

Results of the 1995-96 Financial Statements Audits of Commonwealth Entities

Financial Statements Audit

Tabled 10 December 1996

Audit Report No. 19 1996-97

Auditor-General's Foreword

This report, which informs the Parliament on the audits of financial statements of Commonwealth entities for 1995-96, aligns with the Government's policy for timely public reporting of financial information. It provides a summary of the opinions formed on those entities' financial statements and the matters and recommendations raised. Matters reported relate primarily to issues on internal control structures and information technology. These are issues that require ongoing attention even where the primary focus is on program outcomes. Indeed, they are likely to be more effective if they are more output/outcome focused.

As part of the audit process the ANAO has worked with heads of entities to complement the provision of timely financial information. This process is not only integral to financial stewardship but is fundamental to adding value to business performance in the public sector. This a key performance measure for my Office.

The ANAO is also an important and recognised catalyst in the development and application of public administration initiatives. The ANAO has already given strong support for the implementation of the Guidelines for Managing Risk in the Australian Public Service (MAB/MIAC Report No.22, October 1996). The ANAO considers that the Guidelines provide a rational framework within which a broad and balanced approach to decision-making can be defended while adhering to accepted public service values and ethics.

This Office is also benchmarking financial management, contributing to corporate governance and participating in developing better practice in financial reporting in the Commonwealth public sector. These efforts are directed at assisting management to maintain sound control frameworks. A critical factor here will be the roles of audit committees and internal audit to support proper corporate governance.

A better practice series was initiated in 1995-96 to recognise the importance of corporate governance in the public sector. Better practice guides were issued on 'financial statements preparation' and 'illustrative financial statements - AMODEL Accounts' specifically to assist agencies with the preparation and presentation of financial statements. In addition, more recently better practice guides on asset management and accounts processing were published as part of our new audits of financial control and administration.

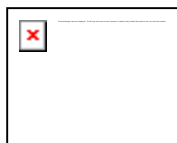
For 1996-97, work has commenced on the development of better practice guides for financial control structures in the public sector. In addition, the ANAO will continue to maximise the knowledge obtained from the financial statements audit process to identify opportunities for enhancing performance in the public sector particularly through financial

control and administration audits and assurance and control assessment audits. These are initiatives aimed at securing the maximum benefit from audit activity undertaken by the ANAO to improve the performance of the public sector. Our contributions to such improved performance derives from our knowledge and understanding of organisational and program objectives, strategies and operations as a result of our comprehensive audit coverage and close involvement with all entities. That approach also deals effectively with any audit expectation gap.

The ANAO assisted the Department of Finance with the preparation of 1994-95 Whole of Government financial statements following recommendations from the Joint Committee of Public Accounts (Reports 338 and 341) that the Government commit itself to preparing annual Whole of Government Financial Reports. The Government has since decided in principle to a phased implementation of the recommendations of the National Commission of Audit relating to a full accrual-based financial framework integrating budgeting, accounting and reporting. This decision is subject to a scoping study of the costs and other implementation issues. The ANAO is conducting an audit of the trial of consolidated Whole of Government financial statements covering 1995-96. The Australian Society of Certified Practising Accountants recently awarded the Department of Finance and the ANAO in recognition of this work.

The financial statements audit processes will be more efficient, and the audits themselves more effective, through the use of information technology. Subsequent to the successful trial of an integrated audit technology package in 1995-96, that technology is being fully implemented for all 1996-97 financial statements audits. The technology is at the leading edge of auditing practice and should also result in more value-added outcomes for the entities concerned.

I would like to take this opportunity to acknowledge the efforts and professionalism of my staff in undertaking the audit work which culminates in this Report. Their dedication and diligence, particularly at the end of the financial year, have again enabled the tabling of this Report in a timely fashion. In this respect I also record my appreciation for the level of cooperation extended by entities in the audit process and generally commend them for their preparedness for audit.



P.J. Barrett

1995-96

Financial Statements Audit Process	Audit Outcome
All departments prepared financial statements on an accrual basis in 1995-96. Financial statements audits were completed and opinions issued for 342 departments,	<i>Financial Statements</i> <ul style="list-style-type: none"> • 328 financial statements were unqualified.

statutory authorities and Commonwealth-owned companies. Control structures that supported financial statements and risk management frameworks which were integral to revenue completeness and expenditure validity were also evaluated.

The results of financial statements audits indicated a continuing improvement in the standard of financial management and reporting by Commonwealth entities.

A relatively large number (24) of entities are subject to uncertainty about their future as a result of government reviews.

Those matters which warrant attention were provided directly to the responsible Minister(s), Boards of Directors and management.

The ANAO has made in the order of 552 recommendations aimed at the overall improvement of public administration. Agencies responded positively to the recommendations made.

As the majority of entities rely heavily on information technology for financial statements purposes particular attention was directed at the effectiveness of computer controls. The results highlighted the continuing need for agencies to focus on improvements in controls over the security of IT systems and the management and control over changes to programs.

Commonwealth public sector corporate governance requires proper control frameworks. To assist with corporate governance principles throughout the public sector, the ANAO has developed a draft statement for discussion to assist chief executives principally in the larger Commonwealth entities. However, the principles involved have potential application across the whole public sector. Also, a series of better practice guides was initiated by the ANAO in 1995-96 to contribute to improving corporate governance within the Commonwealth departmental sector.

The financial statements preparation process continues to show improvement across entities.

- 14 were qualified for various reasons including:

- *incomplete accounts and records*
- *departures from accounting standards*
- *breaches of legislation*

- 24 were reported with an emphasis of matter, primarily related to:

- *uncertainty relating to the effects of the proposed disposals of certain assets or operations of entities.*

Control Structures

- control structures were sound in the majority of entities.

- 552 recommendations were made to management. These included:

- *the need for improved controls over computer operations*

- *improvement of controls over asset management and reporting*

- *reconciliation of accounting records.*

Public Sector Corporate Governance

- promulgation of corporate governance principles

- *draft statement prepared to assist public sector management*

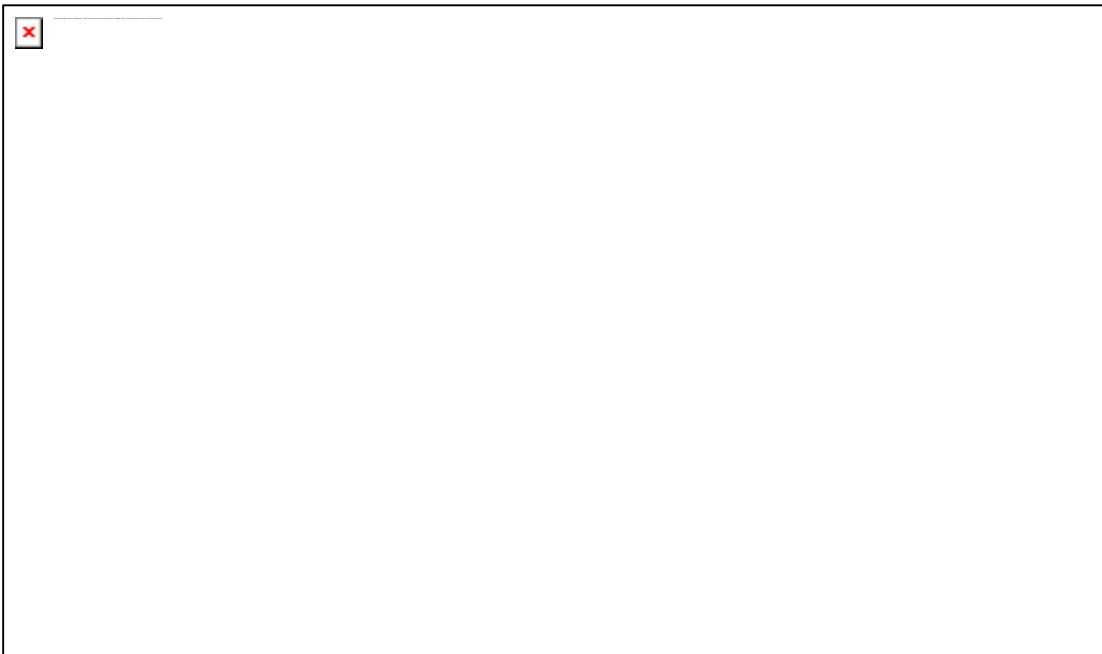
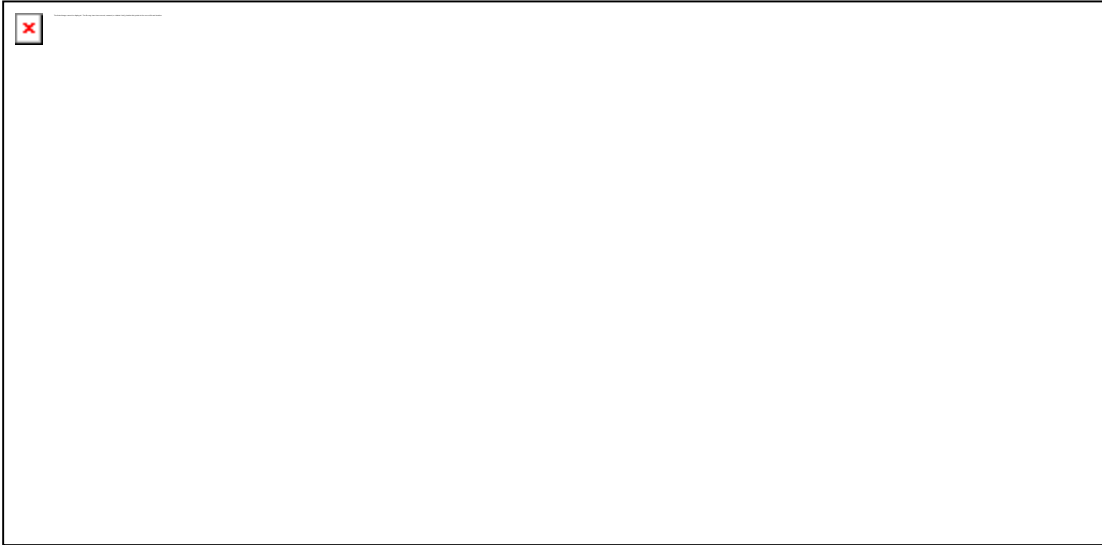
- *Better Practice Guides on financial statements preparation were prepared for Commonwealth departments*

- evaluation of departmental financial statements preparation for 1994-95 to 1995-96

- *continued improvement by Commonwealth departments in key success factors*

- *68% of Commonwealth departments now reflect appropriate standards of reporting*

- *67% of other Commonwealth entities reflect appropriate standards of reporting*



Preparation of Financial Statements by Departments



Summary

Overview

The Auditor-General is required by the *Audit Act 1901* and other legislation to audit and report on financial statements of Commonwealth entities, which include departments, statutory authorities, companies and other reporting entities such as trusts and joint ventures. This report provides a summary of the results of these audits for the 1995-96 financial year, including commentary on control structures, the use of information technology, risk management, better practice series, client seminars and financial analysis.

The results of financial statements audits on Commonwealth entities are publicly reported in two ways. The primary reporting medium is the audit report on the financial statements. These reports, which are included in the annual reports of the entities concerned, conform with legislative requirements and professional auditing standards.

The other medium is this report to the Parliament which provides details of the audit results, including any matters of significance requiring attention and remedial action identified during the audit. These matters generally arise from the processes involved in forming an opinion on the financial statements but may not be of such significance as to impact on the audit opinion expressed in the audit report on the financial statements.

It is also customary to provide to Ministers, Boards of Directors or equivalent, and management a report on the overall results of each financial statements audit (the precise reporting arrangements are dependent on the specific legislative requirements). Such reports also detail matters which, in the view of the Australian National Audit Office (ANAO), warrant management attention.

Audit results

During 1995-96 audit reports were issued in relation to 342 financial statements (417 in 1994-95). The reduction is accounted for by the sale of the Commonwealth Bank of Australia and controlled entities.

As shown in Table 1, fourteen financial statements were qualified for various reasons including: incomplete accounts and records or restrictions placed on access to parts of the accounts and records of certain security organisations (five); breaches of the Constitution

(three); departures from Accounting Standards (two); other legislative breach (one); uncertainty about being a going concern (two); and valuation and recoverability of assets (one).

The incidence of qualified audit reports represents only 4.1% of all audit reports issued in 1995-96 (3.8% in 1994-95). As part of the audit process, the ANAO works with entities to encourage and assist them to undertake the necessary actions to present their financial statements so that an unqualified opinion can be issued.

Table 1. Summary of Audit Reports and Qualifications Issued.

Type of Agency	1994-95		1995-96		
	Number of Agencies	Audit Reports Qualified	Number of Agencies	Audit Reports Qualified	Emphasis of Matter
Departments	58	5	47	6	1
Commercial Activities of Departments	31	2	30	0	12
Statutory Authorities	105	7	133	5	5
Companies	181	2	62	2	5
Other, e.g. Trusts, Joint Ventures etc.	42	0	70	1	1
Total	417	16	342	14	24

[Appendix 2](#) provides details of audit reports issued to 29 November 1996.

Departments

In 1995-96 six audit reports on the financial statements of departments were qualified.

The audit report on the financial statements of the *Australian Federal Police* was qualified because payments were made in breach of section 83 of the Constitution, which states that no money shall be drawn from the Treasury of the Commonwealth except under appropriation. The breach occurred when the Australian Federal Police spent moneys totalling \$2.66 million in excess of the limit specified in its section 35 agreement under the Audit Act and thus this amount was not deemed to be appropriated.

The audit report on the financial statements of the *Department of Immigration and Multicultural Affairs* was qualified due to a breach of section 83 of the Constitution. The breach occurred when the Department spent a total of \$2.77 million in excess of appropriated funds. The funds, which had not been appropriated, related to a reimbursement for former years from a non-Commonwealth body.

The audit report on the financial statements of the *Department of Administrative Services* was qualified because the Department breached section 83 of the Constitution when it made payments of \$20 000 for grants-in-aid in excess of amounts appropriated.

The audit reports on the financial statements of the *Australian Security Intelligence Organization* and the *Australian Secret Intelligence Service* were qualified because of

restrictions placed on the examination of exempt accounts. This also applied in previous years.

The audit report on the financial statements of the *Commonwealth Superannuation Administration* was qualified because it was unable to determine the amount due for superannuation pay-as-you-go contributions and emerging costs contributions from approved authorities for 1995-96. The ANAO was unable to form an opinion on whether the total amount of receipts for these items brought to account in the Consolidated Revenue Fund was materially correct. This also applied in 1994-95 and is largely a systems problem which is being remedied.

Departmental Commercial Activities

In 1995-96 no audit reports on the financial statements of departmental commercial activities were qualified.

Statutory Authorities

In 1995-96 five audit reports on the financial statements of statutory authorities were qualified.

The audit report on the financial statements of the *Reserve Bank of Australia* was qualified following a departure from the requirements of applicable Australian Accounting Standards relating to the recognition of profit or loss on the sale of revalued investments.

The audit report on the financial statements of the *Australian National University* was qualified following departures from the requirements of applicable Australian Accounting Standards regarding the recognition of unrealised gains and losses on superannuation investments (as occurred for 1994-95) and also regarding accounting for grants received.

The audit reports on the financial statements of both the *Commonwealth Superannuation Scheme* and the *Public Sector Superannuation Scheme* were qualified because contributions to the two funds were mixed during the period 1 July 1995 to 22 February 1996. The mixing of funds represented a breach of the *Superannuation Act 1976* and the *Superannuation Act 1990*. The audit reports on the 1994-95 financial statements of the Schemes were qualified on the same basis.

The audit report on the financial statements of the Australian National Railways Commission was qualified because of the uncertainty as to the recoverability of non-current assets (\$470.5 million) resulting from the then Government's intention to establish a national rail infrastructure authority and the recoverability of redundancy supplements (\$43.4 million) from the Commonwealth Government.

Companies

In 1995-96 two audit reports on the financial statements of companies were qualified.

The audit report on the financial statements of the *Australian Contemporary Music Development Company Limited* (Ausmusic) was qualified due to the withdrawal of annual Commonwealth Government grant funds which caused significant uncertainty with regard to the company's ability to continue as a going concern. At the date of signing the audit report the company had not completed a review of future plans and therefore was unable

to provide sufficient supporting information to determine its ability to continue as a going concern.

The audit report on the financial statements of *Arnbridge Pty Limited* (a controlled entity of the Australian Broadcasting Corporation (ABC)) was qualified. In 1993-94 the ABC was appropriated \$12.5 million to establish subscription television services. The ABC provided these funds to Arnbridge Pty Limited by way of a loan. The company's special purpose financial statements were prepared on a liquidation basis and indicated the company could not meet its debts as and when they fell due. The ANAO's concern arose principally as a result of a deficiency of current assets over current liabilities of \$5.3 million and a deficiency of shareholder's funds of \$4.8 million. As a consequence, the ANAO concurred with the Directors' disclosures and issued a qualified audit report.

Others (e.g. Trusts, Joint Ventures)

In 1995-96 one audit report on the financial statements of other entities was qualified.

The audit report on the financial statements of the *Commonwealth Superannuation Scheme Additional Contributions Trust Fund* was qualified because the Trust Deed requirement to report within three months of the balance date was not achieved.

Emphasis of Matter

An 'Emphasis of Matter' is a reporting mechanism provided by Auditing Standards which is used to draw attention to (or emphasise) a matter that is relevant to the users of the audit report but is not of such a nature that it affects an unqualified audit opinion being given. An emphasis of matter may be appropriate in circumstances involving: additional disclosure; inherent uncertainty; inconsistent other information; or events occurring subsequent to balance date which could have a material effect on the financial statements of reporting entities.

During 1995-96, audit reports with an emphasis of matter paragraph were issued in regard to the financial statements of 24 reporting entities. Of these, 20 were in relation to inherent uncertainty associated with the values of certain assets and liabilities and/or current operating practices, and in most cases arising from proposed sales or restructuring of the reporting entities. The remaining four were in relation to the going concern basis, which in all cases was dependent upon continued financial support from the Commonwealth Government.

Control structures

The results of the 1995-96 financial statements audits identified a continuing improvement in the standard of financial management and reporting by Commonwealth entities. Audits disclosed that the majority of entities have in place effective internal control structures which can be relied upon to produce accurate and reliable financial information for annual reporting purposes.

Audit findings and recommendations

During this cycle of financial statements audits, the ANAO made a number of recommendations aimed at achieving improvement in financial management, operations and administration. These recommendations were classified in accordance with a revised reporting policy issued by the Auditor-General during the latter half of 1994-95.

The Auditor-General's revised reporting policy indicated that only those matters requiring immediate attention or action within the short term would be referred to Chief Executive Officers, Ministers and the Parliament. In addition, matters of a procedural nature are only reported to Chief Executive Officers. In accordance with this policy, findings referred to entities were classified into three categories:

Category A

- *significant control weaknesses or business risks which require specific prompt management attention; that is, there is a need for management to act immediately;*

Category B

- *control weaknesses which should be addressed by management prior to year end or shortly thereafter, and all matters referred to management in the past which have not been addressed satisfactorily; and*

Category C

- *matters which are procedural in nature, audit observations, technical breaches of legislation and minor administrative shortcomings which management has agreed to address.*

For 1995-96 there were 105 findings (IT 22; non-IT 83) which were classified as Category A (34 in 1994-95) and 447 findings (IT 86; non-IT 361) which were classified Category B (392 in 1994-95). These audit findings, which have been aggregated in this Report under each entity within Portfolio chapters, relate primarily to:

- the need for improved controls over computer operations;
- improvement of controls over asset management and reporting; and
- attention to the performance of timely reconciliation of financial records.

While the existence of these shortcomings requires that management act promptly to resolve the issues reported, the occurrence of those audit findings classified as significant control weaknesses or business risks did not preclude an unqualified audit report being given on the financial statements of those entities where audit procedures established that the financial statements were not materially misstated. However, depending on their nature, these audit findings may represent significant risks to these entities that, unless remedied, all revenue due may not be collected, payments may be made incorrectly, assets may not be managed effectively or properly safeguarded, or obligations may not be met when they fall due.

In addition to these more important audit findings, issues of a procedural or administrative nature were represented to management during the course of audits and corrective action was taken or advised.

Information technology (IT) systems reliability

IT supports various entity programs and can be integral to the validity, completeness and accuracy of financial statements. Consequently, IT audit is fundamental to forming an opinion on the adequacy of proper accounts and records that support entities' financial

statements.

The 1995-96 financial statements audits noted improvements in the IT control environment of Commonwealth entities. The ANAO made significant recommendations relating to IT controls to entities which are either totally dependent, or whose operations rely heavily, on information technology. These recommendations were aimed at achieving improvements in the accuracy, reliability, validity and completeness of the accounts and records within those entities' IT systems.

The nature of many of the findings requiring immediate management attention or action related to:

- improving controls over the security of IT systems to protect programs and data;
- establishing monitoring facilities over critical/sensitive computer programs and transactions;
- enhancing the management and control of the change control process; and
- improving the security and control over mainframe and client server operating systems and database administration.

Risk management

As part of the financial statements audit the ANAO focused on a number of departments where there was significant financial exposure.

Table 2 provides an overview of risk management where it is integral to revenue completeness, expenditure validity and asset management.

Table 2. Risk Management in Major Departments

Entity	Comment
Department of Defence	During 1995-96 a Fraud Risk Assessment was developed and a pilot undertaken across the three Service Programs and the Major Capital Equipment and Facilities Projects. This approach will facilitate fraud control planning throughout the Defence organisation. The Department advised that a draft corporate level fraud control program would be completed by the end of October 1996, with supplementary control plans to address unique weaknesses to be completed by early 1997.
Department of Veterans' Affairs	During 1995-96 the Department decided to undertake an extensive risk assessment on all programs. This assessment is expected to be finalised during the 1996-97 financial year.
Department of Employment, Education, Training and Youth Affairs	Following the recent restructure, the Department recognises the need to focus more strongly on its risk management approach to its program delivery objectives.

Department of Health and Family Services	The Department's Fraud Control Plan and risk assessment have been completed. The Department continues to focus on managing risk in program areas.
Australian Customs Service	Risk management initiatives to date provide a sound foundation for the successful transition to a mature risk-managed environment. The Service is continuing work on its comprehensive risk management framework across revenue and payment activities.
Department of Social Security	The Department assessed the risks pertaining to a benefit payment organisation and the outcome is contained in the Department's 1995-96 Fraud Control Plan. A departmental report which analysed the results of the review activity has demonstrated that, to a significant extent, the strategies employed by the Department in 1995-96 addressed the risks identified in the Fraud Control Plan.
Australian Taxation Office	The ATO has implemented various risk management practices to limit non-compliance with taxation laws. The enhanced risk management framework is considered to have a sound basis and is aligned to corporate objectives. Given the self-assessment regime, it represents an appropriate means by which the risk of non-compliance with taxation laws can be addressed

Better practice series and client seminars

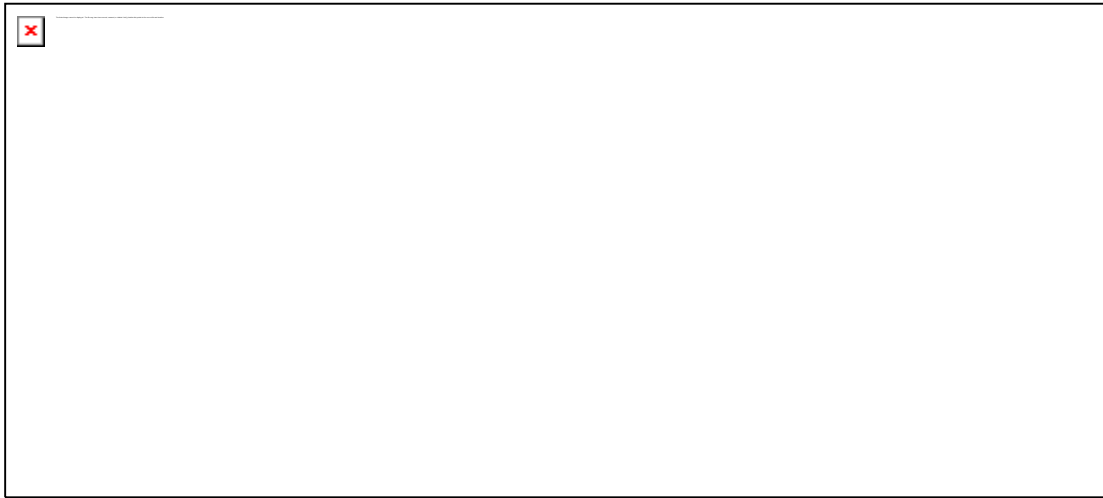
Effective internal control structures and risk management processes continue to be of increasing importance to the public sector reform process, given the greater focus on corporate governance. A series of better practice guides was initiated by the ANAO in 1995-96 to contribute to improving corporate governance within the public sector.

