee thinks should be drawn to the attention of the Parliament;
- (e) to report to both Houses of the Parliament any alteration that the Committee thinks desirable in:
 - (i) the form of the public accounts or in the method of keeping them; or
 - (ii) the mode of receipt, control, issue or payment of public moneys;
- (f) to inquire into any question connected with the public accounts which is referred to the Committee by either House of the Parliament, and to report to that House on that question;

- (g) to consider:
 - (i) the operations of the Audit Office;
 - (ii) the resources of the Audit Office, including funding, staff and information technology;
 - (iii) reports of the Independent Auditor on operations of the Audit Office;
- (h) to report to both Houses of the Parliament on any matter arising out of the Committee's consideration of the matters listed in paragraph (g), or on any other matter relating to the Auditor-General's functions and powers, that the Committee considers should be drawn to the attention of the Parliament;
- (i) to report to both Houses of the Parliament on the performance of the Audit Office at any time;
- (j) to consider draft estimates for the Audit Office submitted under section 53 of the *Auditor-General Act 1997*;
- (k) to consider the level of fees determined by the Auditor-General under subsection 14(1) of the *Auditor-General Act 1997*;
- (l) to make recommendations to both Houses of Parliament, and to the Minister who administers the *Auditor-General Act 1997*, on draft estimates referred to in paragraph (j);
- (m) to determine the audit priorities of the Parliament and to advise the Auditor-General of those priorities;
- (n) to determine the audit priorities of the Parliament for audits of the Audit Office and to advise the Independent Auditor of those priorities;
and
- (o) any other duties given to the Committee by this Act, by any other law or by Joint Standing Orders approved by both Houses of the Parliament.



List of abbreviations

ANAO	Australian National Audit Office
DoFA	Department of Finance and Administration
FIRM	Financial Information and Resource Management
FMIS	Financial Management Information Systems
JCPAA	Joint Committee of Public Accounts and Audit



List of recommendations

Audit Report No. 2, 1999-2000

Recommendation 1

The Committee recommends that knowledge of, and appropriate use of, financial information be identified in all managers' performance agreements.

Audit Report No. 2, 1999-2000

Recommendation 2

The Committee recommends that Chief Executive Officers support the use of financial information by:

- requiring managers to use the diagnostic questionnaire provided in *Building a Better Financial Management Framework*; and
- providing targeted assistance to managers on the basis of their responses to the questionnaire.

Audit Report No. 10, 1999-2000

Recommendation 3

The Committee recommends that agencies define and restrict access rights to certain persons at particular levels for information technology systems.