

7 January 2003

Mr Phil Bowen
Acting Secretary,
Department of Finance and Administration
GPO Box 1920
CANBERRA ACT 2601

Dear Phil

Further to our recent discussions, I confirm the details contained in my email to you of 25 November, 2002.

The Auditor-General has a statutory responsibility to report on the Commonwealth Government of Australia Consolidated Financial Statements (CCFS), and prior to the 1997 legislation taking effect, reported on the Aggregate Financial Statement (AFS) prepared by the Minister for Finance (pursuant to Section 50AB of the *Audit Act 1901*).

While the CCFS is on an accrual basis with the usual accrual statements, the AFSs were on a cash basis and included information relating to the receipts and expenditure of the Consolidated Revenue Fund, Trust Fund, and Loan Fund. In addition, Section II of the AFSs included a reconciliation of the transactions of the three Funds with budget outlays and revenues.

My recollection is that this latter statement, which provided a reconciliation of the actual budget outcome to the transactions of the three Funds, was an addition to the Minister's AFS which probably occurred in the late 1980s or early 1990s. Its primary purpose was to show the impact of the Funds' transactions on the budget outcome.

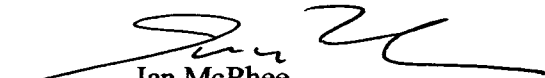
Knowing that the Finance Minister signed the AFS several months after the end of the financial year (e.g. the 1994 accounts were signed on 3 November 1994 by the then Minister), this was considerably later than the government first advised the budget outcome. In the days when the Commonwealth budget was released in August, the outcome for the previous year was included in the budget papers. Following the move to a May budget, the Government issued a budget outcome document one or two months after the end of the financial year. These documents, which first informed Parliament of the Government's budget outcome, were not subject to audit by the ANAO. Only the budget outcome information included in the subsequently issued AFS

was subject to audit by the ANAO on an annual basis because it formed part of the then Minister's financial statements.

As you are aware, the JCPAA has recently recommended that the Auditor-General audit the budget outcome.

I hope this is of assistance. I am happy to discuss this further if you wish.

Regards,



Ian McPhee
Deputy Auditor-General