In June 1996 the ANAO issued a 'Better Practice Guide on Financial Statements Preparation' to assist entities with the successful preparation of their financial statements. The Guide lists the following six key success factors:

- establish a committee to oversight preparation of the financial statements;
- develop a project implementation plan;
- establish information collection requirements;
- develop agency guidelines and reporting package;
- establish quality control procedures and implement a quality control process; and
- review the outcomes of the process.

The ANAO evaluated the 1994-95 financial statements preparation process of departments against the Guide and each department was provided with an assessment and recommendations for improvement. The overall performance is illustrated in the chart

below.



For 1995-96, the ANAO extended the evaluation to all public sector reporting entities. The overall results of the evaluation for departments and other Commonwealth entities (mainly statutory authorities) are illustrated in the following charts.



A comparison between 1994-95 and 1995-96 for departments indicated improvement in the financial statements preparation process as the recommendations made by the ANAO from the initial evaluation were adopted. Improvement by departments was noted in the

key success factors relating to the involvement of a committee to oversee the financial statements preparation process, the formalising of implementation plans and the review of the outcomes of the process. However, there continues to be a need to develop further the quality control procedures over financial statements preparation in line with the Better Practice Guide.

The evaluation of the financial statements preparation process of other Commonwealth entities for 1995-96 identified 67 per cent of entities fully or almost achieved better practice. Controls to ensure early identification of information collection requirements were well established within most entities. However, further development of the quality control procedures and review of the outcomes of the process are required.

To assist Commonwealth entities in preparing their financial statements for 1995-96, the ANAO also published in June 1996 three Illustrative Financial Statements Better Practice Guides (AMODEL accounts) covering departments, commercial authorities and non-commercial authorities. These Guides, which provide examples of better practice in Commonwealth public sector financial reporting and disclosure, reflect reporting requirements prescribed by the Minister for Finance Guidelines, Australian Accounting Standards and other mandatory reporting requirements.

In February 1996 the ANAO conducted a series of one-day seminars on current financial statement issues in Canberra. More than 150 people attended these seminars and based on the positive feedback obtained it is intended to conduct a further series in early 1997.

1. Information Technology Issues

Introduction

1.1 Information technology in the Commonwealth is significant in terms of investment and comprehensive in application and use. Commonwealth agencies operate mainframe, mid-range and PC systems across a number of computing environments and across differing technical platforms.

1.2 IT supports various agency programs and can be integral to the validity, completeness and accuracy of financial statements. Consequently, IT audit is fundamental to forming an opinion on the adequacy of proper accounts and records that support agencies' financial statements.

1.3 Against this background the Commonwealth must deal with widespread changes in the technology available and must position itself to take advantage of an increasing number of business management opportunities offered by IT. The role of IT has evolved from that of an administrative support tool to that of a major catalyst for change and enabler for its effective implementation. The offerings from IT are challenging traditional ways of doing our business.

1.4 Entities must maintain a balance between keeping abreast of new technology and taking advantage of the business opportunities offered. In this respect there are a number of Whole of Government initiatives that will impact on entities. The Office of Government Information Technology is providing the leadership in a large number of areas including:

- shared system suites for financial, human resource and records management;

- consolidated computer centres;
- connection to external service providers (e.g. the Internet);
- telecommunications; and
- year 2000 adjustments.

1.5 Other initiatives such as electronic commerce (including electronic data interchange (EDI)) and the electronic capability to integrate service delivery across programs offer entities the opportunity to streamline service delivery, provide better client service and achieve cost savings. However, entities must ensure that internal controls are maintained as they move forward.

Audit approach

1.6 Entities with a heavy reliance on large-scale computer systems which are essential to the financial statements process are afforded substantial IT audit effort. Such computer systems can be centrally located or distributed across locations and process large volumes of financial transactions. Other agencies are afforded audit coverage according to the size, nature and dependency of information technology for financial statements purposes.

1.7 The ANAO's audit of computer systems focuses generally on the following control aspects:

- the information technology control environment;
- access controls and logical security;
- application controls; and
- program change controls.

IT control environment

1.8 It is mandatory that a computerised environment has a well-controlled IT infrastructure in place in order to support a financial application system. Audit testing supported the view that agencies' IT control environments were satisfactory to prevent and/or detect breaches of key controls that may occur. Mainframe operating systems provided a high degree of flexibility to allow users to tailor the operating systems to their requirements. The audits confirmed that agencies with a heavy reliance on mainframe operating systems were satisfactorily controlled. In addition, agencies' databases supporting the entry and maintenance of data and applications were also satisfactory.

Access controls and logical security

1.9 Access controls and logical security are mechanisms used to authenticate the validity of a user's right to gain access to a computer system and are used to determine the degree to which that user can have access to programs and data within the system. Without adequate access controls or logical security being installed, it is possible for unauthorised users to gain access and make unapproved amendments to programs or data. In the majority of agencies tested, access controls and logical security were satisfactory. Recommendations were made to a number of agencies to improve the controls.

Application controls

1.10 These controls usually reside within an application system to ensure the validity, integrity, completeness and reliability of the data being processed and recorded. The lack of adequate application controls may cause erroneous or incomplete data to be entered and processed by the system. In the extreme case, it may be possible for such data to be incorrectly processed by the application system, causing data integrity problems. Application controls examined and tested within agencies were satisfactory to ensure the integrity of data.

Program change control

1.11 These controls are designed to ensure that the development, testing and implementation of programs into a live computer environment are adequately controlled. Inadequate program change controls can enable programmers to make unauthorised amendments to programs after they have been tested but prior to the implementation into a live environment with the intent of causing disruption or manipulation. Audit testing revealed that program change control procedures within agencies were satisfactory. However, recommendations were made to a number of agencies to improve procedures.

Overall results

1.12 The ANAO's review of significant financial IT systems resulted in individual recommendations being made to a number of agencies, as follows:

- 22 weaknesses or business risks requiring specific prompt management attention; and
- 86 weaknesses requiring attention prior to year end or shortly thereafter.

1.13 The nature of many of the findings requiring immediate management attention or action related to:

- improving controls over the security of IT systems to protect programs and data;
- establishing monitoring facilities over critical/sensitive computer programs and transactions;
- enhancing the management and control of the change control process; and
- improving the security and control over mainframe operating systems and database administration.

The following table provides a summary of IT control issues of departments which were totally or heavily dependent on IT systems.

Entity	Comment
Department of Defence	Shortcomings in the internal control structure requiring specific prompt management attention related to aspects of computer access and program change controls.
Department of Veterans' Affairs	A number of matters requiring attention prior to year end or shortly thereafter was noted in the areas of access

	and program change controls.
Department of Employment, Education, Training and Youth Affairs	Matters requiring attention prior to year end or shortly thereafter concerned access control and security aspects.
Department of Health and Family Services	A matter requiring specific prompt management attention concerned access controls.
Australian Customs Service	Significant issues requiring specific prompt management attention were access control and program change control aspects.
Department of Social Security	Matters requiring specific prompt management attention were associated with the mainframe operating system, change control, access security and database administration.
Australian Taxation Office	Areas requiring specific prompt management attention related to access control and program change control procedures.

2. Whole of Government Financial Reporting

Key findings

The audit report on the 1994-95 Aggregate Financial Statement was unqualified.

Issues

During the year, the ANAO assisted the Department of Finance in the preparation of trial 1994-95 consolidated accrual-based Whole of Government financial statements. Issues concerning the treatment of non-reciprocal grants (\$5.6 billion) and unfunded superannuation liabilities (\$30 billion) are being re-examined as part of the preparation of the 1995-96 trial statements. In conjunction with the latter, the ANAO will undertake a trial audit.

Aggregate Financial Statement prepared by the Minister for Finance

2.1 The Aggregate Financial Statement is prepared pursuant to section 50AB of the *Audit Act 1901*. In this Statement, the Minister for Finance reports on the aggregated cash receipts and expenditures against the Consolidated Revenue Fund, the Loan Fund and the Trust Fund. In addition, the Statement includes a reconciliation of the Funds' transactions to the Budget outcome for the year.

2.2 The Aggregate Financial Statement for the year ended 30 June 1995 was tabled in the Parliament in February 1996. The audit report was unqualified.

2.3 At the time of preparation of this report, the Aggregate Financial Statement for the year ended 30 June 1996 was being prepared.

Whole of Government financial reporting

2.4 Whole of Government financial reporting involves the preparation of general purpose financial reports consolidating the financial results of all departments, authorities and companies controlled by a government. In the Commonwealth, this involves consolidation of the financial reports of some 200 entities, including central government agencies such as the Australian Taxation Office and the Department of Defence through to commercial organisations such as Telstra and Australia Post.

2.5 In March 1995 the Public Sector Accounting Standards Board issued for public comment a draft accounting standard recommending adoption of Whole of Government reporting by all Australian governments.

2.6 During 1995-96 the Joint Committee of Public Accounts in its Report 341, *Financial Reporting for the Commonwealth : Towards Greater Transparency and Accountability* recommended that the Commonwealth prepare consolidated accrual-based Whole of Government financial statements, initially on a trial basis.

2.7 In line with this recommendation, in early 1996 the Department of Finance and the ANAO prepared trial consolidated accrual-based Whole of Government financial statements for the year ended 30 June 1995. The trial involved extensive testing of alternative reporting models showing how accrual and cash flow information could best be presented to provide more comprehensive measures of the underlying financial performance and financial position at a Whole of Government level.

2.8 The ANAO is currently working with the Department of Finance on a second trial. This trial has been extended to include a trial audit focusing on the veracity of the information provided for consolidation by Commonwealth agencies and the processes adopted within the Department of Finance in preparing the consolidated financial statements.

Accounting issues

2.9 The 1994-95 trial highlighted two significant accounting issues which have the capacity to affect significantly the amounts reported in the financial statements. The issues relate to
non-reciprocal grants and unfunded superannuation liabilities.

Non-reciprocal grants

2.10 In the 1994-95 trial financial statements, the net operating deficit of the Commonwealth was increased by \$5.6 billion as a result of a decision to report in line with the economic substance rather than the legal form of certain non-reciprocal grant payments. Non-reciprocal grants are those made by the Commonwealth for which the Commonwealth receives no direct reciprocal benefit. The main examples are payments made by the Commonwealth to State Governments for the provision of health and education services. These payments are typically made on an annual basis under agreements covering periods of up to five years. The treatment adopted in the 1994-95 trial statements will be reconsidered for consistency with the accounting standard when it is issued.

Unfunded superannuation liabilities

2.11 The 1994-95 trial financial statements reported the Commonwealth's superannuation liability at \$65.7 billion. When the Commonwealth discharges this liability, it will normally obtain savings in old age pension payments to past employees and receive some income tax on the superannuation payments. It has been argued that these 'reciprocal benefits' provide an offset to the liability. In the 1994-95 financial statements, this offset was estimated at \$30 billion. The ANAO has questioned this proposal on the basis that, as neither the Commonwealth's future pension obligations nor its future taxing powers are currently reflected in the financial statements, it is inconsistent to bring to account adjustments to these amounts. Given these concerns, the 1994-95 trial statements discussed the potential offset in the notes without adjusting the financial statements.

2.12 The 1995-96 trial is examining how the reporting framework and the Government's economic reporting needs can be better aligned to cater for the above circumstances.

3. Parliamentary Departments

Key findings

All financial statements of the parliamentary departments were unqualified.

Portfolio summary

3.1 The parliamentary departments comprise:

- Department of the Senate;
- Department of the House of Representatives;
- Department of the Parliamentary Reporting Staff;
- Department of the Parliamentary Library; and
- Joint House Department.

3.2 The functions of the parliamentary departments are to provide a range of services, including specialised advice and administrative support to the Parliament.

3.3 The agency financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Department of the Senate	24	34	8	4
Department of the House of Representatives	25	43	6	5
Department of the Parliamentary Reporting Staff	50	44	41	5
Department of the Parliamentary Library	18	18	6	3
Joint House Department	40	45	905	5

Audit summary

3.4 The audits of the financial statements of the parliamentary departments were completed with satisfactory results.

4. Attorney-General's Portfolio

Key findings

With the exception of the Australian Federal Police and the Australian Security Intelligence Organization, all financial statements within the Portfolio were unqualified. The financial statements of the Australian Federal Police were qualified as a result of a breach of section 83 of the Constitution. The financial statements of the Australian Security Intelligence Organization were qualified, as exempt accounts are not subject to audit.

Significant matters referred to the Australian Protective Service for prompt attention related to the need to conduct proper bank reconciliations in a timely manner and to improve improvements in the quality of financial information submitted for audit.

Portfolio summary

4.1 The Attorney-General's Portfolio covers legal and prosecution services, bankruptcy and insolvency, consumer affairs, human rights and civil liberties, legal aid, courts and tribunals, and the maintenance of law, order and security.

4.2 As a result of the passing of the *Classification (Publications, Films and Computer Games) Act 1995*, the Office of Film and Literature Classification was required to prepare financial statements for the first time.

4.3 Changes in Administrative Arrangements resulted in the operations of the Federal Bureau of Consumer Affairs being transferred to the Department of Industry, Science and Tourism and the corporate law elements of the Legal Practice being transferred to the Department of the Treasury.

4.4 The agency financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Administrative Appeals Tribunal	24	24	9	4
Attorney-General's Department	543	728	348	79
Attorney-General's Legal Practice	186	144	114	47
Australian Protective Service	81	83	18	16
Auscript	17	19	5	4
AUSTRAC	10	10	4	1
Australian Bureau of Criminal Intelligence	5	5	2	1
Australian Federal Police (including ACT Community Policing)	279	251	43	9

Australian Institute of Criminology	5	4	1	1
Australian Security Intelligence Organization	58	61	25	11
Criminology Research Council	1	1	1	1
Family Court of Australia	104	105	10	17
Federal Court of Australia	70	43	33	8
High Court of Australia	8	9	138	1
Human Rights and Equal Opportunity Commission	21	22	6	9
Industrial Relations Court	13	124	41	1
Law Reform Commission	4	4	1	1
National Crime Authority	45	45	10	7
National Native Title Tribunal	15	13	4	1
National Police Research Unit	1	1	1	1
Office of Film and Literature Classification	2	2	1	1
Office of the Director of Public Prosecutions	59	60	17	18
Office of the Parliamentary Counsel	6	6	2	1

Audit summary

4.5 With the exception of the Australian Security Intelligence Organization and the Australian Federal Police, all financial statements within the Portfolio were unqualified.

4.6 The financial statements of the Australian Security Intelligence Organization were qualified as exempt accounts were not able to be subject to audit.

4.7 The financial statements of the Australian Federal Police were qualified as a result of a breach of section 83 of the Constitution.

4.8 The control structures of most agencies in the Portfolio were found to be satisfactory, with financial systems capable of generating reliable information for inclusion in financial statements.

4.9 Significant matters referred to the Australian Protective Service for prompt attention related to the need to conduct proper bank reconciliations in a timely manner and to improvements in the quality of financial information submitted for audit.

Attorney-General's Legal Practice

4.10 The Attorney-General's Legal Practice is a departmental commercial activity. The Legal Practice provides a range of legal services to Commonwealth Portfolio Ministers and through them to the Government, Commonwealth departments and statutory authorities. The Legal Practice charges clients for certain activities. A portion of the services provided by the Legal Practice is done in direct competition with the private sector.

Results of the financial statements audit

4.11 The financial statements of the Legal Practice were unqualified.

Control structure

4.12 The results of the audit indicated that the accounting systems and processes could be relied upon to produce accurate and reliable information for financial reporting purposes. Areas for improvement discussed with management included:

- control weaknesses over access to financial programs, data and associated logs creating the possibility of unauthorised and undetected amendments to system data;
- the need to strengthen corporate asset management to ensure that all transactions are properly captured and reported;
- a small number of duplicate payments detected arising from users bypassing system controls; and
- control weaknesses in segregation of duties for the processing of credit card payments.

4.13 The Legal Practice advised of appropriate remedial action.

Australian Protective Service

4.14 The Australian Protective Service (APS) is a departmental commercial activity providing guarding, custodial and security services to departments and agencies.

Results of the financial statements audit

4.15 The financial statements of the APS were unqualified.

Control structure

4.16 The APS was advised that the quality of information submitted for audit was not of an acceptable standard. The draft financial statements were incomplete and contained a number of incorrect disclosures and accounting errors. Many of the problems encountered during the financial statements preparation process reflected on the quality of the accounting systems used by the APS and their inability to support accrual accounting properly. The APS has advised of revisions to systems and processes which should overcome many of these difficulties in future years. Additional matters referred to APS for correction are summarised below.

Reconciliations

4.17 The APS failed to complete proper bank reconciliations in a timely manner. Bank reconciliations are a key control in ensuring the accuracy of transactions recorded in financial systems. They need to be conducted on a regular basis throughout the year to ensure that the information being used for management reporting and control is reliable. When bank reconciliations were completed it was found, however, that monthly management reports had consistently overstated monthly profits.

4.18 The APS has implemented ANAO recommendations aimed at ensuring future reconciliations are undertaken in a timely manner.

Other matters

4.19 The APS also advised of remedial action relating to:

- a payment made in advance of the services being received without any valid reason; and
- the failure to record and reconcile asset movements properly.

Australian Federal Police

4.20 The Australian Federal Police (AFP) is the principal law enforcement agency for the Commonwealth. The AFP is unique in Australian law enforcement in that its functions relate both to community policing and to investigations of offences against Commonwealth Law nationwide. It also has an important complementary role with law enforcement agencies overseas.

Results of the financial statements audit

4.21 The AFP's financial statements were qualified due to a breach of section 83 of the Constitution which states that no moneys shall be drawn from the Treasury of the Commonwealth except under appropriation. The breach occurred when the AFP spent funds which were in excess of the limit specified in its section 35 agreement and thus had not been appropriated.

4.22 The section 35 agreement between the delegates of the Minister for Finance and the Minister for Justice specified a limit of \$62.29 million for which funds raised by the AFP could be made available via annotated appropriations. During the year the AFP received and spent a total of \$2.66 million in excess of the limit specified in the agreement.

Australian Security Intelligence Organization

4.23 The Attorney-General has issued a declaration under sub-section 70D(1) of the *Audit Act 1901* that particular parts of the accounts are to be treated as exempt accounts. These accounts are not subject to audit by the Auditor-General. The ANAO was consequently unable to form an opinion on the receipts and expenditures and assets and liabilities related to those exempt accounts. The audit opinion on the financial statements was qualified on this basis. The Attorney-General has provided a certificate under sub-section 70D(5) of the *Audit Act 1901* stating that moneys allocated to those exempt accounts have been properly expended.

Other Agencies

4.24 The results of the audits of the following entities were satisfactory and unqualified audit reports were issued to:

- Administrative Appeals Tribunal;
- Attorney-General's Department;
- AUSCRIP;
- AUSTRAC;
- Australian Bureau of Criminal Intelligence;

- Australian Institute of Criminology;
- Criminology Research Council;
- Family Court of Australia;
- Federal Court of Australia;
- Industrial Relations Court;
- High Court of Australia;
- Human Rights and Equal Opportunity Commission;
- Law Reform Commission;
- National Crime Authority;
- National Native Title Tribunal;
- National Police Research Unit;
- Office of the Director of Public Prosecutions;
- Office of Film and Literature Classification; and
- Office of the Parliamentary Counsel.

5. Communications and the Arts Portfolio

Key findings

With the exception of Arnbridge Pty Limited and the Australian Contemporary Music Development Company Limited (Ausmusic), all financial statements within the Portfolio were unqualified.

The audit report on Arnbridge Pty Limited was qualified on the basis that the company would not be able to meet its debts as and when they fall due.

The audit report on Ausmusic was qualified because there was significant uncertainty with regard to the company's ability to continue as a going concern.

Portfolio summary

5.1 The Communications and the Arts Portfolio has responsibility for supporting and implementing Government policies designed to foster the development of communications and the arts in Australia and to achieve outcomes which meet the Government's objectives for those sectors. This role is performed by the various Portfolio agencies and spans a range of activities.

5.2 The agency consolidated financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
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Department of Communications and the Arts	2 059	1 233	15 992	89
Bank Trust Account	1	1	12	1
Australia Council	76	77	12	4
Australian Broadcasting Authority	14	14	2	3
Australian Broadcasting Corporation	732	764	662	381
Australian Contemporary Music Development Company Limited	2	2	1	1
Australian Film Commission	21	23	9	1
Australian Film Finance Corporation Limited	54	52	70	1
Australian Film, Television and Radio School	15	14	26	2
Australian Multimedia Enterprise Limited	-	-	-	-
Australian National Maritime Museum	19	20	13	2
Australian Postal Corporation	2 940	2 702	2 239	1 359
Australian Telecommunications Authority	13	14	2	3
Bundanon Trust	2	2	-	-
Film Australia Limited	13	13	19	6
National Australia Day Council	2	2	-	-
National Australia Cultural Heritage Fund	-	-	-	-
National Gallery of Australia	36	25	224	5
National Library of Australia	55	52	150	13
National Museum of Australia	9	9	4	1
Special Broadcasting Service Corporation	113	112	60	51
Spectrum Management Agency	191	37	22	11
Telstra Corporation Limited	15 239	12 937	24 362	11 695

- denotes amounts less than \$500 000

Audit summary

5.3 With the exception of Arnbridge Pty Limited and Australian Contemporary Music Development Company Limited, all financial statements within the Portfolio were unqualified.

Department of Communications and the Arts

5.4 The principal activities of the Department are postal and telecommunications service industries, broadcasting services, the development of Australian culture, and information and communications services.

Results of the financial statements audit

5.5 The audit report on the Department's financial statements was unqualified.

Control structure

5.6 The results of the audit indicated that the accounting systems and processes could be relied upon to produce accurate and reliable information for financial reporting purposes.

5.7 During the audit, however, it was noted that some payments made by Australian Archives had not been approved and/or certified by properly delegated officers under Finance Regulations 44A, 44B and 45. Following representations by the ANAO, Australian Archives reviewed all payments made up to 24 May 1996 to ensure they had been validly made. The review established that payments of \$9.9 million were appropriate and there was no evidence of misuse of public moneys.

5.8 Australian Archives also advised of immediate additional training and education for all staff with financial management responsibilities, and the centralisation of responsibility for financial processing.

Arnbridge Pty Limited

5.9 Arnbridge Pty Limited is a controlled entity of the Australian Broadcasting Corporation (ABC) and was established on 23 March 1994 to establish and participate in the provision of subscription television services.

Results of financial statements audit

5.10 The audit report on the financial statements was qualified.

Going concern

5.11 In 1993-94 the ABC was appropriated \$12.5 million to establish subscription television services. The ABC provided these funds to Arnbridge Pty Limited by way of a loan.

5.12 The company's special-purpose financial statements were prepared on a liquidation basis and indicated the company could not meet its debts as and when they fell due. The ANAO's concern arose principally as a result of a deficiency of current assets over current liabilities of \$5.3 million and a deficiency of shareholder's funds of \$4.8 million. As a consequence, the ANAO concurred with the Directors' disclosures and issued a qualified audit report.

