

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Finance and Administration Portfolio**

**Department of Finance and Administration**

Budget Estimates Hearings 2003-04 – 28 & 29 May 2003

**Question: F8**

**Outcome 2, Output 2.1**

**Topic: Independent Valuation for Asset Sales**

**Hansard Page: F&PA 281**

**Senator Conroy asked:**

Are there any instances where major assets have been sold without an independent valuation?

Could you take on notice whether any agencies have and what assets they were, if possible?

Have you sustained some inappropriate losses – as you describe them – on this basis in the past?

Could you take that on notice for us, just in case there have been some over the last few years.

**Answer:**

In relation to major asset sales undertaken by the Department of Finance and Administration under the Government's privatisation programme, it is normal practice for a scoping study to be undertaken in which an independent valuation is obtained for the assets being sold. Scoping studies, including valuations, were undertaken for all the major assets sold.

It is a matter for individual agencies as to the way in which they undertake the sale of assets that they may hold but which are not part of the Government's privatisation programme, including with respect to obtaining an independent valuation.

Prior to the Finance Minister's Orders (for financial statements) for 2002-03 major assets were transferred to the relevant entity in the Finance and Administration Portfolio at their carrying amount. The FMO's for 2002-03 require the transferring entity to apply the recoverable amount test to the carrying value of the assets to be transferred. This requirement ensures there is no overstatement of asset values.

A book loss would only be sustained where the market valuation for sale is less than the carrying value at the time of sale. A net book loss of \$79.2 million was reported in relation to the sale of National Rail during the 2001-02 year. This was the only loss on sale reported in recent years.