Australian Contemporary Music Development Company Limited (AUSMUSIC)

5.13 AUSMUSIC is a non-profit organisation with the objective of providing support for young Australian performers and associated personnel to develop their talents. The activities of AUSMUSIC centre on education, training and industry development. AUSMUSIC also provides information and resources such as music industry information sheets, publications and newsletters. In May 1996 the Minister announced cessation of Commonwealth funding.

Results of the financial statements audit

5.14 The audit report on the financial statements was qualified.

Going concern

5.15 The Statement by Directors disclosed that the Company could pay its debts as and when they fell due. However, the Directors qualified this statement to the extent that there were significant funding problems affecting the viability of the company due to the effects of post-balance-date-events and, in particular, withdrawal of annual Commonwealth Government grant funds.

5.16 At the date of the audit report the Company had not completed its plans for the future. As a consequence, it was also unable to provide evidence, such as future business plans, firm restructuring plans and cash flow projections, on which an assessment could be made as to whether the Company was a going concern. To that extent, there was a limitation on the scope of the audit and therefore the ANAO was unable to form an opinion as to whether the company was a going concern.

Telstra Corporation Limited

5.17 Telstra is Australia's largest telecommunications carrier, providing a broad range of fixed, mobile, international and other communications services both in Australia and overseas.

Results of the financial statements audit

5.18 The audit report on the financial statements was unqualified.

Control structure

5.19 The ANAO was of the view that Telstra's control structure, when compared with other major corporate enterprises, is still below peer standard. Examples of problems that still exist include system security, disaster recovery planning and the billing system. The achievement of an 'at peer standard' rating will also require improvements in Telstra's control culture and improved compliance with base-line control procedures.

5.20 The ANAO acknowledges that several initiatives were in progress which will improve the control structure within the medium term. These include:

- an efficiency and effectiveness review across the company;
- the development of the Telstra operating principles; and
- implementation of audit and risk management methodologies.

5.21 In addition, the ANAO has observed an increased focus across the company on the financial statement preparation process.

Travel allowances

5.22 The 1994-95 Auditor-General's Report indicated that the ANAO had undertaken a review of travel allowances to determine whether Telstra had taken appropriate action in respect of travel irregularities. Telstra had conducted comprehensive inquiries and was putting into place measures designed to ensure irregular claims were minimised. Follow-up inquiries have been, and are being made, with Telstra in relation to the appropriateness of measures put in place to control better the payment of travel allowances and related tax issues. A decision on any further review will be taken in the light of Telstra's responses.

Other Agencies

5.23 The results of the audits of the following entities were satisfactory and unqualified audit reports were issued to:

- Artbank Trust Account;
- Australia Council;
- Australian Broadcasting Authority;
- Australian Broadcasting Corporation;
- Australian Film Commission;
- Australian Film Finance Corporation Ltd;
- Australian Film, Television & Radio School;
- Australian Multimedia Enterprise Limited;
- Australian National Maritime Museum;
- Australian Postal Corporation;
- Australian Telecommunication Authority;
- Bundanon Trust;
- Film Australia Limited;
- National Australian Day Council;
- National Cultural Heritage Fund;
- National Gallery of Australia;
- National Library of Australia;
- National Museum of Australia;
- Special Broadcasting Service Corporation; and
- Spectrum Management Agency.

6. Defence Portfolio

findings

In the exception of the Commonwealth Superannuation Scheme Additional Contributions Trust, all financial statements within the Portfolio were unqualified. The financial statements of the Trust were qualified due to a breach of the reporting timeframe required by the Trust Deed.

significant matters reported to the Department of Defence for attention included shortcomings in aspects of management information systems, asset records and computer access controls.

Portfolio Summary

6.1 The Defence Portfolio comprises the Department of Defence and a number of entities in support of Defence personnel or functions (including research and development and industry support), and the Department of Veterans' Affairs.

6.2 The following changes occurred within the Portfolio during 1995-96:

- the Defence Science and Technology Organisation - Commercial Activities Trust Account was closed on 30 June 1996;
- the Commonwealth Superannuation Scheme Additional Contributions Trust Fund was closed on 28 March 1996; and
- CMTEK Ltd went into voluntary liquidation on 27 May 1996.

6.3 The agency consolidated financial information is included in the following table.

Agency	Revenue million	Expenditure million	Assets million	Liabilities \$ million
Department of Defence	10 585	10 659	39 572	22 005
Science and Technology Organisation - Commercial Activities Trust Account	3	2	0	0
Department of Veterans' Affairs	258	6 228	130	143
Widson Repatriation Hospital	17	40	12	3
Commonwealth Superannuation Scheme Additional Contributions Trust Fund for:				
ending 27 June 1995	3	1	41	-
1995 to 28 March 1996	1	-	0	0
Army and Air Force Canteen Service	37	36	7	4
Australian Defence Industries Limited	536	566	641	323
Australian Military Forces Relief Trust Fund	-	-	3	-
The Australian War Memorial	23	19	39	4
Avalon Airport Geelong Ltd	12	11	16	3
\$	42	57	12	16
Defence Housing Authority	306	250	2 457	715
Defence Service Homes Insurance Scheme	26	18	38	23
Defence Technologies Australia Pty Ltd	-	-	-	-
Military Superannuation and Benefits Board of	146	41	450	48

Trustees No.1				
Radarscan Limited	-	-	-	-
Royal Australian Air Force Veterans' Residences Trust Fund	-	-	3	-
Royal Australian Air Force Welfare Trust Fund	-	-	3	-
Royal Australian Navy Relief Trust Fund	-	-	-	-

- denotes amounts less than \$500 000

Audit summary

6.4 With the exception of the Commonwealth Superannuation Scheme Additional Contributions Trust Fund's financial statements for the period ending 27 June 1995, all audit reports on the financial statements within the Portfolio were unqualified. The audit report on the financial statements of the Fund was qualified due to a breach of the reporting timeframe required by the Trust Deed.

6.5 The control environments of most agencies within the portfolio were found to be satisfactory, with financial systems capable of generating reliable information for inclusion in financial statements.

6.6 The quality of financial information submitted for audit was, on the whole, of a satisfactory standard, with agencies adopting appropriate processes to facilitate the preparation and management of the financial statements.

6.7 The audit report on the Department of Defence was unqualified. However, there were some shortcomings in the internal control structure of the Department. These included aspects of management information systems, asset records and computer access controls.

Department of Defence

6.8 The mission of the Department is to promote the security of Australia and to protect its people and its interests. Within the framework of Government policy, the Department has implemented an eight-program structure and has identified its two main goals, to:

- develop and maintain a national capacity to defeat any use of armed force against Australia; and
- promote a regional and global security environment which enhances Australia's security by minimising the likelihood of armed forces being used against Australia.

Results of the financial statements audit

6.9 The financial statements of the Department were unqualified.

Control structure

6.10 Overall, the audit found that the Department has successfully implemented procedures and practices to ensure that its 1995-96 financial statements continue to meet the requirements for accrual reporting. The ANAO observed improvement in the Department's processing and preparation of the financial statements as well as continuing improvement in the standard of the Department's accounts and records. An important factor in this process has been the commitment of resources by the Department and the close involvement of the Department, the Department of

Finance and the ANAO in developing and agreeing significant accounting policies.

6.11 The ANAO's report on the results of the 1994-95 financial statements audit indicated that a major proportion of the Department's efforts continue to be concentrated on end-of-year manual procedures and estimation techniques to obtain the financial information required for the preparation of the financial statements. There is still scope for further improvement. In this context, the ANAO notes that the Department has as a priority the enhancement of the functionality of its systems to overcome this intensive data collection process.

6.12 While there were no matters which had a material effect on the Department's financial statements and an unqualified audit report has been issued, there was a number of control weaknesses identified, some of which continue from the 1994-95 audit, which require management attention.

1994-95 audit issues

6.13 During 1995-96 the ANAO reviewed and monitored progress made by the Department in addressing the significant audit issues arising from the 1994-95 audit and included in the Auditor-General's Audit Report No.13 1995-96. The following summarises the current status in respect of these issues.

Program risk assessments

6.14 The 1994-95 audit found that the Department's risk assessments were effective and reliable. The ANAO noted that the risk assessment for individual financial statement items was consistent with the ANAO's independent assessment and the Department's fraud risk assessment provided an effective risk assessment framework at the time of its development. However, the audit also disclosed that there had been little or no monitoring by program management of progress achieved at the sub-program and component/activity levels in implementing identified control modifications. It was also observed that progress on the implementation of control modifications identified in the Department's Fraud Control Plans varied.

6.15 During 1995-96 action has been taken with regard to the implementation of the Defence Fraud Control Plan. A Fraud Risk Assessment was developed with the assistance of the Australian Bureau of Statistics and a pilot undertaken across the three Service Programs and the Major Capital Equipment and Facilities Projects. The approach taken by the Department will facilitate hierarchical fraud control planning throughout the Defence organisation. The Department has advised that a draft corporate-level fraud control plan is expected to be completed by the end of October 1996 with supplementary control plans to address unique weaknesses to be completed by early 1997.

Inventory valuation

6.16 The 1994-95 audit found that the Department's service-specific inventories, which are recorded on manual systems (Army explosive ordnance), and other military supply systems such as the Department's Standard Defence Supply System (SDSS) record only the quantity of stocks on hand, not their cost. These inventories are valued by the Department by a combination of valuation procedures undertaken only at year end for financial statements purposes. The ANAO recommended that the Department take action to ensure that the cost of service-specific inventories was captured and appropriately recorded at the time of purchase.

6.17 The development of eight Accrual Accounting User Requirements Statements during 1995-

96 has placed the Department in a better position for improving controls over the financial recording and reporting of inventories and the acquisition of accrual functionality for the SDSS. While the ANAO acknowledges that this continues to be a longer-term issue, a practical implementation strategy is essential. The Department has agreed to provide advice on the strategy and a timetable for implementation.

Property, plant and equipment - asset registers

6.18 During 1994-95 the ANAO noted that the lack of recording of appropriate valuation information in assets registers for certain classes of non-current assets, particularly combat hardware, assets under construction and administrative assets held at military establishments, resulted in the need for considerable manual input by the Department in determining asset values for financial statements purposes. The ANAO recommended that appropriate asset registers be established by the Department to improve control over the recording, management and reporting of assets.

6.19 During 1995-96 the ANAO noted progress made by the Department. The introduction of the Assets Management and Capital Projects modules of the Defence Finance and Management Information System (DEFMIS) has partly addressed the issue in respect of facilities assets and assets under construction. The ANAO acknowledged that this continues to be a long-term issue and also agreed that it is not practicable for the Department to maintain only one central assets register due to the large and diverse nature of the Department's asset holdings. The Department will need to maintain a number of registers which together will constitute the Department's assets register.

Provisions for employee entitlements - personnel records

6.20 As a result of the 1993-94 financial statements audit, the ANAO recommended that the Department give high priority to the automation and consolidation of personnel records, including leave records, to assist in improved management and reporting. These recommendations were restated in 1994-95 in respect of the personnel records of Army and Air Force military staff, which did not permit the calculation of reliable estimates of employee entitlements.

6.21 During the 1995-96 audit the ANAO noted that the Department decided not to change the current personnel systems until they are next upgraded to incorporate accrual functionality. In the meantime, the ANAO acknowledged that the agreed sampling and statistical approach currently used by the Department to derive the Army and Air Force annual leave entitlements provides figures which are materially accurate for financial statements purposes.

Guarantees and undertakings

6.22 During the 1994-95 audit, the ANAO found that, contrary to the requirements of the Finance Directions, the Department did not maintain a register of guarantees and indemnities. The ANAO suggested that the Department take action to ensure that adequate records are established and maintained for guarantees, indemnities and letters of comfort given.

6.23 The ANAO noted that, for the 1995-96 financial statements, it was again necessary for Defence to capture the required information through manual returns. It was also noted that the Defence policy on the management of guarantees and indemnities has been reissued as a Chief Executive Instruction. The Department advised that, in 1996-97, the possibility of automating these records will be investigated and the number of financially uncapped indemnities will also be reviewed.

1995-96 audit issues

6.24 As a user of advanced information technology systems the Department is reliant upon IT controls for ensuring the validity, completeness and accuracy of data in its financial systems. During the audit the following areas were identified where prompt improvement is required to minimise the risk of compromising the integrity of data in departmental systems.

Access controls

SDSS logical security - external access to DNSDC Moorebank

6.25 The ANAO observed that the number of users with full access to the SDSS production system was excessive in terms of security risk.

6.26 Measures have been taken and continue to be taken by the Department to reduce the number of users with this access level. Due to processing requirements, a number of these users will necessarily have to be retained. However, in light of concerns that these officers' duties are not properly segregated, the ANAO has requested the Department's advice that action will be taken to ensure that the work/transactions processed by users with full access will be monitored on a regular basis.

Other matters

6.27 A review of other computer access and administrative controls identified the following issues:

- *DEFMIS - access controls* - there was inadequate segregation of duties in respect of users who had both 'prove' and 'post' access to the accounts payable module of DEFMIS. It was further noted that a number of such users continue to be set up without the appropriate authorisation;
- *SDSS - authorisation of access* - there were no formal authorisation procedures for access to SDSS at RAAF Amberley, Army Oakey, HMAS Stirling and HMAS Platypus;
- *Defence Computer Bureau - time share option (TSO) access* - there were no procedures in place to ensure that the Department's Access Management Section was notified of users with special access to the production environment (TSO access) outside the Defence Computer Bureau; and
- *Defence Computer Bureau - database administration* - database administrators at the Defence Computer Bureau are provided with special access privileges/authority necessary for maintenance of the database. This authority enables administrators to add, delete and change the structure of tables in their database as well as allowing them to have access to the data in the database. The functions performed by the administrators were not regularly monitored or reviewed by an independent officer and no review was performed to ensure that these officers are authorised and current users.

6.28 The Department agreed with the ANAO's audit findings and advised of action taken or proposed to be taken to address these issues.

Program Change Control

Defence Computer Bureau - DB2/MVS change control processes

6.29 The ANAO noted that Database Administration and Software Support staff have the ability to make unauthorised changes to the DB2 database and MVS operating system by making changes and program migrations directly to the production environment. Database Administration and Software Support have unrestricted access to the development, test and production environments and could make a change, transfer the change into and out of the testing environment and migrate it to the production environment without appropriate authorisation, approval and testing processes being conducted. Further, there was no quality control testing being performed which would detect unauthorised programs.

6.30 The Department has advised that a strategy is to be implemented to address the audit finding.

Department of Veterans' Affairs

6.31 The Department of Veterans' Affairs provides administrative support to the Repatriation Commission, which is responsible for carrying out Government policy and implementing programs to fulfil Australia's obligations to war veterans and their dependants.

Results of the financial statements audit

6.32 The audit report on the financial statements was unqualified.

Risk management

6.33 It was reported in 1994-95 that the Department was in the process of updating the fraud and risk assessment along with the Fraud Control Plan and it was anticipated that this would be completed during 1995-96. However, the Department subsequently determined to undertake a comprehensive review across all programs. This review, which is currently in progress, is expected to be finalised during the 1996-97 financial year.

Control structure

6.34 The audit highlighted that the Department has no significant control weaknesses or business risks requiring prompt management attention. There were, however, a number of matters noted where improvements could be made.

Information technology systems

6.35 The Department relies significantly upon computer controls to ensure the validity, completeness and accuracy of data. The following areas were identified where improvement is required.

Access controls

6.36 The ANAO found:

- system programmers had write access to important computer files without a facility which could record unauthorised amendments;
- there was no record of staff who were authorised to update pay rates, allowances and salaries within the Personnel and Pay Administration System;
- inadequate access control within the Development and Support sub-section as all staff within

the sub-section have access to perform the creation of providers function; and

- there was no record of staff who create or amend provider records in the Treatment Account System.

Program change control

6.37 The ANAO found:

- during the earlier part of the year more than one programmer had the capability to make changes to the programs within the Compensation Claims Processing System, but following an internal review this risk exposure was corrected; and
 - the Compensation Claims Processing System documentation had not been updated to reflect system changes made prior to April 1995 but the Department had documented changes made since that time and intends updating the existing documentation as major changes are made to the relevant system components.

Independent controls

6.38 The ANAO found:

- there was no monitoring of the personnel systems user support area which has access to transactions within the system production environment;
- the Development and Support sub-section had access to transactions within the Treatment Accounts System but no monitoring of their activities was undertaken; and
- quality assurance procedures are not being performed adequately in the States and the quality assurance documentation does not take into account the claims submitted electronically.

Others issues

6.39 In addition the following control issues were noted due to the devolved and dispersed nature of the financial responsibilities and the large number of transactions processed.

Income support

6.40 The ANAO found:

- evidence that appropriate access security of system users were reviewed periodically was not available in New South Wales Office;
- there was no evidence in the Victorian Office of the authority for changing user identification or access to the system;
- there were no quality assurance reviews performed in the Payments Administration section of the Western Australian Office;
- although claims assessors in the Queensland Office were required to attend an initial two-week training course, no ongoing training was undertaken especially in relation to responsibility-based processing; and

- the duties of the Certifying and Alternate Certifying Officer in the Western Australian Office were not segregated so that incompatible functions could be performed.

Compensation claims processing system

6.41 The ANAO found:

- evidence of approved system access request forms was unable to be located in the New South Wales Office; and
- evidence was unavailable in the New South Wales Office to indicate that the appropriateness of levels of access was checked periodically.

Medical services

6.42 The ANAO found:

- quality assurance reviews had not been performed in the New South Wales Office since 1 July 1995, reviews at the Victorian Office were completed on an irregular basis, and in the Queensland Office errors which were detected by quality assurance were corrected but no preventive action was taken to avoid a repeat of the occurrence;
- evidence of the review reports providing details of manual overriding of the computer systems and any appropriate action was unavailable during the audit of the New South Wales Office;
- the audit disclosed that the Victorian Office experienced delays in processing claims for payment of approximately three weeks over and above the Department's benchmark of 28 days; and
- age analysis reports from the Treatment Account System produced by the Queensland Office revealed an unacceptably high level of unprocessed claims.

Patients in non-departmental institutions

6.43 The ANAO found:

- the New South Wales Office had not reviewed the manual override within the computer system for hospital services, thus increasing the risk that incomplete or incorrect processing may occur;
- the audit disclosed that in the New South Wales Office no quality control checks of processing of treatment accounts for hospital services were performed during the year;
- the review of the quality assurance file in the Victorian Office noted a departmental investigation which identified duplicate payments to a provider due to a weakness in the existing internal control procedures; and
- in the Western Australian Office there are no written quality control checks of the Treatment Account System to ensure that all necessary checks are performed.

6.44 The management of the Department responded positively to the matters noted above and advised of remedial action undertaken or proposed. It is considered that the remedial action undertaken to date, or proposed, is appropriate and adequately addresses audit findings.

Defence Housing Authority

6.45 The Defence Housing Authority was established to provide Defence personnel and their families with good housing consistent with community standards. The Authority manages over 23 000 houses and responds to changing housing requirements through acquisition, leasing and disposal programs.

Results of the financial statements audit

6.46 The audit report on the financial statements was unqualified. The audit included review of the Authority's control structure over property transactions within the acquisition, leasing and disposal programs. A small number of matters were raised with the Authority and action where appropriate has been taken.

Commonwealth Superannuation Scheme Additional Contributions Trust Fund

6.47 The Commonwealth Superannuation Scheme Additional Contributions Trust Fund (CSSACTF) was established on 28 June 1989 to assist AeroSpace Technologies of Australia Limited (ASTA) to fund superannuation benefits to those employees of ASTA who elected to remain in the Commonwealth Superannuation Scheme. ASTA was sold on 27 June 1995 and as a result the CSSACTF was closed.

Results of the financial statements audit

6.48 Following the receipt of the signed financial statements on 22 December 1995, the audit report on the financial statements of the CSSACTF for the period 1 July 1994 to 27 June 1995 was issued to the Minister. The audit report was qualified for a breach of the reporting timeframe required by clause 20 of the Trust Deed. This clause requires the Trustees to make an annual report (with audited financial statements attached) to the Minister for Defence within three months of the end of an accounting period.

6.49 The Trustees of the CSSACTF requested on 28 March 1996 that a special-purpose audit of the Finalisation of Settlement Statements for the period 28 June 1995 to the Finalisation of Accounts (28 March 1996) be conducted to validate their accuracy. An unqualified report on the Finalisation of Settlement Statements was issued to the Minister. The trust capital and retained surplus (\$41.694 million) were repaid to Consolidated Revenue. The Minister for Defence advised the Trustees that he accepted that they had satisfactorily discharged their obligations and that the Trust be terminated.

Avalon Airport Geelong Limited its controlled entity, ASTAAS Pty Limited

6.50 Avalon Airport Geelong Limited (AAG) was incorporated on 1 June 1995. On 27 June 1995, following the sale of AeroSpace Technologies of Australia Limited, AAG acquired the business of Avalon Airport, ASTAAS Pty Limited (formerly ASTA Aircraft Services Pty Limited) (ASTAAS), and a 75.1 per cent shareholding in Pacific Aerospace Corporation Limited (subsequently sold in September 1995). The initial reporting period ending for the companies was 31 October 1995.

6.51 The principal functions of the AAG Group during the period to 31 October 1995 were the operation, development and maintenance of Avalon Airport (AAG) and the maintenance and servicing of wide-bodied aircraft (ASTAAS).

6.52 Since 31 October 1995, AAG and ASTAAS have been advertised for sale by the Commonwealth Government. The sale process had not been completed at the time the audit reports were issued.

Recent announcement

6.53 On 24 September 1996 the closure of ASTAAS was announced. The sale process for AAG was continuing.

Results of the financial statements audits

6.54 The audit reports on the financial statements for the period to 31 October 1995 for both companies were unqualified. The reports contained matters of emphasis on the going concern basis and the inherent uncertainty regarding the values of certain assets and liabilities, given the announcement of the sale of the Group.

Going concern basis

6.55 The ANAO noted that the financial statements were prepared on a going concern basis, providing there was the continued support of the Commonwealth Government. The Directors indicated that the companies would be able to pay their debts as and when they fall due on the basis that the Commonwealth Government would provide the financial support necessary to secure the companies' solvency through to the completion of a sale or the completion of other necessary action to resolve the companies' future.

6.56 The Minister for Defence confirmed the shareholder commitment of financial support, as indicated above, which the Commonwealth would provide the AAG Group, should it be required.

Inherent uncertainty regarding the values of certain assets and liabilities

6.57 The ANAO's audit report referred to the inherent uncertainty regarding the value of certain assets and liabilities, as the likely terms of the proposed sale were uncertain and were being negotiated by the Task Force on Asset Sales on behalf of the Commonwealth Government. Accordingly, the effect, if any, of the proposed sale on the financial statements could not be determined.

and Air Force Canteen Service

3 The Australian Army and Air Force Canteen Service (AAFCANS) was established to serve the Army and Air Force with a quality canteen service that was commercially viable and which continually met the changing needs and expectations of the Army and Air Force.

Results of the financial statements audit

9 The audit report on the financial statements was unqualified.

Control structure

0 The audit concluded that accounting systems and procedures could be relied upon to produce accurate information for financial statements. Matters raised with management included scope for improvement over fixed assets accounting, inventory pricing policies and stocktake procedures.

1 Management has responded positively to these matters.

Wattle Grove Development Joint Venture

The Wattle Grove Development Joint Venture is a venture jointly participated in by the Defence Housing Authority and a private sector entity.

Opinion of the financial statements auditor

The financial statements were unqualified although attention was drawn to the following matter of emphasis.

Matter of emphasis - Uncertainty regarding the valuation of inventory

On 21 May 1996 the Federal Government announced the inclusion of the Holsworthy Military Reserve in the Environmental Impact Statement process as a possible site for a second International Airport in Sydney. Reduced land by the Joint Venture have created uncertainty as to whether the carrying value of all land included as at 30 June 1996 would be recovered.

Results

Results of the audits of the following entities were satisfactory and unqualified audit reports were issued to:

Defence Science and Technology Organisation - Commercial Activities Trust Account;

Davidson Repatriation Hospital;

Australian Defence Industries Limited;

Australian Military Forces Relief Trust Fund;

Australian War Memorial;

Defence Housing Authority, including:

- Fairview Rise Joint Venture;
- Fairway Joint Venture;
- Holsworthy and Anzac Villages Redevelopment Joint Venture;
- Laverton Joint Venture;
- Streeton Views Joint Venture; and
- Willows Development Joint Venture;
 - Defence Service Homes Insurance Scheme;
 - Defence Technologies Australia Pty Ltd;
 - Military Superannuation and Benefits Board of Trustees No. 1;
 - Radarscan Limited;
 - Royal Australian Air Force Veterans' Residence Fund;

- Royal Australian Air Force Welfare Trust Fund; and
- Royal Australian Navy Relief Trust Fund.

7. Employment, Education, Training and Youth Affairs Portfolio

Key findings

With the exception of the Australian National University, all financial statements within the Portfolio were unqualified.

The financial statements of the Australian National University were qualified because its investment accounting policy was not in accordance with Australian Accounting Standards, and the accounting treatment adopted for the prepaid Higher Education Funding Act (HEFA) funding was contrary to the requirements of the Statement of Accounting Concepts 4.

Significant matters reported to the Department for prompt attention related to reconciliation issues and the network logs for the Internet server not being reviewed regularly.

Portfolio summary

7.1 The Portfolio comprises the Department of Employment, Education, Training and Youth Affairs, the Anglo-Australian Telescope Board, Australian Maritime College, AMC Search Limited, Australian National Training Authority (ANTA), Australian National University (ANU), Employment Services Regulatory Authority and University of Canberra.

7.2 The principal matters dealt with by the Portfolio are education, youth affairs, employment and training, the Commonwealth Employment Services, labour market programs, coordination of research and policy, and research grants and fellowships.

7.3 The agency consolidated financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Department of Employment, Education, Training and Youth Affairs	1 286	12 856	4 654	6 767
Anglo-Australian Telescope Board	7	7	32	2
Australian Maritime College	20	19	60	3
AMC Search Limited	4	3	3	1
Australian National Training Authority	876	904	32	5
Australian National University	429	435	1 359	597
University of Canberra	86	77	150	27

Audit summary

7.4 With the exception of the ANU, all financial statements within the Portfolio were unqualified.

7.5 The financial statements of the ANU were qualified because of its policy of

recognising unrealised gains and losses on its investments, which was not in accordance with Australian Accounting Standards, and the accounting treatment adopted for the prepaid Higher Education Funding Act funding, which is contrary to the requirements of the Statement of Accounting Concepts 4.

7.6 The review of all other agencies within the Portfolio indicated that the accounting systems in place produced accurate and reliable accounts and records to support the financial statements.

Department of Employment, Education, Training and Youth Affairs

7.7 The Department advises on, and gives effect to, Government policies for achieving economic, education and social goals through programs to improve the effectiveness of Australia's employment, education, training and youth affairs.

Results of the financial statements audit

7.8 The audit report on the financial statements was unqualified.

Risk management

7.9 As reported last year, the Department of Employment, Education and Training had in place a Fraud Control Plan 1994-96 which was supported by corporate risk control plans. Following the recent restructure, the Department recognises the need to focus on its risk management approach to its program delivery objectives. The ANAO will review this process and provide assistance following consultation with the Department.

Control structure

Information technology systems

7.10 As a user of advanced information technology systems the Department relies significantly upon IT controls for ensuring the validity, completeness and accuracy of data in departmental financial systems. During the audit the following areas were identified where immediate improvement is required to minimise the risk of compromising the integrity of data in the departmental systems.

7.11 The Department has undertaken extensive work to ensure that Departmental IT systems are protected effectively from unauthorised access through the Internet. Of significance here is the Internet facility which connects Departmental IT systems to a worldwide network. Some weaknesses were detected in the protection measures. The Department advised of corrective action.

7.12 Other IT matters noted which should be addressed by the Department as a priority covered aspects of access control and backup arrangements. These included:

- many users have a security privilege which allows the user to start and stop mainframe programs. The system of control over departmental data is thereby weakened;
- several users have access to the record of all events in the operating system environment. The ability to write to this record should be restricted to an

appropriate number of users;

- although IT recovery plans exist for the Department's four critical applications, business recovery plans have not been addressed by the associated business areas. While an important component of business recovery planning is the existence of IT recovery plans, these alone are insufficient; and
- the alternative processing facility at Homebush, Sydney, in its present configuration does not have sufficient capacity to process all the currently identified critical departmental systems. In the event of a disaster, there is no guarantee that all critical processing can be maintained at the identified backup site.

7.13 The following matter was identified where immediate improvement should be addressed by the Department.

7.14 The Department has not undertaken a key reconciliation between a Reserve Bank of Australia (RBA) returned payments report and the Department's internal system responsible for recording AUSTUDY payments. This reconciliation would ensure that the Department's system is updated accurately by including any returned payments advised by the RBA. There is an associated risk that duplicate payments could be made as a result of this weakness. The Department has advised that it is taking action to address this issue.

7.15 Other manual processing matters requiring attention included:

- systematic monitoring as required by the CES program guidelines is not taking place in some cases and accordingly payments may be made to labour market service providers that have not fulfilled their responsibilities. Lack of monitoring increases the risk of fraud and creates a risk that participants are not receiving appropriate training;
- both Skillshare and New Work Opportunities (NWO) guidelines require that the program sponsor obtain or make a cash or in-kind contribution equal to 15 or 20 per cent of the Department funding. ANAO noted that Skillshare managers monitor the sponsor contribution on a periodic basis but in the case of NWO, sponsor contributions are not monitored at all, other than the fact that sponsors must certify they have met the requirement in their final acquittal; and
- Formal Training Allowance (FTA) expenditure is made through DSS systems based upon eligible criteria determined by DEETYA. Due to a lack of agreement on procedures and responsibilities, DEETYA does not have formal assurance from DSS that all approved allowances have been paid for the correct duration and recorded against correct program codes. The issue was raised following the 1994-95 audit, after which DEETYA completed a draft protocol agreement and passed it on to DSS. At the time of the completion of the audit DSS had not signed the agreement.

7.16 Although the Department's programs and structure currently are subject to considerable change, ANAO findings have been acknowledged and remedial action has been advised.

7.17 The Australian National University's principal functions are to provide facilities for undergraduate studies and for graduate research and study in the Australian Capital Territory.

Results of the financial statements audit

7.18 The audit report on the financial statements for the year ended 31 December 1995 was qualified.

Investments

7.19 The University has again adopted a policy of market valuation for its superannuation investments held to meet emerging superannuation liabilities to the Commonwealth. The policy includes recognition of both realised and unrealised gains and losses on investments. This represents a departure from Australian Accounting Standards. The departure and reasons for them are outlined in the financial statements.

7.20 The University believes that the accounting standards are not appropriate to its superannuation investments and that its accounting policy accurately discloses the financial performance and position of the funds under investment. The financial effect of the departure from the Standards was to increase the surplus for the year by over \$27.4 million.

Grants

7.21 The University has recorded the grants it received in December 1995 pursuant to the *Higher Education Funding Act 1988* that relate to operating expenditure to be incurred in 1996 as income in advance instead of revenue.

7.22 The University's method of recording the grants is contrary to the principles of Statements of Accounting Concepts (SACs), in particular SAC 4: Definition and Recognition of the Elements of Financial Statements and Australian Accounting Standards. The grants received by the University meet the definition and recognition criteria for revenue as stated in SAC 4 and therefore should be accounted within the Statement of Revenues and Expenses and not as a liability within the Statement of Financial Position.

7.23 The financial effect of the departure from the Statement of Accounting Concept 4 is to decrease the operating revenue for the year by \$16.9 million and to overstate current liabilities and understate accumulated surpluses by the same amount.

Other Agencies

7.24 The results of the audits of the following entities were satisfactory and unqualified audit reports were issued to:

- Anglo-Australian Telescope Board;
- Australian Maritime College;
- AMC Search Limited;
- Australian National Training Authority; and

- University of Canberra.

8. Environment, Sport and Territories

Key findings

All financial statements within the Portfolio were unqualified.

Significant matters referred to the Department of the Environment, Sport and Territories for prompt attention related to the need for improved control over computing operations and inventory holdings.

Portfolio summary

8.1 The Environment, Sport and Territories Portfolio has responsibility for the Government's policies and programs for the areas of environment and conservation, local government, meteorology, sport and recreation, and Australia's external territories and Jervis Bay.

8.2 Pursuant to the Administrative Arrangements Order of 11 March 1996, the Department of Housing and Regional Development was abolished, with responsibility for the local government function transferred to the Department of Environment, Sport and Territories.

8.3 The agency consolidated financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Department of the Environment, Sport & Territories	446	60	763	92
Australian Heritage Commission	19	18	5	2
Australian Nature Conservation Agency	106	106	98	11
Australian Sports Commission	105	112	120	107
Australian Sports Drug Agency	4	4	1	1
Great Barrier Reef Marine Park Authority	26	27	10	4
National Capital Planning Authority	10	28	224	2
National Environment Protection Council Service Corporation	1	1	1	1

Audit summary

8.4 The audit reports on all entities within the Portfolio were unqualified.

8.5 The control structures within the Portfolio were considered sound, with systems providing accurate and reliable information to support the financial statements.

Department of the Environment, Sport and Territories

8.6 The Department of the Environment, Sport and Territories is responsible for

delivering national programs and policies in relation to the protection of the Australian environment, facilitating participation in sport and recreation, and aligning conditions of life in Australia's territories with that of the rest of Australia. The Department is also responsible for the operations of the Bureau of Meteorology, administering Australia's interest in Antarctica and, in partnership with local government, developing the community's social, environmental and economic performance.

Results of the financial statements audit

8.7 The financial statements of the Department were unqualified.

Control structure

8.8 The results of the audit were satisfactory, confirming that the departmental systems and processes could be relied upon to produce accurate and reliable information for financial reporting purposes. The more significant matters referred to management are outlined below.

Inventory

8.9 The Department holds inventory at a number of locations throughout Australia. The value of this inventory exceeds \$15 million and current inventory (\$10 million) represents 38 per cent of the Department's current assets. Notwithstanding an unqualified attest opinion, the audit found that for some elements of the Department there were no systems to account for inventories and to provide necessary information on either inventory quantities or values on hand. Further, where inventory systems existed, improvements were required in relation to inventory stocktaking procedures, transactions processing and controls preventing unauthorised access to the inventory systems.

8.10 The Department has advised of appropriate action to address these matters.

Information technology

8.11 The Department maintains a number of autonomous computer environments supporting processing at the various organisational units, including the Bureau of Meteorology, Christmas and Cocos (Keeling) Islands and the Antarctic Division. Major weaknesses were noted in the control environment at Christmas Island, including inadequate access controls, insufficient audit trails and the lack of appropriate physical security over all systems. Issues in relation to system access controls were also referred to the Bureau of Meteorology and the Antarctic Division.

8.12 In all cases, the Department responded positively, advising that changes had been effected or were being considered.

Other matters

8.13 A number of other control weaknesses were referred to the Department for corrective action, including:

- a lack of asset reconciliations necessary to ensure that asset records were accurately maintained;
- issues relating to asset stocktaking procedures and practices;

- the need to review service lines for plant and equipment for continued appropriateness;
- general asset management issues, including the costing of internally developed or constructed assets, support for additions and disposals, and the correct accounting treatment of revaluations;
- the failure to conduct properly all bank and human resource system reconciliations throughout the year;
- the need to ensure the accuracy and validity of all expenditure processed within the Department; and
- the failure to update a register of guarantees as required under the Finance Directions during the year.

8.14 The Department advised of appropriate remedial action in relation to these matters.

Great Barrier Reef Marine Park Authority

8.15 The Great Barrier Reef Marine Park Authority was established to manage and advise on the development and care of the Great Barrier Reef Marine Park.

Results of the financial statements audit

8.16 The audit report on the financial statements of the Authority was unqualified.

Control structure

8.17 The audit highlighted the following issue requiring prompt management attention.

8.18 The ANAO noted that the Authority has not recently valued its land and buildings, contrary to the Minister for Finance Guidelines for Public Authorities, because of uncertainty about the continuing operation of the aquarium and the impact that may have on any valuation. However, because land and buildings are a material item in the Authority's accounts and now that some degree of certainty has been established for the ongoing operation of the aquarium, it was recommended that a valuation should be undertaken prior to 30 June 1997.

8.19 The Authority advised that an engineering assessment to determine the useful life of all major structures and equipment has been completed and this will be used in conjunction with a valuation to be conducted by the Australian Valuation office.

8.20 It was also recommended that the Authority review all of its depreciation rates, in accordance with the relevant accounting standard, to ensure that they are appropriate across the Authority and accurately reflect the assessment of the useful lives of the respective assets. The Authority advised of appropriate remedial action to be undertaken.

Other Agencies

8.21 The results of the audits of the following entities were satisfactory and unqualified audit opinions were issued to:

- Australian Heritage Commission;

- Australian Nature Conservation Agency;
- Australian Sports Commission;
- Australian Sports Drug Agency; and
- National Environment Protection Council Service Corporation.

9. Finance Portfolio

Key findings

Of the 23 reporting entities within the Portfolio, 19 received unqualified audit reports. The audit report on the Commonwealth Superannuation Administration's (ComSuper) financial statements was qualified because ComSuper was unable to determine the amount due for superannuation pay-as-you-go contributions and emerging cost contributions from approved authorities for 1995-96.

The audit reports on the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme were qualified on the ground that contributions for the two funds were mixed during the period 1 July 1995 to 22 February 1996, the date at which a new accounting system was implemented. This mixing was a breach of the *Superannuation Act 1990* and of the *Superannuation Act 1976*.

The audit report on the Department of Administrative Services' financial statements was qualified because payments for grants-in-aid were in breach of section 83 of the Constitution.

Portfolio summary

9.1 The Portfolio consists of the Department of Finance, the Department of Administrative Services and a number of related agencies.

9.2 The main entities within the Portfolio are:

- Department of Finance;
- Commonwealth Superannuation Administration;
- Commonwealth Funds Management Limited;
- Department of Administrative Services, and
- Australian Electoral Commission.

9.3 The ANAO is included in this Portfolio.

9.4 The agency consolidated financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Australian Electoral Commission	134	169	27	17

Commonwealth Superannuation Administration	1 819	2 178	92	2 967
Commonwealth Superannuation Scheme Board	695	316	4 943	4 943
Public Sector Superannuation Scheme Board	454	156	2 107	2 107
Commonwealth Funds Management Ltd	33	30	31	10
Department of Administrative Services	1 439	1 722	5 719	1 202
Department of Finance	278	348	706	44 514

Audit summary

9.5 Of the 23 reporting entities in the Portfolio, 19 received unqualified audit reports.

9.6 The audit report on the Commonwealth Superannuation Administration's financial statements was qualified because ComSuper was unable to determine the amount due for superannuation pay-as-you-go contributions and emerging cost contributions from approved authorities for 1995-96.

9.7 The audit reports on the Public Sector Superannuation Scheme (PSS) and the Commonwealth Superannuation Scheme (CSS) were qualified on the ground that contributions for the two funds were mixed during the period 1 July 1995 to 22 February 1996, the date at which a new accounting system was implemented. This mixing was a breach of the *Superannuation Act 1990* and of the *Superannuation Act 1976*.

9.8 The audit report on the Department of Administrative Services' financial statements was qualified because payments for grants-in-aid were in breach of section 83 of the Constitution, which states that no money shall be drawn from the Treasury of the Commonwealth except under appropriation. The breach occurred when the Department spent more on grants-in-aid than was appropriated by the Parliament.

Commonwealth Superannuation Administration

9.9 The Commissioner for Superannuation, through the Commonwealth Superannuation Administration, provides administrative support to the PSS Board and the CSS Board which are responsible for administering the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme.

9.10 The Commissioner for Superannuation is responsible for the general administration of the superseded *Superannuation Act 1922* and the PSS and CSS Boards have delegated most of their day-to-day administration of responsibilities under the *Superannuation Acts 1976 and 1990* to the Commissioner and the staff of ComSuper. With the assistance of ComSuper, the Commissioner also provides support to the Defence Force Retirement and Death Benefits Authority in the administration of the Defence Force Retirement Benefits Scheme, and to the Military Superannuation and Benefits Board of Trustees No. 1 in the administration of the Military Superannuation and Benefits Scheme. ComSuper is responsible for the collection of contributions for, and the payment of benefits from, the above schemes. It also maintains contributor records for the schemes.

Results of the financial statements audit

9.11 The audit report was qualified on the grounds that ComSuper was unable to determine the amount due for superannuation pay-as-you-go contributions and emerging

costs contributions from approved authorities for 1995-96. As a result of this limitation on the scope of the audit, the ANAO was unable to form an opinion on whether the total amount of receipts for superannuation pay-as-you-go contributions by general government enterprises and public trading enterprises, and emerging costs contributions by approved authorities, brought to account in the Consolidated Revenue Fund in the financial statements differs to a material extent from the total amount of superannuation contributions legally due to the Commonwealth. This limitation also applied in respect of 1994-95. This is largely a systems problem which is being remedied.

Commonwealth Superannuation Scheme Board

Public Sector Superannuation Scheme Board

9.12 Membership of a Commonwealth Government Superannuation Scheme is compulsory for all permanent employees of the Australian Public Service, and members contribute a percentage of their salary into a scheme each fortnight. Membership of the CSS also included certain employees of approved authorities who were members of the CSS at 30 June 1990 and elected to remain in the CSS. Contributions are invested and, on resignation or retirement, members are entitled to receive certain benefits. There are two schemes to which eligible employees may belong:

- the Commonwealth Superannuation Scheme, which was closed to new members on 30 June 1990; and
- the Public Sector Superannuation Scheme, which was introduced on 1 July 1990.

9.13 Both schemes are operated by specially constituted boards of trustees. The CSS Board was established to manage the CSS Fund and to administer the CSS Scheme in accordance with the *Superannuation Act 1976*. The PSS Board is responsible for managing and investing the PSS Fund and administering the PSS scheme in accordance with the *Superannuation Act 1990*. The Boards of Trustees have delegated to the Commissioner for Superannuation and officers of ComSuper most of their responsibilities for the day-to-day administration of the CSS and PSS schemes.

Results of the financial statements audit

9.14 The audit reports on the PSS and CSS were qualified on the ground that contributions for the two funds were mixed during the period 1 July 1995 to 22 February 1996, the date at which a new accounting system was implemented. This mixing was a breach of the *Superannuation Act 1990* and of the *Superannuation Act 1976*. The audit reports on the financial statements for 1994-95 were qualified on the same basis.

Department of Administrative Services

9.15 The Department of Administrative Services is the Australian Government's common services provider to public sector agencies. These services include building design and construction, project management, fitout, repairs and maintenance, property management (both national and overseas), transport (fleet and car-with-driver services), warehousing, removals, purchasing and sales, printing and publishing, surveying and land information, and government asset valuation. In the scientific field it provides highly specialised services in ionospheric prediction and chemical and microbiological analysis. It also provides support for parliamentarians and promotes government information.

9.16 The Department's organisational structure comprises a national administration

located in Canberra and an Australia-wide network of offices for the delivery of its services.

Results of the financial statements audit

9.17 The audit report on the Department's financial statements was qualified because payments for grants-in-aid were in breach of section 83 of the Constitution, which states that no money shall be drawn from the Treasury of the Commonwealth except under appropriation. The breach occurred when the Department spent more on grants-in-aid than was appropriated by the Parliament.

9.18 The Minister for Administrative Services approved an increase in grants-in-aid from \$516 000 to \$536 000 on condition that the additional \$20 000 be funded from savings elsewhere in the Department. Had these savings been declared to the Department of Finance the relevant appropriation would have been reduced and an additional appropriation for grants-in-aid would have been sought as part of the additional estimates.

9.19 The Department did not seek the additional estimates but paid the increased grants-in-aid from its running cost appropriation which was not appropriated by Parliament for that purpose. As at 30 June 1996 the amount was reclassified as grants-in-aid expenditure.

Information technology

9.20 The 1994-95 financial statement audit resulted in a series of computer environment issues being referred to a number of the DAS Budget-funded and commercial business units. Of the issues raised last year only one issue, concerning access to the Internet, remains. During the year DAS has enhanced security over access to the Internet and is currently further upgrading security over access.

Other matters

9.21 Additional findings requiring management attention were:

- Australian Estate Management not quantifying the potential liability at balance date of the Tuggeranong Office Park sinking fund; and
- the need for uniform financial management information systems and chart of account structures for all Budget-funded business units.

Business Services Trust Account (BSTA)

Results of the financial statements audit

9.22 In the Budget announced on 20 August 1996, the Government indicated its intention to sell as soon as possible the businesses conducted by Asset Services, Australian Construction Services (Works Australia), DAS Distribution, DAS Centre for Environmental Management and DAS Interiors Australia, either on a whole-business or part-business basis. In addition it is intended to restructure Australian Government Analytical Laboratories, Australian Surveying and Land Information Group and Australian Government Publishing Services, corporatise Australian Operational Support Services and refinance or sell DASFLEET. From 1 July 1997 the remaining businesses will move to their own separate trust accounts. The BSTA will then be wound down and remaining capital returned to the Consolidated Revenue Fund.

9.23 This has resulted in a situation of inherent uncertainty surrounding the BSTA and its entities due to the unpredictability of continuing operating practices whereby the BSTA operates as a group, and component entities provide financial assistance to the group and receive financial assistance from the group. There is also an uncertainty as to the value the assets will realise if sold either separately or as part of the business. No changes to accounting policy were made as a result of this announcement. The financial statements were prepared on a going concern basis and not a sale or realisation basis. Reference to this uncertainty was included in the unqualified audit opinions issued on all BSTA Trust Accounts.

Comcar Trust Account (VIP Transport)

Results of the financial statements audit

9.24 VIP Transport has in the past been dependent upon operational subsidies provided by Parliamentary Appropriations. These subsidies have not been provided for in 1996-97. In the absence of subsidies, operational losses in 1996-97 may exhaust cash resources. As a result, there is significant uncertainty as to whether VIP Transport will continue as a going concern. The financial operations of VIP Transport are under review and a submission on its future is expected to be considered by Government in the next three months.

9.25 There were no adjustments made and the financial statements were prepared on a going concern basis. Reference to this matter was included in the audit opinion issued.

Australian Electoral Commission

9.26 The Australian Electoral Commission's role is to provide the Australian people with an independent electoral service which will meet their needs and which encourages them to understand and participate in the electoral process.

Results of the financial statements audit

9.27 The result of the audit of the Australian Electoral Commission was satisfactory and an unqualified audit opinion was issued.

Control structure

9.28 Recommendations were made to the Commission to strengthen the control environment surrounding its computer information systems and to improve the timeliness of reconciliations over fixed asset purchases.

Commonwealth Funds Management Limited, its controlled entities and other bodies

9.29 Commonwealth Funds Management Limited (CFM) is a wholesale funds manager responsible for managing the superannuation contributions of Commonwealth employees. It also manages superannuation funds for both the government and private sector organisations and other investment funds for government entities, financial intermediaries and individual investors.

Results of the financial statements audit

9.30 On May 7 1996 the Commonwealth Government announced its intention to sell

CFM. The likely terms of the proposed sale were uncertain and were being negotiated by the Task Force on Asset Sales. Accordingly, the effects, if any, of the proposed sale on the financial statements could not be determined and therefore the inherent uncertainty regarding the value of certain assets and liabilities was referred to in the audit opinion.

Department of Finance

9.31 The Department of Finance is responsible for promoting value for money in the management of the Commonwealth public sector. The Department has a role in evaluation and review of government programs, expenditure and staffing estimates, government financial administration, Commonwealth superannuation schemes, monitoring of government business enterprises, and conduct of major asset sales.

Results of the financial statements audit

9.32 The financial statements consolidate the financial activities of the Department and the Office of Government Information Technology. The audit opinion on the financial statements was unqualified.

Control structure

9.33 The results of the audit indicated that the systems and processes could be relied upon to produce accurate and reliable information for financial reporting purposes. Control issues referred to the Department included:

- a minor breach of section 83 of the Constitution resulting from the Department spending in excess of amounts appropriated. This resulted from incorrect processing of journals within the Department;
- errors in the exchange rates used in calculating the Commonwealth's foreign exchange gains and losses arising from changes to supporting systems during the year;
- a need to adopt a formal risk management plan for the Commonwealth guarantees and indemnities managed by the Department;
- inappropriate access rights to the Department's financial system;
- the need to ensure that only authorised asset disposals occur and that all such disposals are accurately recorded and reported;
- a failure to conduct necessary reviews of payroll; and
- the need to update the assumptions used by the actuary in calculation of the superannuation liabilities relating to the parliamentary and public service superannuation schemes.

9.34 The Department advised of appropriate remedial action.

Office of Government Technology

9.35 The Office of Government Information Technology has the objective of improving the efficiency and effectiveness in the Commonwealth's use of information technology and telecommunications.

Results of the financial statements audit

9.36 The audit opinion on the financial statements was unqualified.

Control structure

9.37 The results of the audit indicated that the systems and processes within the Office of Government Information Technology could be relied upon to produce accurate and reliable information for financial reporting purposes. Control issues referred to the Office included:

- the need to evidence decisions taken at management meetings by the preparation of formal minutes;
- improvements required in existing receipting practices; and
- the need for costing systems to capture the costs of in-house developed software.

9.38 A number of recommendations aimed at further improving financial statements preparation and accountability procedures were also made. These included the need to clarify arrangements for Audit Committee involvement in the financial statements process.

9.39 The Office advised of appropriate remedial action in relation to these matters.

Other Agencies

9.40 The results of the audits of the following entities were satisfactory and unqualified audit reports were issued to:

- Business Services Trust Account;
 - Asset Services;
 - Australian Construction Services;
 - Australian Government Analytical Laboratories;
 - Australian Government Publishing Service;
 - Australian Operational Support Services;
 - Australian Property Group;
 - Australian Surveying and Land Information Group;
 - Australian Valuation Office;
 - DAS Centre for Environmental Management;
 - DAS Distribution;
 - DASFLEET;
 - DAS Interiors Australia; and

■ DAS Removals Australia.

- VIP Transport.

10. Foreign Affairs and Trade Portfolio

Key findings

With the exception of the Australian Secret Intelligence Service, all financial statements within the Portfolio were unqualified. The financial statements of the Australian Secret Intelligence Service were qualified, as exempt accounts were not able to be subject to audit.

Portfolio summary

10.1 The Portfolio comprises the programs administered by the Department of Foreign Affairs and Trade, the Australian Agency for International Development (AusAID), the Australian Centre for International Agricultural Research, the Australian Trade Commission and the Australian Secret Intelligence Service. The Department's financial statements incorporate the operations of AusAID.

10.2 The agency financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Department of Foreign Affairs and Trade	559	1 019	286	128
Australian Agency for International Development	63	1 111	189	1 392
Australian Trade Commission	419	414	355	161
Australia-Japan Foundation	2	2	1	1
Australian Centre for International Agricultural Research	34	45	6	22
Commission for the Conservation of Antarctic Marine Living Resources	2	2	1	1

Audit summary

10.3 With the exception of the Australian Secret Intelligence Service, all the financial statements on entities within the Portfolio were unqualified.

10.4 The audit report on the Australian Secret Intelligence Service was qualified, as exempt accounts were not able to be subject to audit.

10.5 The results of the audits indicated that the accounting systems and processes could be relied upon to produce accurate and reliable information for financial reporting purposes.

Department of Foreign Affairs and Trade

10.6 The key goals of the Department are to increase Australia's economic prosperity through trade and investment flows and to ensure a favourable security environment for Australia.

Results of the financial statements audit

10.7 The audit report on the financial statements was unqualified.

Control structure

10.8 The audit found that AusAID had not endorsed the recommendations of an IT security review conducted by the Defence Signals Directorate of the Department of Defence. AusAID advised of action proposed to address the matter.

Australian Trade Commission

10.9 The Australian Trade Commission is a statutory authority established under the *Australian Trade Commission Act 1985*. The Commission's mission is to help win business overseas and bring investment to Australia.

Control structure

10.10 The audit indicated that there have been further improvements in financial control in the Commission, continuing the trend of recent years. However, the following control weaknesses were noted during the audit.

Revenue

- Internal audit reviews of posts during the year highlighted instances where controls over the raising of requests for invoices were inadequate.

Fixed assets

- Continuing inaccuracy of the largest asset register in Melbourne;
- inconsistent treatment of leasehold improvements in that some costs were expensed while other similar costs were capitalised; and
- a significant number of assets which were disclosed as fully depreciated even though they were still in use and therefore had some value to the Commission in delivering its programs.

Export Market Development Grant Scheme (EMDG)

- The ANAO noted that approval of grants was not always undertaken by officers with the appropriate delegation, copies of contracts between claimants and their overseas representatives were not always obtained, and quality assurance procedures were not always implemented correctly; however, internal audit advised that its testing did not detect any material errors in claims processed as a result of non-adherence to procedures.

Overseas posts

- Internal audit review of Sao Paulo, Los Angeles and Beijing revealed significant deficiencies in policy and procedures across major administrative areas.

10.11 In response to ANAO recommendations management advised of remedial action taken or proposed.

Australian Secret Intelligence Service

10.12 The Minister for Foreign Affairs has issued a declaration under sub-section 70D(1) of the *Audit Act 1901* that particular parts of the accounts are to be treated as exempt accounts. These accounts are not subject to audit by the Auditor-General. The ANAO was consequently unable to form an opinion on receipts and expenditures and assets and liabilities related to those exempt accounts. A certificate has been provided by the Minister for Foreign Affairs under sub-section 70D(5) of the *Audit Act 1901* stating that moneys allocated to those exempt accounts have been properly expended.

Other Agencies

10.13 The results of the audits of the following entities were satisfactory and unqualified audit reports were issued to:

- Australian Centre for International Agricultural Research;
- Australian-Japan Foundation; and
- Commission for the Conservation of Antarctic Marine Living Resources.

11. Health and Family Services Portfolio

Key findings

All financial statements within the Portfolio were unqualified.

The audit of the Department of Health and Family Services disclosed deficiencies in the reconciliations of payment systems and in information technology access controls.

Portfolio summary

11.1 The Health and Family Services Portfolio has responsibility for:

- the promotion of good health and reduction of illness through regulatory, promotional and funding programs;
- the provision of care and services appropriate to the needs of aged people and people with disabilities;
- ensuring that all Australians have access to necessary health services at reasonable cost through financial arrangements with the States and Territories, the direct provision of some health services and through appropriate health insurance; and
- improving the quality of life and the choices available for families and children at home, at work and in the general community.

11.2 The agency financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Department of Health and Family Services	1 480	16 082	267	12 480

Australian Government Health Service	27	26	15	5
Commonwealth Rehabilitation Service	157	148	52	23
Therapeutic Goods Administration	47	40	20	12
Australian Hearing Services	102	106	16	16
National Hearing Aids Systems Pty Ltd	1	1	1	1
Australian Institute of Family Studies	4	4	1	1
Australian Institute of Health and Welfare	14	14	6	4
Australian and New Zealand Food Authority	9	9	2	1
Health Insurance Commission	9 984	9 915	815	1 179
Nuclear Safety Bureau	1	1	1	1
Professional Services Review	1	1	1	1
Private Health Insurance Complaints Commissioner	1	1	1	1

Audit summary

11.3 The audit reports on all entities within the Portfolio were unqualified.

Department of Health and Family Services

11.4 The Department's aim is to provide appropriate health services and care facilities to the general public through the development of major health programs. Funding is provided to the States, Territories, community organisations and care providers for implementation and administration of approved projects.

Results of the financial statements audit

11.5 The audit report on the financial statements was unqualified.

Risk management

11.6 It was reported in 1994-95 that the Department had developed a new Fraud Control Plan and was in the process of finalising a comprehensive risk assessment. The 1996-98 Fraud Control Plan has now been completed and endorsed by the Commonwealth Law Enforcement Board. The risk assessment was completed in early 1995-96 and used as a key component by the Audit Committee in considering priority areas for internal audit and fraud control attention. The Department continues to focus on managing risk in program areas. The ANAO, while noting progress by the Department in managing risk, recommends the Department should further embrace risk management across all programs in pursuing its corporate planning objective.

Control structure

11.7 The results of the audit indicated that the Department's control environment and internal controls were operating in an effective manner and produced accurate and reliable financial information. A number of areas were identified where scope for further improvement existed.

Computer systems access control

11.8 The ANAO noted that no security monitoring has been undertaken for users having wide access to powerful system utilities and users having special and operational attributes within the system. These users have high-level access and can override system controls and gain access to all production data, programs and general computing resources. The ANAO recommended that procedures be established to ensure monitoring of privileged user activity is undertaken and that access be limited to nominated officers.

11.9 The ANAO noted that system administration activities are not always logged and, where logged, are not always reviewed. The System Administrators have global access within their respective system. The possibility exists of unauthorised activities remaining undetected. The ANAO recommended that changes made by System Administrators be fully logged and an adequate reporting function of changes made by the System Administrators be provided and independently reviewed.

11.10 Access levels of individual staff have not been reviewed on a regular basis. In addition, instances were noted where modification to user access has not been performed using the proper authorisation procedure. This could lead to unauthorised user access and users having incompatible access levels. The ANAO recommended regular review of access levels and modification of user access upon receipt of authorised documentation.

11.11 The Department advised of corrective action currently being undertaken or proposed to ensure appropriate access control.

Reconciliations between payment systems

11.12 In 1994-95 the ANAO recommended that reconciliations of payment systems should be performed on a regular basis and in a timely manner. The reconciliations between the Department's financial management system, the Department of Finance ledger and other subsidiary payment systems provide assurance that complete and accurate information is produced from various payment systems. The Department recognised that the reconciliation process required improvement.

11.13 The review conducted in 1995-96 identified a number of reconciliations that were not adequately performed. In addition, the year-end reconciliation between the financial management system and the Department of Finance ledger identified two significant variances relating to salaries and receipts. Whilst not material to the financial statements, the Department was unable to resolve these issues. It is acknowledged that the investigation was difficult due to restrictions in the availability of data from the Department of Finance ledger system. However, regular reconciliations would have enabled early detection of the discrepancies and prompted effective investigative action. The ANAO recommended that the Department take further action to ensure all reconciliations are performed on a regular basis and in a timely manner and that the above discrepancies be resolved in consultation with the Department of Finance to avoid such occurrences in the future.

11.14 The Department acknowledged that the reconciliation process required improvement and advised necessary remedial action.

Other matters

11.15 Additional findings requiring management attention were:

- inaccurate records of the cost of purchased software; and
- inaccurate NOMAD salary system records relating to prior service and part-time employees' entitlement.

11.16 The Department has advised of appropriate remedial action in relation to these matters.

Therapeutic Goods Administration (TGA)

11.17 TGA is a departmental commercial activity ensuring the safety, quality and efficacy of therapeutic goods available in Australia at a standard equal to that of comparable countries, and that pre-market assessment of therapeutic goods is conducted within a reasonable time.

Results of the financial statements audit

11.18 The audit report was unqualified.

11.19 Audit findings requiring management attention were:

- inaccurate recording and reconciliation of fixed assets; and
- insufficient planning, instruction and quality assurance in the preparation of the financial statements.

11.20 TGA has advised of satisfactory actions to address the exposures resulting from these matters.

Commonwealth Rehabilitation Service (CRS)

11.21 CRS is a departmental commercial activity responsible for the provision of rehabilitation programs to people with disabilities.

Results of the financial statements audit

11.22 The audit report was unqualified.

11.23 Audit findings requiring management attention were:

- inadequate debtors and fixed assets reconciliation procedures; and
- lack of reconciliations between processing and financial management systems.

11.24 CRS has agreed to take appropriate action.

Other Agencies

11.25 The results of the audits of the following entities were satisfactory and unqualified audit reports were issued:

- Australian Government Health Service;
- Australian Hearing Services;

- National Hearing Aids System Pty Ltd;
- Australian Institute of Family Studies;
- Australian Institute of Health and Welfare;
- Australian and New Zealand Food Authority;
- Health Insurance Commission;
- Nuclear Safety Bureau;
- Professional Services Review; and
- Private Health Insurance Complaints Commissioner.

12. Immigration and Multicultural Affairs Portfolio

Key findings

The audit report on the Department of Immigration and Multicultural Affairs was qualified because of a breach of section 83 of the Constitution, which states that no money shall be drawn from the Treasury of the Commonwealth except under appropriation.

Portfolio summary

12.1 The Portfolio comprises the Department of Immigration and Multicultural Affairs.

12.2 The Office of Multicultural Affairs (OMA) was transferred from the Department of the Prime Minister and Cabinet (PM&C) on 10 March 1996.

12.3 The agency financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Department of Immigration and Multicultural Affairs	492	507	69	95

Department of Immigration and Multicultural Affairs

12.4 The Department has a key role in managing the movement of people into and out of Australia, with particular responsibility for citizenship, multicultural affairs, post-arrival arrangements for migrants (other than migrant child education), and broad population issues, including inter-portfolio coordination and research.

12.5 The Department operates through a Central Office in Canberra, regional offices in each of the States and Territories of Australia and overseas posts, with over 3800 staff.

Results of the financial statements audit

12.6 The audit report on the financial statements was qualified due to a breach of section 83 of the Constitution, which states that no money shall be drawn from the Treasury of the

Commonwealth except under appropriation. The breach occurred when the Department spent funds which related to reimbursement from a non-Commonwealth body for former years and which had not been appropriated. During the year the Department spent a total of \$2.77 million in excess of appropriated funds.

13. Industrial Relations Portfolio

Key findings

All financial statements within the Portfolio were unqualified.

Portfolio summary

13.1 The role of the Industrial Relations Portfolio is to assist the Government in achieving its industrial relations objectives through policy and programs aimed at:

- improving the industrial relations system;
- developing more nationally-consistent industrial relations arrangements;
- accelerating the pace of workplace reform; and
- promoting social justice in the workplace.

13.2 The agency consolidated financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Affirmative Action Agency	3	3	1	1
Australian Industry Register	47	46	6	6
Australian Trade Union Training Authority	11	13	5	3
Coal Mining Industry (Long Service Leave Funding) Corp	78	74	167	433
Commonwealth Rehabilitation Service (Comcare)	158	163	1 251	1 252
Department of Industrial Relations	496	1 647	36	1 268
National Occupational Health and Safety Commission	25	26	10	7
Stevedoring Industry Finance Corporation	4	1	7	1

Audit summary

13.3 The audit reports on all financial statements within the Portfolio were unqualified.

Department of Industrial Relations

13.4 The purpose of the Department of Industrial Relations is to achieve cooperative workplace reform and industrial relations arrangements for an internationally competitive and fairer Australia. The Department operates through a Central Office in Canberra, State-

Territory Offices and District Offices, with 573 staff.

Results of financial statements audit

13.5 The audit report on the Department of Industrial Relations was unqualified.

13.6 The following matter was raised in the audit report in relation to uncertainty regarding the values of certain assets and liabilities arising from the collection of stevedoring levies.

13.7 Variations in the bases used to declare leviable cargo have arisen. Legal advice sought by the Department has clarified this situation and an independent audit by a private sector accounting firm is now being undertaken to assess the completeness and accuracy of levy payments and to identify instances where the correct levy amount may not have been paid. The effects, if any, of this independent process on stevedoring receivables and creditors could not be determined.

Stevedoring Industry Finance Committee

13.8 The Stevedoring Industry Finance Committee's (SIFC) major functions include:

- administering the balance of long service leave entitlements for waterside workers accrued prior to December 1977; and
- meeting the costs of redundancies arising from the Waterfront Industry Reform.

13.9 Initial funding for the latter function was through a loan facility. Repayment of the loan and long service leave payments were met through a special levy paid by stevedores as well as a general levy that was used to fund the operating expenditure of SIFC. Collection of levies was performed by the Department of Industrial Relations.

13.10 Following the suspension of Special Levy collections, SIFC has been virtually inactive in 1995-96. No decision has been made as to the date of winding up the Committee pursuant to section 32 of the *Stevedoring and Finance Committee Act 1977*.

Results of the financial statements audit

13.11 The audit opinion on the financial statements was unqualified. The audit report did, however, draw attention to the same matter referred to above in the Department's audit report.

COMCARE

13.12 Comcare provides workers' compensation insurance to the Commonwealth and the ACT Government public sectors, works with customers to prevent workplace injuries, and manages the return to work of injured employees.

13.13 Changes to legislation in 1992 enabled Comcare to offer its services to privatised government business enterprises and their competitors. Comcare undertakes these activities through a wholly-owned subsidiary company, QWL Corporation Pty Limited.

Results of the financial statements audit

13.14 The audit reports on both Comcare and QWL Corporation Pty Limited were

unqualified.

Control structure

13.15 Comcare's accounting systems and processes could be relied upon to produce accurate and reliable information for financial reporting purposes. The following matters were raised with Comcare:

- the need to ensure that staff performing suspense account reconciliations have a full understanding of the process in order to facilitate effective completion of the reconciliations;
- errors noted in leave entitlement calculations resulting from utilisation of a spreadsheet in year-end calculations;
- a requirement to update existing guidelines and procedural documentation to ensure consistent application of quality standards in claims management processing;
- a need for stronger controls over the use of spreadsheets in preparing information provided to the actuary to support calculation of outstanding liabilities and associated premiums;
- a need to review controls surrounding the computerised workers' compensation system (PRACSYS) to ensure that an appropriate balance between flexibility and segregation of duties is maintained;
- differences in operational use of PRACSYS by different Comcare offices, resulting in an inconsistency of the management information produced from the system; and
- the need for regular reconciliations of premium receipts.

13.16 Comcare has advised of appropriate action to address these issues.

Australian Industrial Registry

13.17 The Australian Industrial Registry's functions include keeping a registry and providing administrative support to the Australian Industrial Relations Commission.

Results of the financial statements audits

13.18 An unqualified audit report was issued on the financial statements.

Control structure

13.19 The major finding identified during the audit related to the timely follow-up of stocktake results. The asset stocktake had been performed; however, the required reports had not been produced in order to action the discrepancies identified.

13.20 The Registry responded positively and the stocktake discrepancies are being followed up.

Other Agencies

13.21 The results of the audits of the following entities were satisfactory and unqualified audit opinions were issued to:

- Affirmative Action Agency;
- Australian Trade Union Training Authority;
- Coal Mining Industry (Long Service Leave Funding) Corporation; and
- National Occupational Health and Safety Commission.

14. Industry, Science and Tourism Portfolio

Key findings

All financial statements within the Portfolio were unqualified.

Significant matters raised in the Australian Customs Service related primarily to IT access and program change controls.

Portfolio summary

14.1 The Industry, Science and Tourism Portfolio objectives are to provide for an innovative, sustainable, and internationally competitive manufacturing and service industry, including the provision of effective intellectual property rights and development and implementation of policies and programs aimed at enhancing the contribution tourism makes to Australia.

14.2 Within the Portfolio there are twelve entities that prepare financial statements, the major organisations being the Department of Industry, Science and Tourism, Australian Customs Service, Australian Industry Development Corporation, Australian Nuclear Science and Technology Organisation, Commonwealth Scientific and Industrial Research Organisation, and the Export Finance and Insurance Corporation.

14.3 The agency consolidated financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Australian Customs Service	16 736	1 703	415	202
Australian Institute of Marine Science	22	22	27	5
Australian Marine Science and Tech Ltd	3	3	1	1
Australian Nuclear, Science and Technology Organisation	99	89	177	30
Australian Technology Group	2	3	26	1
Australian Tourist Commission	113	113	12	10
Commonwealth Scientific and Industrial Research Organisation	660	693	183	313
Department of Industry, Science and Tourism	208	1 042	2 068	1 200

Australian Industrial Property Organisation	61	58	30	16
Bureau of Tourism Research	3	3	1	1
Department of Tourism (former)	14	97	***	***
Export Finance and Insurance Corporation	66	41	3 920	3 734
National Standards Commission	3	3	5	1
Textile Clothing and Footwear Development Authority	2	22	***	***
*** Agency no longer exists - all assets and liabilities transferred to the Department				

Audit summary

14.4 All entities within the Portfolio received unqualified audit reports.

Department of Industry, Science and Tourism

14.5 The structure of the Department changed significantly as a result of the 11 March 1996 Administrative Arrangements Order. The Department lost the Bureau of Industry Economics and gained several other functions, the most notable being the former Department of Tourism.

Results of the financial statements audit

14.6 The audit report on the financial statements of the Department was unqualified.

Control structure

14.7 The results of the audit indicated that the accounting systems and controls could be relied upon to produce accurate and reliable information for financial statement purposes. The following matters were being addressed by the Department:

- a number of long-outstanding receivables classified as doubtful were being considered for recovery or write-off; and
- proper and timely reconciliation of assets registers.

Australian Customs Service (ACS)

14.8 The ACS is responsible for:

- border management and community protection by exercising effective control over the movement of goods, people, ships and aircraft into and out of Australia;
- delivery of industry assistance through programs such as tariff policy, bounties and subsidies; and
- collection of revenue, including duty and excise.

14.9 The ACS has an annual activity base of \$24 billion. However, bounty payments administered by the ACS are reported in the financial statements of the Department of Industry, Science and Tourism.

Results of the financial statements audit

14.10 The audit report on the financial statements of the ACS was unqualified.

Risk management

14.11 In the report on the results of the 1994-95 financial statements audit, there was significant comment on the progress made by the ACS with the implementation of a comprehensive risk management framework addressing revenue and payment compliance responsibilities. During the 1995-96 audit, further progress was noted in the implementation of the framework and it is considered that initiatives taken to date provide a good foundation for the successful transition to a mature risk-managed environment in the future. Specific matters referred to the ACS were:

- a delay in the implementation of a risk management strategy for the management of duty concessions afforded to importers under the Passenger Vehicle Manufacturing Plan; and
- weaknesses in working papers and in recording research results in respect of audit and research activity carried out under the Compliance Improvement strategy aimed at determining the effectiveness of the ACS revenue collection process.

14.12 The ANAO will continue to monitor the implementation of the risk management framework at the ACS.

Diesel Fuel Rebate Scheme

14.13 There was a failure to evidence properly work undertaken by the ACS as part of the 1995-96 leakage assessment process. This failure reduced the reliability that could be placed on this process for estimating the amount of overpayments made under the Diesel Fuel Rebate Scheme.

Bounty payments

14.14 The work carried out by the ACS to estimate the amount of overpayments made during 1995-96 under various Bounties Acts was based on a random sample which was smaller than that previously agreed with the ANAO due to data retrieval problems with computer software used to record the results of the random audits. The smaller sample size reduced the extent of reliance that could be placed on this form of evidence to estimate scheme leakage.

Control structure

14.15 As a user of advanced information technology systems, the ACS relies significantly upon IT controls for ensuring the validity, completeness and accuracy of data in financial systems. The ACS operates mainframe, mid-range and PC systems across a number of computing environments. A number of areas in the IT control structure were noted where improvement is required to minimise the risk to the integrity of ACS data.

Access controls

14.16 In 1994-95 the ANAO noted that programs giving users the ability to override system security were not adequately secured or monitored. Although the ACS has acted over the last year to reduce this risk, deficiencies were still apparent in that technically advanced system users continued to have the ability to circumvent security controls over

important ACS data or software. The ACS advised that it has contracted an external consultancy to develop a strategic plan for computer security which should address these issues.

14.17 Other weaknesses noted by the ANAO included password structure and access levels of individual system users, an inappropriate number of generic userids in use and inappropriate access permission to production systems provided to programmers. The ACS advised that it is investigating methods to reduce further these risks.

Program change controls

14.18 In order to prevent unauthorised changes to computer systems, the ACS has implemented a change control environment. The ANAO noted a number of deficiencies and breakdowns in management practice in this environment. The ACS advised that it will continue to enhance the change control environment to ensure that only authorised programs exist in the production environment.

Other Agencies

14.19 The results of the audits of the following entities were satisfactory and unqualified audit opinions were issued to:

- Australian Industrial Property Organisation;
- Australian Institute of Marine Science;
- Australian Marine Science and Technology Limited;
- Australian Nuclear Science and Technology Organisation;
- Australian Technology Group Pty Limited;
- Export Finance Insurance Corporation;
- National Aeronautics and Space Administration;
- National Standards Commission;
- Science and Industry Endowment Fund;
- Textiles, Clothing and Footwear Development Authority;
- Department of Tourism (former);
- Bureau of Tourism Research;
- Australian Tourist Commission; and
- Commonwealth Scientific and Industrial Research Organisation.

15. Primary Industries and Energy Portfolio

Key findings

All financial statements within the Portfolio were unqualified.

The audit reports of three entities highlighted uncertainty in respect of certain aspects of the entity or its financial statements.

The audit report of Australian Quarantine and Inspection Service (AQIS) referred to the uncertainty over the future operations of AQIS due to two major reviews currently in progress.

The Joint Coal Board's audit report referred to uncertainty over amounts of superannuation-related liabilities administered by the State Authorities Superannuation Board on behalf of the Joint Coal Board.

The Snowy Mountains Hydro-electric Authority's audit report included reference to inherent uncertainty regarding the value of certain assets and liabilities.

During the year the Department of Primary Industries and Energy corrected a major control weakness resulting from inadequate segregation of duties in financial systems.

Portfolio summary

15.1 The Primary Industries and Energy Portfolio has major responsibility for the Commonwealth Government's policies and programs for primary industries and energy. During the 1995-96 financial year the Portfolio administered receipts and expenditure of approximately \$1.14 billion and \$2.2 billion respectively and net assets of \$5 billion.

15.2 The agency consolidated financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Agribusiness Development Capital Pty Ltd	1	1	1	1
Australian Dairy Corporation	464	452	122	83
Australian Dried Fruits Board	1	1	3	1
Australian Fisheries Management Authority	24	21	26	3
Australian Horticultural Corporation	9	8	8	2
Australian Meat and Livestock Corporation	77	82	41	8
Australian Meat Technology Pty Ltd	3	4	1	1
Australian Pork Corporation	8	9	3	1
Australian Quarantine and Inspection Service	182	183	42	48
Australian Tobacco Marketing Advisory Committee	1	1	1	0
Australian Wine and Brandy Corporation	6	6	3	1
Australian Wool Research and Promotion Organisation	144	223	269	127
Clean Food Marketing Australia Ltd	2	2	1	1

Cotton Research and Development Corporation	7	6	9	1
Dairy Research and Development Corporation	19	21	12	4
Department of Primary Industries and Energy (consolidated)	1 392	1 835	6 658	396
Energy Research and Development Corporation	15	16	16	7
Fisheries Research and Development Corporation	14	12	8	1
Forests and Wood Products Research and Development Corporation	3	2	3	1
Fututech Pty Ltd	1	1	1	1
Grains Research and Development Corporation	79	56	86	3
Grape and Wine Research and Development Corporation	4	4	1	1
Horticultural Research and Development Corporation	22	21	9	2
Joint Coal Board (consolidated)	96	94	306	282
Land and Water Research and Development Corporation	18	17	14	5
Landcare Australia Ltd	3	3	1	1
Meat Industry Council	3	2	1	1
Meat Research Corporation	47	49	42	8
Murray-Darling Basin Commission	70	65	5	-
National Regulation Authority for Agriculture and Veterinary Chemicals	13	13	3	3
National Residue Service	7	7	6	5
Pig Research and Development Corporation	8	7	6	1
Pipeline Authority	132	131	3	1
Rural Industries Research and Development Corporation	20	20	15	4
Snowy Mountain Hydro-electric Authority	171	251	3 605	1 008
Sugar Research and Development Corporation	12	11	5	1
Tobacco Research and Development Corporation	1	1	2	-
Wool International	679	1 097	1 773	1 082

- denotes amounts less than \$500 000

Audit summary

15.3 The audit reports on all entities within the Portfolio were unqualified.

15.4 The audit reports of three entities highlighted uncertainty in respect of certain aspects of the entity or its financial statements.

15.5 The audit report of Australian Quarantine and Inspection Service referred to uncertainty over the future operations of AQIS due to major reviews currently in progress.

15.6 The Joint Coal Board's audit report referred to uncertainty over amounts of superannuation-related liabilities administered by the State Authorities Superannuation Board on behalf of the Joint Coal Board.

15.7 The Snowy Mountains Hydro-electric Authority's audit report included reference to inherent uncertainty regarding the value of certain assets and liabilities.

15.8 During the year the Department of Primary Industries and Energy corrected a major control weakness resulting from significant unsupervised access to financial systems.

15.9 The control structures of most agencies in the Portfolio were considered to have sound financial systems providing accurate and reliable information to support the financial statements.

Department of Primary Industries and Energy

15.10 The Department of Primary Industries and Energy aims to progress the economic development and environmental sustainability of Australia's agricultural, natural resources, energy and mining sectors. The implementation and administration of policies and programs to achieve these aims is delivered through an organisation structure of three policy groups, three Bureaux (the Bureau of Resource Sciences, the Australian Bureau of Agricultural Resource Economics and the Australian Geological Survey Organisation) and the Australian Quarantine and Inspection Service.

Results of the financial statements audit

15.11 The financial statements of the Department include the consolidated results of its two commercial business undertakings:

- AQIS; and
- the National Residue Survey (NRS).

The financial statements of all three entities were unqualified.

Control structure

15.12 The results of the audit indicated that the Department's accounting system and processes could be relied upon to produce accurate and reliable information for financial reporting purposes. The following areas where improvement was possible were discussed with management.

Access to General Ledger functions

15.13 The Department has a number of officers responsible for administering its financial system. The ANAO noted inappropriate segregation of duties over access to all the processing functions, as well as delegations to approve spending of public moneys,

without necessary controls in place to ensure that only valid transactions were being processed. Following ANAO representations the Department reviewed the transactions and ensured that only authorised transactions had been processed. The Department has implemented regular reviews of transactions processed by all the Department's systems administrators.

Other matters

15.14 Other matters referred to the Department included:

- security over a number of computer applications was compromised through unauthorised use and knowledge of passwords and logon identifications;
- reconciliations of the Department's general ledger to the Department of Finance records were not performed in a timely manner;
- some bank reconciliations were not properly performed nor performed in a timely manner;
- poor controls over cheques remittances;
- inappropriate segregation of duties in one assets system within the Department; and
- a number of the Department's assets were fully depreciated, indicating inappropriate depreciation rates.

15.15 The Department has advised of appropriate remedial action taken to address these issues.

Australian Quarantine and Inspection Service

15.16 AQIS is a commercial activity operating within the Department of Primary Industries and Energy which provides quarantine and inspection services on a cost-recovery basis. It is responsible for the delivery of efficient and effective quarantine and food inspection services to fulfil Australia's international obligations and treaty requirements.

Results of the financial statements audit

15.17 The audit opinion on the financial statements was unqualified.

15.18 The audit report drew attention to the uncertainty over the future operations of AQIS, given two major reviews currently under way. These reviews, which have the potential to change significantly both the structure and method of service delivery adopted by AQIS, are examining Australia's quarantine arrangements and the AQIS meat inspection program. Notwithstanding this uncertainty, it was still appropriate for the financial statements to be prepared on a going concern basis.

15.19 During the audit the question of the continued solvency of AQIS was examined. Although AQIS' liabilities have consistently been higher than its assets, legal advice has been obtained that, given AQIS is part of the Commonwealth, it is not appropriate to

consider AQIS' liquidity in the same context as that of private sector entities. This advice has been confirmed by officers within the Department of Finance.

Control structure

15.20 AQIS was provided with a number of observations arising from the financial statements audit. Although these did not affect the issuance of an unqualified audit report, the observations indicate where improvements can be made to the control structure of AQIS. The more significant of these matters were:

- not all reconciliations were fully completed in a timely manner, which placed at risk the integrity and completeness of the data in the financial statements;
- weaknesses were observed in controls over receipting and debtors write-off;
- the need to ensure and evidence that all revenue is posted to the financial systems in a timely manner; and
- required improvements in certain aspects of personnel processing.

15.21 AQIS advised of appropriate remedial action taken to address these issues.

National Residue Survey

15.22 National Residue Survey is a commercial trust account operating in the Bureau of Resource Sciences sub-program in the Department of Primary Industries and Energy. It provides scientific information on contaminants in plant, animal and fisheries commodities.

Results of the financial statements audit

15.23 The audit opinion on the financial statements was unqualified.

Control structure

15.24 NRS was provided with a number of observations arising from the financial statements audit which included:

- a recommendation that NRS develop and implement an investment policy to ensure that its investments are properly managed; and
- inadequacies in the division of duties over assets, as the same officer approved the purchase of assets, recorded acquisitions and disposals on the assets system, undertook the annual stocktake and performed the reconciliation of the assets register to the general ledger.

15.25 NRS has advised of appropriate remedial action.

Joint Coal Board

15.26 The Joint Coal Board is constituted under an arrangement between the Governor-General and the Governor of the State of New South Wales, pursuant to the *Coal Industry Act 1946*. The principal activities of the Board are the provision of occupational health and rehabilitation services and workers' compensation services to the coal industry.

Results of the financial statements audit

15.27 The audit report on the financial statements was unqualified. Attention was drawn in the audit report to uncertainty that existed concerning amounts recorded as the liability for superannuation entitlements.

15.28 During the year the Joint Coal Board participated in a number of superannuation schemes which provided defined benefits to employees on retirement, disability or death.

15.29 Contributions were made to the schemes by employees and the Board based on salary and within the rules of each scheme. Current employer contributions to all schemes were calculated to meet the full cost of the Board's liabilities under each scheme.

15.30 The financial statements incorporated, as a provision, the net unfunded liability relating to the defined benefit schemes administered by the State Authorities Superannuation Board (SASB). This provision was calculated, based on information provided by the SASB, as the difference between the gross superannuation liability assessed by the NSW Government Actuary and the employer reserve account balances held with the SASB.

15.31 Arising from the Triennial Actuarial Review, the SASB has identified an uncertainty which existed in respect of virtually all the individual employer reserve balances within the SASB pooled fund. Until this uncertainty is resolved, the quantum of the financial effect on individual employer reserves, including those of the Joint Coal Board, was unclear.

15.32 This uncertainty has not arisen because of any deficiencies in maintenance of records within the Joint Coal Board.

Snowy Mountains Hydro-electric Authority

15.33 The Snowy Mountains Hydro-electric Authority owns and manages the hydro-electric works in the Snowy Mountains area for water collection, diversion and storage, and for the generation of electricity for use in the Australian Capital Territory, New South Wales and Victoria. For this purpose, the Authority is required by sub-section 16(3) of the Snowy Mountains Hydro-electric Authority Act to comply with the provisions of Agreements dated 18 September and 14 December 1957 between the Commonwealth and the States of New South Wales and Victoria.

Results of the financial statements audit

15.34 The audit report on the financial statements was unqualified. Attention was drawn in the audit report to inherent uncertainty regarding the value of certain assets and liabilities. The Commonwealth, New South Wales and Victorian Governments have agreed upon a set of key principles for reform of the Scheme which will ultimately lead to its corporatisation. At the time of the finalisation of the financial statements the likely terms of the proposed corporatisation were uncertain and were being negotiated. Accordingly, the effects, if any, of the proposed corporatisation on the financial statements could not be determined.

Other Agencies

15.35 The results of the audits of the following entities were satisfactory and unqualified

audit opinions were issued to:

- Agribusiness Development Capital Pty Ltd;
- Australian Dairy Corporation;
- Australian Dried Fruits Board;
- Australian Fisheries Management Authority;
- Australian Horticultural Corporation;
- Australian Meat and Live-stock Corporation;
- Australian Meat Technology Pty Ltd;
- Australian Pork Corporation;
- Australian Tobacco Marketing Advisory Committee;
- Australian Wine and Brandy Corporation;
- Australian Wool Research and Promotions Organisation;
- Clean Food Marketing Australia Limited;
- Coal Mines Insurance Pty Ltd;
- Cotton Research and Development Corporation;
- Dairy Research and Development Corporation;
- Energy Research and Development Corporation;
- Fisheries Research and Development Corporation;
- Forests and Wood Products Research and Development Corporation;
- Fututech Pty Ltd;
- Grains Research and Development Corporation;
- Grape and Wine Research and Development Corporation;
- Horticultural Research and Development Corporation;
- Land and Water Resources and Development Corporation;
- Landcare Australia Ltd;
- Liquiphase Management Pty Ltd;
- Meat Industry Council
- Meat Research Corporation;

- MRC Agribusiness Development Trust;
- Murray-Darling Basin Commission;
- National Registration Authority for Agricultural and Veterinary Chemicals;
- Pig Research and Development Corporation;
- Pipeline Authority;
- Rural Industries Research and Development Corporation;
- Sugar Research and Development Corporation;
- Tobacco Research and Development Corporation; and
- Wool International.

16. Prime Minister and Cabinet Portfolio

Key findings

All financial statements within the Portfolio were unqualified.

The Aboriginal and Torres Strait Islander Commission continued to encounter significant difficulties with Aboriginal and Torres Strait organisations adequately acquitting grants received.

Portfolio summary

16.1 The Prime Minister and Cabinet Portfolio is primarily responsible for providing policy advice to and monitoring public administration and accountability for the Prime Minister, Minister for Aboriginal and Torres Strait Islander Affairs, the Special Minister of State and Ministers Assisting the Prime Minister.

16.2 The Office of Multicultural Affairs (OMA) was transferred to the Department of Immigration and Multicultural Affairs (DIMA) and the Office of the Chief Scientist (OCS) was transferred to the Department of Industry, Science and Tourism (DIST) on 11 March 1996.

16.3 The agency consolidated financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Department of the Prime Minister and Cabinet	66	1,180	796	13
Aboriginal and Torres Strait Islander Commission and its controlled entities	986	965	457	69
Aboriginal and Torres Strait Islander Education and Cultural Advancement Trust	1	-	1	0
Aboriginal Benefit Trust Account	29	31	33	1
Aboriginal Hostels Limited	37	36	41	4

Australian Institute of Aboriginal and Torres Strait Islander Studies	8	8	5	2
Aboriginal and Torres Strait Islander Land Fund	8	8	5	2
Indigenous Land Corporation	4	3	51	1
Torres Strait Regional Authority	40	41	23	10
Office of the Commonwealth Ombudsman	9	9	1	2
Office of the Inspector-General of Intelligence and Security	1	1	1	1
Public Service and Merit Protection Commission	24	27	3	8
Office of National Assessments	7	7	1	3

- denotes amounts less than \$500 000

Audit summary

16.4 All audit reports within the Portfolio were unqualified.

16.5 The Aboriginal and Torres Strait Islander Commission continued to encounter significant difficulties with Aboriginal and Torres Strait organisations adequately acquitting grants received.

Aboriginal and Torres Strait Islander Commission

Overview of Agency

16.6 The Aboriginal and Torres Strait Islander Commission's principal functions are to formulate and implement economic and social programs for the Aboriginal and Torres Strait Islander people.

Structure of the Commission

16.7 The Commission consists of three levels:

- Commissioners;
- Regional Councils; and
- Administration.

16.8 The Commission is comprised of a Chairperson, seventeen members who are persons elected to represent the zones, and one other member.

16.9 The Chairperson is chosen by the Minister for Aboriginal and Torres Strait Islander Affairs.

16.10 The 35 Regional Councils, which consist of members elected by the local communities, are the representative arm of the Commission. The regions are grouped in sixteen zones, with each electing a Commissioner. The Torres Strait area constitutes a seventeenth zone and the members of the Torres Strait Regional Authority also elect a

Commissioner to represent the Torres Strait area.

16.11 The Commission's administrative arm is divided into three tiers, with a central office in Canberra, State offices in every capital city, and 30 regional offices throughout Australia.

Grantee organisations

16.12 There are approximately 1200 grantee organisations throughout Australia. These organisations are incorporated under a variety of Commonwealth and State legislation, with less than half of the organisations incorporated under the Commonwealth *Aboriginal Councils and Associations Act 1976*. The role of these organisations is to represent local community members, and as part of this function they apply for, and administer, grants from the Commission and/or other Commonwealth and State bodies for the benefit of community members. Some organisations were formed to administer small, one-off grants, while others manage large and diverse enterprises.

16.13 These organisations are independent bodies and do not form part of the structure of the Commission. As one of perhaps several funds providers, the Commission's role is to:

- assess and prioritise applications for funding;
- provide funding, within budgetary constraints, for programs that will benefit Aboriginal and Torres Strait Islander people;
- monitor the compliance with the conditions of grants; and
- assess the effectiveness of programs.

16.14 Whilst the Commission does not exercise direct control over the activities of the grantee organisations, it can take action such as appointing a grant administrator or withholding further funding if serious grant management problems are detected.

16.15 A significant proportion of the Commission's program expenditure budget is controlled by the regional councils. Following the regional council's decision, the relevant regional office assumes responsibility for the disbursement and monitoring of grant funds.

Audit mandate

16.16 The ANAO's mandate under the *Audit Act 1901* does not extend to the grantee bodies, as they are not established under Commonwealth legislation or controlled by Commonwealth bodies. The ANAO does, however, review the compliance by Commission staff with approved grant and loan procedures and the related delegations, and reports the results of these reviews to the Minister and to the Parliament.

Audit coverage

16.17 The audit focused on the major risk areas, grant expenditure and loans. As the major portion of expenditure in relation to grants, housing and enterprise loans is handled in the Regional/State Offices, the ANAO visited thirteen offices during the course of the audit. In addition, the ANAO liaised with the Special Auditor.

Results of 1995-96 financial statements audit

16.18 An unqualified audit report was issued on the Commission's financial statements.

Control structure

16.19 The ATSIC Act requires the following:

- the development of procedures covering grants and loans;
- the delegation of authority; and
- review of the Commission's programs by the Office of Evaluation and Audit.

16.20 Detailed procedures have been developed in relation to grants and loans and these procedures are reviewed on an annual basis to ensure that they are clear and unambiguous and in line with current practice. These procedures are considered to be comprehensive, with the terms and conditions applying to grants imposing stringent requirements on grantees.

16.21 The most common breaches of conditions, however, are the late provision of quarterly financial information and grant acquittance documentation.

16.22 Grantee organisations vary in size and complexity of operations. Many of the organisations lack the expertise to maintain the detailed records necessary to comply with the Commission's reporting requirements. Comprehensive and ongoing training is required if community members are to control confidently all facets of their financial affairs.

16.23 The Commission's policies and procedures recognise that situations may arise where grantee organisations need funds urgently but may not be able to comply with specific conditions of the grant within the stipulated timeframe. The ATSIC delegation framework is designed for referral to a higher authority within the Commission for consideration of payments in situations where there is a breach of grant conditions.

16.24 Section 75 of the ATSIC Act established the Office of Evaluation and Audit, the Director of which is appointed by the Minister. The ATSIC Act provides for the Office of Evaluation and Audit to evaluate, audit and report to the Minister and the Commission on the operations of ATSIC. In addition, the Minister or the Commission may request the Office of Evaluation and Audit to evaluate or audit the activities of individuals or bodies that have received grants/loans/guarantees from the Commission, but only to the extent that the evaluation or audit concerns those grants/loans/guarantees. The ATSIC Act also requires the Director of the Office of Evaluation and Audit to tell the Minister and Commission about particular problems that have arisen or may arise in relation to the operations of the Commission or individuals or organisations receiving money under the ATSIC Act.

Issues arising from the previous year

16.25 Issues arising in 1994-95 and action taken by the Commission in respect of these issues are as follows.

Community Development Employment Projects (CDEP)

16.26 An unacceptably high number of instances were noted where supporting

documentation for new participants could not be located. This lack of supporting documentation raised doubts as to whether all payments made by the Commission in relation to CDEP were in respect of eligible participants.

16.27 The Commission responded swiftly and positively by introducing quality assurance procedures in each State and the Director of the Office of Evaluation and Audit undertook audits on CDEP procedures in Regional and State Offices during the year. As a result of these measures, significant improvements were noted in 1995-96.

Self-insurance

16.28 The Commonwealth does not insure the Commission for risks such as lost or damaged property, plant and equipment and public liability and the Commission had neither insured against these risks nor undertaken a detailed assessment of the exposure

16.29 During 1995-96 a risk management plan was completed in preparation for submission to the Commission Executive for consideration.

Grant acquittals

16.30 During 1994-95 considerable delays again occurred in the provision of adequate acquittal documentation by many grantee organisations. Acquittances remained a problem in 1995-96 and a detailed report is included in the current year's audit findings.

Better practice

16.31 During the year significant improvements were achieved through the adoption of better practices. Examples of better practice noted during the course of the audit include:

- the use of quality assurance packages for program expenditure, especially CDEP;
- the introduction into grantee organisations and Regional Offices of automated procedures for CDEP participant schedules; and
- the positive attitude of many staff and the pro-active approach adopted to improving compliance with grant procedures.

Issues arising from this year

Grant acquittances

16.32 The level of compliance with grant acquittance procedures by grantees and Commission staff remains unsatisfactory. The acquittance process enables both the Commission and grantees to discharge their respective accountability responsibilities in relation to the proper use of grant funds and the Commission to assess the grantee's capability to deal with future grants.

16.33 The terms and conditions attaching to grants, including acquittance requirements, are clearly stated in the Letter of Offer. Acquittance documentation is required to be submitted within three months of completion of a project or within three months of the end of the financial year in which funding was provided. The type of acquittance documentation varies according to the size and purpose of the grant, with major capital and recurrent grants requiring the provision of audited financial statements in addition to

certificates of compliance with the terms and conditions of the grant.

16.34 As reported in previous years, the majority of grantees breached the conditions of their grants by failing to submit the appropriate acquittance documentation by the due date. Delays in excess of six months occurred in some instances.

16.35 The procedures require Commission staff to complete the acquittance process within two months of receipt of the documentation; however, Commission staff did not always adhere to this requirement. Acquittance action was often hampered by problems associated with inadequate documentation, qualified audit reports and inexperienced Commission staff.

16.36 In instances where grant moneys had not been fully expended, it is important to determine that such funds actually exist and have not been absorbed by other operations of the grantee. However, in most instances there was no evidence to suggest that the overall liquidity of a grantee had been considered.

16.37 Delays in the acquittance process could result in continuing funding being provided to organisations which do not have the capacity to manage these funds. Failure to consider the overall financial position of a grantee could result in major financial problems being overlooked in funding decisions.

16.38 Although special delegations and restrictions apply to the release of funds to organisations in breach of the funding conditions (and no widespread departures from these practices were noted), accountability problems are usually exacerbated by undue delays in instituting remedial action.

16.39 It was recommended that:

- grantees be reminded of the timeframe for the provision of acquittance documentation and the implications of not complying with this requirement;
- prompt follow-up action be initiated in respect of outstanding/incomplete acquittance documentation;
- the analysis of grant acquittance documentation provided by the grantee be undertaken within the required timeframe;
- complete and accurate information be provided on the relevant acquittance pro forma to enable the delegate to make an informed decision in relation to the acquittance; and
- prompt advice of the delegate's decision on the acquittance and/or remedial action be provided to the grantee.

Management response

16.40 ATSIC agreed with ANAO's observations and indicated that most of the recommendations are already included in the Commission's funding procedures. It advised that, to strengthen implementation of these procedures, the following actions have been, or will be, taken:

- new procedures introduced from 1 July 1996 have streamlined acquittance

requirements for all capital grants so that action required by both the grantee and ATSIIC project officers is less time-consuming than previously;

- training is provided through the Grant Procedures Helpdesk. After each review of procedures, further specialised training is provided in cooperation with State trainers and Regional Offices;
- there has been a concerted effort nationally over the past six months to action all unacquitted grants from the years prior to 1994-95;
- consideration is being given to the national application of an information kit developed by ATSIIC's Queensland State Office to provide assistance to funded organisations to inform their auditors of ATSIIC's funding and reporting requirements;
- instructions are issued periodically to remind staff of the procedural requirements for the timely analysis of acquittal documentation; and
- funded organisations have been reminded of the requirements to comply with ATSIIC's grant conditions in relation to financial statements and grant acquittance.

Community Development Employment Projects

New participant documentation

16.41 In 1994-95 the ANAO reported on the unacceptably high number of instances where supporting documentation for new participants could not be located. As a result of action taken by the Commission, only isolated instances of missing new participant documentation were identified in 1995-96. Instances were noted, however, where the identification section of new participant forms had not been completed. Although one Regional Office did accept a considerable number of forms on which the identification section had not been completed, it was pleasing to note that quality assurance procedures introduced by that office subsequently detected these discrepancies and the relevant project staff were requested to remedy the situation.

16.42 Despite the Commission issuing advice on acceptable categories of referees for participant identification purposes, instances were noted where the identification section was completed by an ineligible person. Forms completed by persons associated with the calculation, payment or recording of wages were of particular concern.

16.43 The non-completion, or the completion by persons associated with the wages function, of the identification section of the new participant form could result in ineligible or non-existent persons being included on the participant schedule.

16.44 It was recommended that staff be reminded of the necessity to ensure:

- the completeness of new participant forms;
- the identification section is completed by an eligible person who is independent of the payroll function; and
- persons not supported by adequate documentation are excluded from the participant schedule.

Management response

16.45 The recommendations were accepted.

16.46 An advice will be sent to all Regional and State Offices reminding them of the issues raised by the ANAO and drawing their attention to the requirements of relevant CDEP guidelines. State and Regional Office Quality Assurance Officers' attention will also be drawn to ANAO's recommendations. These points are covered in the CD-ROM training package due for release in late 1996 or early 1997.

Housing loans - insurance

16.47 At the time of purchasing/building a house, the borrower is required to provide evidence of adequate insurance cover over the building, and the Commission's interest is noted on the policy. However, there is no adequate method of ensuring that this insurance cover is maintained.

16.48 The review of housing loans identified instances where borrowers whose accounts were substantially in arrears had not responded to requests for details of current insurance cover. Although the Commission has the right to insure the buildings and debit the cost to the borrower's account, this right did not appear to have been exercised in respect of the loans reviewed. The possible non-insurance of properties held as security for loans represents a risk of loans being irrecoverable in the event of damage to the properties.

16.49 It was recommended that the Commission establish a loans database to include pertinent loan information, such as the renewal date for insurance.

Management response

16.50 ATSIC advised that a replacement system will allow for the automatic generation of borrower reminder letters prior to policy renewal. These systems also monitor that a new renewal date is entered on the system and, if not, automatically alerts staff that insurance renewal has not occurred. This function will then allow ATSIC to arrange for payment of outstanding insurance premiums. The target date for implementation of a replacement system is 1 July 1997.

Enterprise loans - monitoring of arrears

16.51 Although there was evidence of monitoring of loan arrears, the follow-up action taken in respect of some loans with poor repayment records was considered to be inadequate, and in most of these cases it appeared doubtful whether the value of the security would be sufficient to cover the outstanding loan balance.

16.52 In the majority of cases the security is by way of Bill of Sale over stock or plant and machinery. As the value of this type of security tends to depreciate quite rapidly, the value of the security will be insufficient to cover the loan balance if regular repayments are not maintained.

16.53 In the case of rural properties, the Commission is unable to continue to provide grant funds for property maintenance when borrowers are in severe breach of loan conditions. The borrower's capacity to repay the loan is further reduced if property maintenance is not maintained.

16.54 It was recommended that State Offices:

- undertake regular reviews of loan arrears;
- take prompt follow-up action in respect of the arrears;
- assess the continuing viability of the business enterprise;
- monitor the existence and value of security supporting the loans; and
- refer non-performing loans which have been in arrears for extended periods for legal action and/or write-off.

Management response

16.55 ATSIC accepted the recommendations and recently implemented measures to centralise management of arrears for defaulting business loans. It is intended that the Business Development Loan Management Unit will monitor all business loans and will undertake fortnightly reviews of those which default on loan repayments.

Other issues

16.56 Other issues noted during the course of the audit were:

- grant assessment forms were not always endorsed by the Regional Manager or the Deputy Regional Manager prior to presentation to the Regional Council;
- some Regional Council decisions were unclear and attachments referred to in the decisions were not always maintained on the project file, while in other instances difficulties were experienced in tracing the sequence of decisions;
- some funds releases were effected under incorrect delegations;
- in many instances the periodic financial statements were not provided by the grantee within the required timeframe and/or the statements were not analysed by Commission staff in accordance with approved procedures;
- Regional Offices did not have any formal procedures in place to confirm the adequacy of land tenure prior to approval of construction and infrastructure projects;
- letters of acceptance from grantee organisations were not always properly executed;
- as a result of incorrect categorisation of surplus and unexpended funds, Regional Councils were not always given the option of determining the most appropriate use of surplus grant funds;
- reconciliations of Regional Office imprest advance accounts were often only partially completed or completed incorrectly;
- handover/takeover certificates were not always completed at the time of change of advance holder; and

- despite improvement in the reconciliation process, a complete reconciliation between the Department of Finance salaries system, the PERSPECT system and the general ledger was not achieved.

16.57 The Commission acknowledged the above issues and agreed to institute remedial action.

Aboriginals Benefit Trust Account

16.58 The Aboriginals Benefit Trust Account (ABTA) was established under the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRNT Act). The Trust is administered by staff in the Northern Territory State Office of the Aboriginal and Torres Strait Islander Commission. Payments into the Trust are predominantly appropriations from the Consolidated Revenue Fund equivalent in amount to mining royalties paid to the Northern Territory and Commonwealth Governments in relation to mining interests on Northern Territory Aboriginal land. Payments out of the Trust consist primarily of payments to Land Councils in the Northern Territory to cover administrative expenses, disbursements to Aboriginal bodies for the benefit of Aboriginals in areas affected by mining operations, and otherwise for the benefit of Aboriginals in the Northern Territory.

Results of the financial statements audit

16.59 An unqualified audit report was issued on the Trust's financial statements for the year ended 30 June 1996.

16.60 All audit findings were resolved during the audit, with satisfactory responses being received on all issues raised.

Other matters

16.61 Guidelines were developed during the year for the funding of the Northern Territory land councils in an endeavour to overcome difficulties previously reported in relation to inconsistencies between the cash management policies of the Department of Finance and the practice of land councils in relation to claims for additional administrative costs under sub-section 64(7) of the ALRNT Act.

Aboriginal Hostels Limited

16.62 Aboriginal Hostels Limited provides low-cost short-term accommodation for Aboriginals and Torres Strait Islanders. The Company's head office is in Canberra and there are regional offices and hostels located throughout Australia.

Results of the financial statements audit

16.63 The audit report on the financial statements was unqualified.

Control structure

16.64 The ANAO concluded that the control structure could be relied upon, with systems producing accurate and reliable information to support the financial statements. However, recommendations were made to management in relation to the following issues where improvement was needed.

Payroll and personnel

16.65 A number of significant control breakdowns were noted by the Company's Internal Audit Section and the ANAO, resulting from the centralisation of the payroll function. In particular, deficiencies in the operation of systems and procedures relating to the payment of salary and other employee entitlements were noted. In addition, payroll and personnel records were not properly and accurately maintained.

16.66 The Company advised of appropriate remedial action.

Torres Strait Regional Authority

16.67 The Torres Strait Regional Authority is a statutory authority established under the *Aboriginal and Torres Strait Islander Act 1989*. The Authority's principal functions are to formulate and implement economic and social programs for Torres Strait Islanders and Aboriginal persons living in the Torres Strait area. The Authority has one office, located on Thursday Island.

Results of the financial statements audit

16.68 The audit report on the financial statements of the Authority was unqualified.

Control structure

16.69 The Authority's accounting systems and processes can be relied upon to produce accurate and reliable information for financial reporting purposes. Recommendations were made to management in relation to the following issues where improvement was needed.

Community Development Employment Projects

16.70 Quarterly payments to communities participating in the CDEP are made on the basis of the number of eligible participants.

16.71 A census conducted in 1992-93, when the Authority was a Regional Office of the Aboriginal and Torres Strait Islander Commission, formed the basis for the participant database. Subsequent amendments to this database, including since the establishment of the Authority, have been in accordance with certified quarterly participant schedules which are prepared by the communities, checked by the Authority and forwarded to ATSI's Central Office. The Authority's procedures require all new participants to be supported by a 'New CDEP Participant Certificate' which incorporates an identification section.

16.72 A review of a sample of the CDEPs processed by the Authority indicated an unacceptably high number of instances where supporting documentation for new participants could not be located. In addition, instances were noted where policies and procedures were not followed in that 'Project Officer Checklists' could not be located.

16.73 This lack of supporting documentation raised doubts as to whether all payments made by the Authority in relation to CDEP were in respect of eligible participants.

16.74 The Authority advised that since the audit was completed the missing documents had been located. The Authority acknowledged that certain internal controls were lacking in relation to the administration of the CDEP during the early stages of its operations. However, it indicated that it has recently implemented a database system to aid in the

verification of participant schedules, regular meetings and training have been provided to CDEP officers, and a Grant Administration Officer has been appointed to monitor adherence to policies and procedures and to implement a quality assurance program in the grants area.

Program expenditure

16.75 The Office of Evaluation and Audit concluded that, overall, the administration of the program functions was in need of considerable improvement. Of particular concern were the inaccurate and incorrect treatment of acquittals for 1993-94 grants and a delay in acquittal of 1994-95 grants.

16.76 The delay in the appointment of a Grant Administration Officer was, according to OEA, a contributing factor in the delay of 1994-95 acquittals. This delay also gave rise to an unacceptably high use of inappropriate delegations and resulted in a corresponding number of incorrectly authorised fund releases and inaccurate and incorrect grant acquittals.

16.77 OEA also reported that inadequate and or unsuitable performance indicators for funded projects were a common problem requiring immediate attention. It found, however, the implementation of a program monitoring system by one team indicative of the Authority's commitment to improve its control over program expenditure. It has since been adopted across the Office.

16.78 It was noted at the time of the ANAO audit that there was only a small number of acquittals outstanding.

16.79 The Authority advised that the delay in acquittal of 1994-95 grants was due to the fact that the Authority did not have access to the 1993-94 grant files until approximately twelve months after the formation of the Authority in June 1994 and these grants had to be acquitted prior to commencing acquittals of 1994-95 grants.

16.80 In addition, the Authority indicated that the noted high use of inappropriate delegations, which resulted in a corresponding number of incorrectly authorised fund releases and inaccurate and incorrect grant acquittals, reflects the complexity in grant administration controls which existed when the grants were transferred from the Aboriginal and Torres Strait Islander Commission and inadequate training of staff. However, this deficiency did not impact on the accountability of grant moneys, as the correct amount of grant moneys was released and acquitted, albeit under incorrect delegations.

16.81 The Authority was aware of the problems noted and was in the process of reviewing the administration of grants with the aim to simplify and streamline procedures and to develop more appropriate performance indicators to focus on outcomes rather than on processes. Relevant training has been provided for staff responsible for the administration of grants.

16.82 While the ANAO accepts that the correct amounts of grant moneys were released and acquitted, the use of incorrect delegations is a fundamental breakdown in basic controls.

Other issues

16.83 Other issues arising from the audit were:

- the significant scope for improvement in the control of fixed assets, particularly in regard to the identification of costs associated with individual assets, the recording of appropriate acquisition dates for depreciation purposes, and the adjustments required to the general ledger to enable a reconciliation against each class of asset in the asset register; and
- the need for the Authority to take greater responsibility for the preparation of its financial statements, as it appeared that there had been little liaison between the accounting firm contracted to prepare the financial statements and the responsible Authority officers.

16.84 The Authority advised of appropriate remedial action to be undertaken.

Public Service and Merit Protection Commission

16.85 The Public Service and Merit Protection Commission was established on 16 December 1995 following the amalgamation of the Merit Protection and Review Agency and the Public Service Commission. The principal goals of the Commission are to:

- improve the efficiency and effectiveness of the Australian Public Service;
- apply merit, fairness and equity;
- develop and maintain high-quality leadership; and
- promote best practice in people management.

Results of the financial statements audit

16.86 The financial statements of the Commission were unqualified.

Control structure

16.87 Overall, the audit found that the Commission's accounting systems and procedures could be relied upon to produce accurate information for financial statement purposes. The following matter was referred to the Commission for attention.

Internal audit

16.88 The Commission would benefit from a more focused internal audit function, overseen by an Audit Committee or other suitable review mechanism, in order to assist management ensure that systems and procedures are operating as intended.

16.89 The Commission advised that it is negotiating arrangements to enable appropriate internal audits to be performed in the current financial year.

Other Agencies

16.90 The results of the audits of the following entities were satisfactory and unqualified audit reports were issued to:

- Department of the Prime Minister and Cabinet;

- Aboriginal and Torres Strait Islander Education and Cultural Advancement Trust;
- Australian Institute of Aboriginal and Torres Strait Islander Studies;
- Aboriginal and Torres Strait Islander Land Fund;
- Indigenous Land Corporation;
- Office of the Commonwealth Ombudsman;
- Office of the Inspector-General of Intelligence and Security; and
- Office of National Assessments.

17. Social Security Portfolio

Key findings

The audit report on the Department of Social Security was unqualified.

Significant matters reported to the Department for prompt attention related to deficiencies in the information technology control structure, including the mainframe operating system, access security, change control and database administration.

Portfolio summary

17.1 The Social Security Portfolio comprises the Department of Social Security and the Social Security Appeals Tribunal, which is reported as part of the Department.

17.2 The Portfolio is responsible for the administration of income security programs for the retired, for people with disabilities and the sick, for the unemployed, for families with children, and provisions for special circumstances. Since 11 March 1996 the Department has been responsible for the housing functions of the former Department of Housing and Regional Development. From that date the Department also assumed responsibility for Youth Training Allowance.

17.3 The agency's financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Department of Social Security	1 371	39 107	687	1 481

Audit summary

17.4 The audit report on the financial statements of the Department of Social Security was unqualified.

Department of Social Security

17.5 The Department's charter is to achieve social security policies that meet the needs of the Australian community and to deliver entitlements and services with fairness, courtesy and efficiency.

17.6 The Department's organisational structure comprises a National Administration located in Canberra and an Australia-wide network of 18 Area Offices and over 290 full-time service delivery units in the form of Regional Offices, DSS Offices, District Offices and Teleservice Centres.

Results of the financial statements audit

17.7 The audit on the financial statements of the Department was unqualified.

Risk management

17.8 The Department assessed the risks pertaining to a benefit payment organisation, and the outcome of this assessment is described in the Department's 1995-96 Fraud Control Plan.

17.9 The Plan outlined the Department's strategy to implement its aim of greater accountability through the objectives of:

- prevention - to have systems and procedures in place that minimise the risks of incorrect payments;
- detection - to detect incorrect payments at the earliest possible stage if they occur; and
- deterrence - to deal decisively with cases which are detected, thus creating a public recognition of the risks and penalties involved in attempting to defraud the Department, and to promote voluntary compliance.

17.10 The Plan outlined the risks to each Program, proposed strategies to address the identified risks, and indicators that measure the success of the strategies in addressing the risks.

17.11 The Department prepared a report which analysed the results of the review activity and demonstrated that, to a significant extent, the strategies employed by the Department in 1995-96 addressed the risks identified in the Fraud Control Plan. In addition, the Department provided advice that the 1995-96 Fraud Control Plan had been effective and that the incidence of incorrect benefit payment was insignificant in terms of total payments of \$38 billion.

Control structure

17.12 The ANAO concluded that the Department's compliance review program, combined with the audit of key IT environment, application and management controls, confirmed that the control structure within the Department was of an adequate standard.

17.13 The Department relies significantly upon the integrity of the information technology control structure to ensure that transactions are valid, authorised and accurate. A number of deficiencies were noted in the information technology control structure associated with the mainframe operating system, change control, access security and database administration.

Access controls

17.14 The significant audit findings and recommendations relating to controls surrounding access to the Department's computer systems are outlined below. These matters are considered to require prompt attention by management.

Shared password for a userid with the ability to avoid all security controls

17.15 A large number of users were aware of the password which could avoid all mainframe security controls. There was no method of ensuring that this access was not used for unauthorised activities. The ANAO recommended that this password be removed.

17.16 The Department advised that the password has been deleted.

Inappropriate usage and inadequate monitoring of emergency access facility (`Firecall')

17.17 The `Firecall' privilege allows a user to access all parts of a computer system, bypassing normal access controls. It is therefore essential that usage of `Firecall' be restricted. ANAO review of the New South Wales and Victorian production environments identified instances where `Firecall' usage was inappropriate. The Department satisfactorily reviews the `Firecall' usage of only those staff in computer operations and not other staff. ANAO is of the view that `Firecall' usage should be monitored effectively.

17.18 The Department advised that the use of `Firecall' by computer operations staff is now being closely monitored. The only staff outside operations who have `Firecall' access are in Mainframe Systems and Database Operations. Implementation of Security Access Management Systems (SAMS) will provide facilities to review and control their use of `Firecall'.

17.19 A number of other important issues relating to access controls were identified. These issues should be included in management plans to be addressed in the forthcoming year. The Department generally agreed with the ANAO findings and advised that improvements will be made where the matter lies within the control of the Department. In particular, the ANAO found that:

- the relationship between the Secretary's delegations under the Social Security Act and the Department's personnel system and the authorities in the computer system could not be readily reconciled, which may result in unauthorised transactions;
- there was no regular review of security violations in the major client database to detect attempts at unauthorised access;
- users attempting to log on to the main database were not disabled after a small number of unsuccessful attempts, thus allowing a large number of access attempts and increasing the possibility of success; and
- the use of database commands which could be used to change data and programs was not monitored.

Program change control

17.20 The audit finding relating to program change control which requires prompt attention by management is outlined below.

Inadequate testing of new, enhanced and changed programs

17.21 ANAO review of change control identified inadequate testing of new and enhanced applications. The ANAO recommended that the Department ensure that sufficient time and computing resources are available for adequate testing and that testing be performed for all significant changes, with user owners signing off after user acceptance testing. The Department should retrospectively subject emergency changes to the standard change controls.

17.22 The Department responded that major system changes are generally driven by legislative requirements that determine the timeframes available for development and testing. It intends to issue a request for tender for a new mainframe which will provide increased capacity for development and testing. In addition, the purchase of an automated testing tool will increase testing effectiveness. User acceptance testing will become the responsibility of program areas. System integration acceptance testing sign-offs will be the responsibility of individual Branch heads, who will also perform risk analysis and review of emergency releases.

17.23 A number of other important issues relating to program change control were identified. The Department generally agreed with the ANAO findings and advised that appropriate improvements would be made where the matter lies within the control of the Department. In particular, the ANAO found that:

- production data was used in testing, creating the possibility that confidential client information could be disclosed to staff who did not require access to such information;
- there was no centralised facility to record the status of changes, with the risk that changes will not be correctly completed or tested;
- the large number of versions of programs being changed increases the possibility that previous changes will inadvertently be negated;
- the use of non-standard procedures to overcome problems with programs when a formal correction could not be arranged may result in the corruption of data; and
- there was no recording of program changes resulting from failures caused by changes to related systems, thus not assisting management to assess the likely impact of similar changes in the future.

Computer information systems operations

17.24 The significant audit finding relating to computer information systems operations is outlined below. This matter was considered to require prompt action by management.

Users able to control mainframe computer operations

17.25 The ANAO found that there are 28 users in New South Wales and Victoria who had the ability to control the operations of the mainframe computer from an ordinary terminal. The ANAO recommended that this privilege should be removed if not required.

17.26 The Department advised that this privilege is now restricted to those personnel who require this capability as part of their normal duties.

17.27 The following other important issues relating to computer information system operations were identified and were generally agreed to by the Department, which advised that improvements will be made:

- computer operators could change the configuration of systems without approval;
- consoles which provide access to the mainframe without a password could be accessed by an unnecessary number of staff;
- inadequate systems documentation about system exits which might allow unauthorised

programs to bypass access controls;

- operations staff shared a password for the submission of jobs and there was no audit trail to identify their use; and
- the failure rate of the main database increased the motivation to use ad hoc procedures which increase the risk of errors.

Processing controls

17.28 There were no significant issues relating to processing controls arising from the audit; however, the follow-up of other important issues were identified with which the Department generally agreed and advised that improvements will be made. The issues were:

- inaccuracies in the processing of the Department of Employment, Education, Training and Youth Affairs recoveries by the Department of Social Security computer system may result in DEETYA recoveries being duplicated;
- information on individual debts was not updated because of deficiencies in the interface between the Debt Management Information System and the Department's accounting system;
- delays in correcting discrepancies identified in the Debt Management Information System database may result in inaccurate balances; and
- the key controls which provide for the certification of computer-generated payments for the Pensions Common Platform system, required by Finance Regulation 45A(3)(b)(ii), are not documented in sufficient detail and the documentation does not link the testing performed to the controls.

Independent controls

17.29 The only significant audit finding relating to independent controls is outlined below. This matter was rectified promptly by management during the audit.

Completeness of information in the Debt Management Information System

17.30 The Department's Audit and Evaluation Branch performed a review of overpayments raised and, in its draft paper in January 1996, stated that a high level of debt relating to benefit overpayments was not being identified and recorded on the Debt Management Information System. The ANAO recommended that the Department confirm the materiality of debt not recorded in the accounting records at 30 June 1996.

17.31 The Department stated that it prepared estimates of overpayments and related debts expected to result from review activity for the year. The level of overpayments raised in the first half of the year was below expectations, which tended to confirm the assertions in the Audit and Evaluation Branch draft report. The Department therefore allocated extra resources to review in the second half of the year which resulted in a higher level of overpayments being identified and an increase in the number of debts raised.

17.32 ANAO analysis of overpayment statistics for the year led to the conclusion that administered receivables reported in the financial statements were materially correct.

17.33 In addition, the following important issues relating to independent controls were identified and should be included in management plans to be addressed during the forthcoming year. The Department generally agreed with the findings and advised that improvements will be made where the matter lies within the control of the Department:

- quality assurance reviews did not achieve agreed performance standards;
- information supporting benefit decisions, customer details and correspondence were not readily accessible;
- the validity of benefit payment decisions could not be verified because customer files could not be located and the information on the computer system was inadequate;
- evidence of compliance reviews was not always available;
- there was a low priority given to the completion of quality assurance reviews and some that were undertaken were not supported by documentation;
- inadequate reconciliation of the Pensions, Families, Newstart and Parenting systems with the Debt Management Information System did not ensure the completeness and validity of debts raised;
- incorrect general ledger codes were used to record some asset purchases;
- asset database reports did not provide adequate information for management purposes;
- there was inadequate segregation of duties in purchasing procedures, with a number of users able to enter purchase order details and pay an invoice for the same purchase order;
- reconciliation of transactions with an invalid benefit code between the accounting system and the Debt Management Information System was not performed and the benefit payment balances may have been understated by the total of unprocessed transactions;
- debts not formally determined under the *Social Security Act 1991* at year end are valued at the average value of new debt, not the actual value which is likely to be determined, and the number of debts at 30 June 1996 has increased from the previous year by 50 per cent to 155 929. This method of valuation adversely influenced the reliability of the receivables balance; and
- because nearly 60 per cent of debt was over one year old, the provision for doubtful debt should incorporate a general provision based upon operational experience, in addition to the specific provision for debts ascertained as not recoverable.

18. Transport and Regional Development Portfolio

Key findings

With the exception of ANL Limited 1994-95 and the Australian National Railways Commission 1995-96, all financial statements within the Portfolio were unqualified.

The audit report on the financial statements of the Federal Airport Corporation (FAC) while unqualified, drew attention to the current deliberations of the Commonwealth Government as to

the timing and method for disposal of the airports which make up the bulk of FAC assets. As a consequence there is significant uncertainty as to whether FAC will continue as a going concern.

The audit report on the financial statements of ANL Limited and its controlled entities (ANL) for 1995-96 was unqualified; however, attention was drawn to the fact that the financial statements were prepared on a going concern basis as a result of the continued support provided by the Commonwealth Government. In addition, reference was made to continuing uncertainty arising from the current deliberations of the Commonwealth Government as to the restructure and future strategic direction of ANL. As a consequence there was uncertainty as to the recoverability and classification of asset carrying amounts and the amount and classification of liabilities.

The audit report on the financial statements of ANL Limited and its controlled entities for 1994-95 was qualified as a result of the uncertainty arising from the then Government's and ANL's consideration of the strategic future direction of ANL. As a consequence there was uncertainty as to the recoverability and classification of asset carrying amounts and the amount and the classification of liabilities.

The audit report on the financial statements of the Australian National Railways Commission was qualified because of the uncertainty as to the recoverability of non-current assets (\$470.5 million) resulting from the then Government's intention to establish a national rail infrastructure authority and the recoverability of redundancy supplements (\$43.4 million) from the Commonwealth Government.

Portfolio summary

18.1 The Department of Transport and Regional Development was established on 11 March 1996. Its main areas of responsibility are shipping and marine navigation, land transport (including road safety), civil aviation and air navigation, aviation security, investigation of aviation and maritime accidents and incidents, regional development and urban management.

18.2 The agency consolidated financial information is included in the following table.

Agency	Revenue million	Expenditure million	Assets million	Liabilities \$ million
Department of Transport & Regional Development	562	1 173	2 806	577
Airservices Australia	580	531	794	361
Albury-Wodonga Development Corporation	11	9	118	5
ANL Limited 1995-96	354	360	236	248
ANL Limited 1994-95	405	436	259	265
Australian Maritime Safety Authority	65	62	88	26
Australian National Railways Commission	358	569	908	920
Civil Aviation Safety Authority	95	72	42	18
Federal Airports Corporation	579	531	2 943	43
National Rail Corporation	539	537	846	484
National Road Transport Commission	4	4	1	1

Audit summary

18.3 With the exception of ANL Limited's financial statements for 1994-95 and the Australian National Railways Commission's financial statements for 1995-96, the audit reports on the financial statements of the entities within the Portfolio were unqualified.

Department of Transport and Regional Development

18.4 The Department of Transport and Regional Development was established on 11 March 1996 with responsibilities as described above in the Portfolio summary.

Results of the financial statements audit

18.5 The audit report on the Department's financial statement was unqualified.

Control structure

18.6 The results of the audit indicated the Department's accounting systems and processes could be relied upon to produce accurate and reliable information for financial reporting purposes. Scope existed, however, to improve the level of supporting evidence obtained for the following administered revenue and expense items:

- aircraft noise levy;
- marine navigation levies;
- interstate road transport charges; and
- payments from the *Aviation Fuel Revenues (Special Appropriation) Act 1988*.

18.7 The Department has advised of action taken to strengthen the supporting evidence obtained from the respective Commonwealth and State agencies.

ANL Limited

18.8 ANL was made a company by the *ANL (Conversion into Public Company) Act 1988*. Its principal functions are to provide domestic and international shipping and transport services.

Results of the financial statements audit 1995-96

18.9 The audit report was unqualified. Attention was drawn in the report to certain matters relating to the inherent uncertainty regarding the carrying values of certain assets and liabilities.

Restructure

18.10 During 1994-95 a number of options concerning the strategic direction of ANL, including restructure of the company, were considered by the then Government. The 30 June 1995 accounts contained a provision for the restructure of the company of \$66.6 million.

18.11 Following the then Government's decision not to proceed with the sale of the company, the then Government's Joint Media Statement dated 30 November 1995 and reiterated by the Chairman of ANL on 13 December 1995 indicated that ANL proposed to embark on a major restructure. The

first phase of the restructure commenced in January 1996 with the sale of ANL's 50 per cent share in Coastal Expressline, the exit from the Europe trade, sale of the business assets of Mesco, and a corporate restructure. Actual restructure costs incurred during 1995-96 have been appropriately applied against the provision for restructure.

18.12 In March of this year, the Government requested a report from ANL's Board of Directors outlining the strategic options available to the company. In consultation with independent consultants, the report was finalised and presented to the Minister for Transport and Regional Development on 31 May 1996. At the time of the audit report on the financial statements, the Government had not concluded its deliberation on the restructure and future strategic direction of ANL. Against this background, the provision for restructure was formulated based on the Directors' best estimate of likely events in relation to the restructure of ANL. Until such time as the future strategic direction of ANL is finalised and executed, there is uncertainty as to the recoverability and classification of asset carrying amounts and the amount and classification of liabilities.

Going concern

18.13 The Corporations Law requires Directors of a company to form an opinion as to whether the company is a going concern, including its ability to pay its debts as and when they fall due. The auditor is required to form a view of the validity of the Directors' assessment.

18.14 As in past years, the ANAO considered issues relating to the question of ANL's ability to operate as a going concern. The consideration of this issue arose as a result of the significant operating losses incurred over the last three years. In addition, at 30 June 1996 ANL had a deficiency of current assets over current liabilities of \$97.0 million and a deficiency of shareholder's funds of \$12.0 million.

18.15 The ANAO, in considering the implications of the above, established that:

- on 24 April 1995, pursuant to the ANL Guarantee Act which was passed on 30 November 1994, the Commonwealth issued its determination guaranteeing ANL's Promissory facility for up to \$100 million;
- on 30 November 1995 the then Government iterated its earlier announcement of 22 August 1994, to guarantee ANL Limited debt in the event of restructuring, and on 21 December 1995 the then Government entered into a formal Deed of Guarantee, under the ANL Guarantee Act, for the benefit of ANL's financiers and that Deed remained in effect at the date of signing this year's accounts; and
- on 6 September 1996 the Minister approved an extension of ANL's current banking arrangements with its primary banker and an extension of the Promissory Note facility for an initial period of up to twelve months beyond March 1997.

18.16 Consistent with the ongoing support of the Government, which provides ANL with a significant degree of comfort, the ANAO concluded that ANL would be able to continue as a going concern during the coming year.

Results of the financial statements audit 1994-95

18.17 The audit report on the financial statements was qualified.

Inherent uncertainty, including going concern basis

18.18 The financial statements were prepared on a going concern basis and assumed continued support of the then Government. On 31 August 1995 the then Government released details of an agreement reached between the relevant ANL Unions (Unions), the ACTU, the Government and P&O Australia Ltd (P&O) with a view to concluding a sale of ANL to P&O. The ANL Board appointed on 22 August 1994 resigned effective 7 September 1995. A new Board was appointed by the Government to take responsibility for ANL up to the date of the sale to P&O. On 30 November 1995 the then Government announced that ANL was to be restructured rather than sold to P&O. The term of appointment of the current Board was extended to 30 June 1996 with a mandate to restructure ANL. The Directors, at the time of signing the audit report, had not concluded their deliberations on the restructure and strategic future direction of ANL.

18.19 The ANL Directors' determination could have affected the carrying value and classification of assets, in particular property, plant and equipment and investments. The Directors' decisions may have also affected the classification and adequacy of liabilities and provisions reflected in the financial statements. The provision for restructure costs had been formulated based upon certain assumptions and on the Directors' best estimate of likely events in relation to the restructure of ANL. Until such time as the future direction of ANL is finalised and executed, there was uncertainty as to the appropriateness of the amount of the provision. With the exception of the provision for restructure costs, the financial statements did not include any adjustments or reclassifications that might result from this uncertainty.

Australian National Railways Commission

18.20 The Australian National Railways Commission was established by the *Australian National Railways Commission Act 1983*.

18.21 The Commission operates three railway systems previously operated by the Commonwealth Government and the governments of South Australia and Tasmania. The Act gives the Commission the powers to provide railway services for passengers and freight, and non-railway services incidental or supplementary to railway services as well as providing technical or other services to the Commonwealth Government. The Commission's principal businesses are the provision of freight transport by rail in South Australia, passenger transport on the mainland, and freight transport in Tasmania.

Results of the financial statements audit

18.22 The audit report was qualified in respect of mainline permanent way and associated facilities, and redundancy supplementation.

Mainline permanent way and associated facilities

18.23 The 1994-95 financial statements audit report referred to the continuing uncertainty resulting from the then Government's intention to establish a national rail infrastructure authority. At the time the 1994-95 audit report was issued, the details as to the manner, timeframe and consideration to be provided to the Commission for the transfer of the assets had not been determined. The 1995-96 financial statements included the written down value of non-current assets of \$470.5 million assigned by the Commissioners to mainline permanent way and associated facilities likely to be transferred to the proposed national infrastructure body. As a result of the continuing uncertainty and the material

nature of these assets, and the absence of any further advice from the Commonwealth Government on the value to be attached to the assets to be transferred to the new body, reference to this matter was included in the audit report.

Redundancy supplementation

18.24 The financial statements included a receivable of approximately \$43.4 million as at 30 June 1996 from the Commonwealth Government relating to redundancy supplements for the 1996-97 financial year. However, the Commonwealth Government has not provided written confirmation of this funding commitment, and as a consequence, recoverability of this amount was uncertain.

Inherent uncertainty regarding restructure of the Commission

18.25 Attention was drawn in the audit report to the following matter relating to inherent uncertainty.

18.26 The financial statements of the Commission were prepared on an on going concern basis which assumed the ongoing support of the Commonwealth Government. At 30 June 1996, the Commission had a deficiency of current assets over current liabilities of approximately \$56.4 million and a deficiency in equity of approximately \$11.9 million. The Commission has also incurred significant losses in the last two financial years. The Commonwealth has formally guaranteed the principal and interest payments relating to the Commission's borrowings.

18.27 In April 1996, the Government announced its intention to examine all aspects of its involvement in the rail industry and plans for the future. As a result, the Commonwealth Government commenced a review of the Commission. The results of this review were presented to the Government on 19 June 1996 for its consideration. The Government, at the time the audit report on the financial statements was issued, had not concluded its deliberations on the structure and strategic direction of the Commission. The ANAO has relied on the Commonwealth's advice of its continuing support of the Commission.

18.28 The Commonwealth Government, and the Commissioners' determinations, may require the Commission to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts (among other matters, the recoverability of certain receivables including \$76.2 million from the National Rail Corporation relating to assets held for transfer and the writedown of non-current assets), or to the amounts and classification of liabilities (including, among other matters, costs associated with the early extinguishment of non-current debt and provisions for matters associated with additional employee redundancies, the environment, business interruption, superannuation commitments and existing contract termination penalties) to reflect these events. Until such time as the future strategic direction of the Commission is finalised and executed, there is uncertainty as to the recoverability of, and the classification of asset carrying amounts and the amount and classification of liabilities.

18.29 A number of matters were considered in arriving at the opinion that the Commission's financial statements present fairly, in accordance with Statements of Accounting Concepts, applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Commission as at 30 June 1996 and the results of its operations and its cash flows. A key matter was an assessment of the following factors which impact on the ability of the Commission to continue to operate as a going concern until the 1996-97 financial statements are prepared:

- at 30 June 1996 the Commission's operating loss at \$210.5 million (including a \$68.6 million

operating loss before abnormals). This followed an operating loss of \$61.4 million in 1994-95;

- negative equity existed at 30 June 1996 to the extent of \$11.9 million. This followed a positive total equity in 1994-95 of \$198.6 million;
- accumulated losses at 30 June 1996 totalled \$495.5 million;
- cash flow projections for the 1996-97 financial year showed a negative cash position at 30 June 1997. In 1995-96 there was a negative cash flow of \$19.9 million;
- a comparison between current assets (\$260.2 million) and current liabilities (\$316.6 million) as at 30 June 1996 shows a negative working capital position of \$56.4 million and there is a net asset deficiency of \$11.9 million;
- based on past performance the Commission's budget forecasts would have to be considered doubtful at best and unlikely to be achieved. The forecast budget outcome for 1995-96 was \$26 million loss whereas the actual outcome before abnormals was a \$68.6 million loss;
- the Commission is not permitted to negotiate any further borrowings without the Minister for Finance's approval. So far \$20 million has been approved by the Minister for Finance. In approving the \$20 million the Minister for Finance indicated that if the Commission was limited to an additional \$20 million in borrowings, it should have sufficient cash balances until January 1997 (assuming Budget funding is available from December 1996);
- the Government continues to guarantee the borrowings of the Commission, however, the guarantees may be terminated at any time (30 days notice is required); and
- the uncertainty arising from the impact of Government decisions concerning the continuation of various Commission businesses, the resolution of a number of disputes and legal cases may significantly impact on the cash position as at 30 June 1997.

18.30 Prior to the issue of the audit opinion on the 1995-96 financial statements the Commonwealth advised of its continuing support of the Commission.

Other matters

Transfer of assets to National Rail Corporation

18.31 The 1994-95 financial statements audit report referred to the continuing uncertainty in relation to the potential for a loss of a significant proportion of the business as a result of the transfer of the Commission's interstate freight functions to the National Rail Corporation (NRC). During 1995-96 the Commission and NRC continued to identify the assets to be transferred and the value to be attached to these assets. While no formal agreement has been signed concerning the transfer, the Commission has disclosed in its financial statements, \$76.2 million, as a receivable. This approach followed the Commission's decision that the assets were to be written out of the Commission's books and shown as a receivable from the Commonwealth Government for their full written down value. The recoverability of this receivable as at 30 June 1996 from NRC is uncertain.

National Rail Corporation - commercial fee for service billings

18.32 The 1994-95 financial statement audit report referred to the continuing uncertainty that

existed in respect of the resolution of commercial fee for service billings between the Commission and NRC. An agreement was established, operative from 1 February 1996, indicating that billings would be on a commercial basis and that amounts outstanding prior to this date would be based on the Railway Freight Services Agreement Stage 2.

Asset valuations

18.33 With exception of those assets to be transferred to NRC (\$76.2 million) and assets to be transferred to a new entity possibly to be known as Track Australia (\$470.5 million), the Commission has, in accordance with the requirements of the Accounting Standards, written its remaining assets down to recoverable amount or disposal value after reclassifying these assets by business group rather than as previously reported by asset type, ie. Land and Buildings, Plant and Machinery etc. This has resulted in an abnormal expense of \$116.3 million. The outcome of the valuation exercise and the Commissioner's valuation were adequately disclosed in the financial statements.

Environmental issues

18.34 A recent study undertaken by an environmental engineering firm has determined that a provision for \$7 million be established for restoration work on numerous Commission sites. Not all sites have been assessed at this stage, however, the study was undertaken on the most significant sites affected by contamination of some kind. The Commission established a provision for this amount in the 1996 accounts.

Federal Airports Corporation

18.35 FAC's principal functions are to operate Australian airports transferred to it and provide consultancy and management services to operators and others relating to the development and operation of airports and associated facilities.

Results of the financial statements audit

18.36 The audit report on the financial statements of FAC was unqualified. Attention was drawn, however, to the following matter. Decisions have not yet been finalised by the Commonwealth Government as to the timing and method for disposal of the airports which make up the bulk of FAC's assets. There is significant uncertainty that the Corporation will continue as a going concern, whether it will be able to realise its assets in the normal course of business at the amounts stated in the financial statements, and whether the liabilities of the Corporation are appropriately classified.

Other Agencies

18.37 The results of the audits of the following entities were satisfactory and unqualified audit reports were issued to:

- Airservices Australia;
- Albury-Wodonga Development Corporation;
- Australia Maritime Safety Authority;
- Civil Aviation Safety Authority;

- National Rail Corporation; and
- National Road Transport Commission.

19. Treasury Portfolio

<p>findings</p> <p>In the exception of the Reserve Bank of Australia, all financial statements within the Portfolio are unqualified.</p> <p>The audit report on the Reserve Bank's financial statements was qualified because profit and loss on sale of investments was not accounted for in accordance with the requirements of Australian Accounting Standard - Accounting for the Revaluation of Non-current Assets (AAS 10).</p>
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Portfolio summary

19.1 The principal activities of the Treasury Portfolio are economic policy, financial sector policy and administration, taxation policy and administration, financial assistance to other levels of government, statistical operations and banking services.

19.2 The agency financial information is included in the following table.

Agency	Revenue \$ million	Expenditure \$ million	Assets \$ million	Liabilities \$ million
Australian Bureau of Statistics	268	257	73	69
Australian Competition and Consumer Commission*	62	33	4	6
Australian Securities Commission	137	145	38	36
Australian Taxation Office	103 507	2 368	26 314	10 663
Companies and Securities Advisory Committee	1	1	1	1
Department of the Treasury	7 570	28 295	38 990	128 380
Economic Planning and Advisory Commission	2	2	1	1
Housing Loans Insurance Corporation	69	51	277	204
Industry Commission	23	26	4	8
Insurance and Superannuation Commission	36	40	12	11
National Competition Council	1	1	1	1
Reserve Bank of Australia	3 930	1 544	35 997	28 751
Reserve Bank of Australia OSF	62	24	585	4
Royal Australian Mint	35	34	18	5

- Trade Practices Commission and Prices Surveillance Authority figures included in Australian Competition and Consumer Commission.

Audit summary

19.3 With the exception of the Reserve Bank of Australia, the financial statements of entities within the Portfolio were unqualified.

Reserve Bank of Australia

19.4 The major functions of the Bank are to formulate and implement monetary policy, be banker and financial agency for the Government, print and manage the note issue, supervise the banking industry, conduct stock registries for Commonwealth Government securities, supervise Australia's foreign exchange arrangements, and hold and manage Australia's reserves of gold and foreign exchange.

Results of the financial statements audit

19.5 The audit report on the Reserve Bank's financial statements was qualified. The Bank departed from the requirements of Australian Accounting Standard - Accounting for the Revaluation of Non-current Assets (AAS 10), as it recognised profit and loss on the sales of investments by reference to the cost and not the book value. This resulted in a transfer of the amount previously recognised as a reserve movement to the profit and loss.

19.6 In accordance with the requirements of AUS 702, 'The Audit Report on a General Purpose Financial Report', the ANAO qualified the audit report on the grounds of non-compliance with applicable accounting standards, notwithstanding the ANAO's belief that, economically, the treatment was justified and was required to give effect to the intention of the Reserve Bank Act and the calculating of net profit under that Act. In accordance with Australian Auditing Standards the qualification includes quantification of the net amount of transfers from the asset revaluation reserve to profit and loss. For the year ended 30 June 1996 this amount was \$796 million.

Australian Securities Commission

19.7 The Australian Securities Commission (ASC) is the sole national authority responsible for administering a national Corporations Law, regulating corporations, securities and futures markets. The ASC has offices in all States and Territories and deals with the corporate sector and the public through business centres in all major cities.

Results of the financial statements audit

19.8 The audit report issued on the financial statements was unqualified.

Control structure

19.9 The results of the audit indicated that key controls were operating adequately and the accounts and records could be relied upon for the preparation of the financial statements. However, it was recommended that improvements be made to ensure:

- the timely maintenance of the Commission's fixed assets register; and
- more frequent reconciliations of the assets register with the Commission's ledger.

19.10 The Commission advised of appropriate remedial action.

Australian Taxation Office

19.11 The main function of the Australian Taxation Office (ATO) is the administration of legislation imposing taxes other than customs and excise duties and departure tax. The principal taxes administered by the Commissioner of Taxation include income tax, sales tax and fringe benefits tax. The ATO is also responsible for the collection of child and spouse maintenance payments due under the Child Support Scheme, certain higher education contributions under the Higher Education Contribution Scheme, and employer shortfall payments under the Superannuation Guarantee Scheme.

19.12 The ATO has a National Office in Canberra and during 1995-96 operated 25 branches across Australia.

Results of the financial statements audit

19.13 The audit report on the financial statements was unqualified.

19.14 Given the self-assessment regime within the Australian taxation system, taxation revenue is unavoidably affected by the incidence of tax evasion and other breaches of the taxation laws. The ATO has not estimated the value which results from such evasion and breaches. The ATO has, however, in the context of a risk management framework, implemented various management practices aimed at limiting the extent of such non-compliance.

19.15 The cornerstone of this framework is a series of Health of the System Assessments (HOTSA) completed by each of the ATO's nine Business and Service Lines (BSLs) during 1994-95. These assessments provide a summary of each of the BSLs' risks and achievements against corporate goals. The HOTSA were used to determine future funding arrangements as well as to identify areas where performance can be developed and improved. As part of the process, BSLs were required to test the achievable outcomes and workforce planning, as well as develop operational performance standards to monitor performance against the Corporate Plan.

19.16 In 1995-96 the BSLs continued to refine this process. Using a standardised Research and Risk Assessment Model, BSLs have commenced detailed assessment of risks relating to individual industry/client groups. The outcomes of these assessments have been used to assist in the allocation of resources and as the basis of compliance program strategies. Committee structures have been established to take responsibility for the management and monitoring of these processes.

19.17 Processes implemented within the BSLs include various service and enforcement activities to promote voluntary compliance with the taxation laws and to bring to account those persons and entities that do not comply with the requirements. Taxpayer audit activity is the primary enforcement arm for the implementation of the ATO risk strategy and is supplemented by a significant client service program to assist taxpayers in complying with the law.

19.18 In line with a recommendation made by the ANAO during 1994-95, the ATO implemented a mechanism to support and demonstrate accountability of the National Program Managers to the Commissioner in relation to operations of the BSLs. This included assurances in relation to the risk management practices in place within each of the BSLs. This has facilitated the coordination and evaluation of risk management practices throughout the ATO.

19.19 The risk management framework being implemented within the ATO is considered to have a sound basis and is aligned to corporate objectives. Considerable progress has been made in this area in 1995-96 and the ATO is committed to develop further and enhance related processes. Given the

self-assessment regime, it represents an appropriate means by which the risk of non-compliance can be addressed.

Control structure

19.20 The ATO relies on information technology controls over systems to ensure the validity, accuracy and completeness of financial data. The ATO operates a complex, Australia-wide network of mainframe, mid-range and mini computers which provides local Branch Office processing and access to centralised business and accounting systems. While the control structure supporting the ATO financial reporting and accountability requirements was considered reasonable, a number of areas where improvement is required were advised to ATO management during the audit. The more significant of these matters are outlined in the following paragraphs.

Access security

19.21 During the audit it was noted that there were insufficient controls in place to prevent unauthorised access by ATO staff to certain key computer facilities and processes. Weaknesses noted included programming staff with access to production systems, the failure to monitor access by privileged users, deficiencies in business rules relating to password changes, the failure to review regularly access levels of all system users for continued appropriateness, and the use of generic user-IDs. These weaknesses place the integrity of the ATO's systems and data at risk.

19.22 ATO management advised that action would be taken to address weaknesses surrounding access controls.

Change control

19.23 A number of areas where improvements in change control procedures were required were raised with ATO management during the audit. Some of these were noted in previous years. The more significant matters included:

- the need for improvements surrounding the processes for the issue of certificates under Finance Regulation 45A(3)(b)(ii) which permit streamlined certification to be adopted in the processing of payments; and
- the need to improve controls over changes to information technology systems, particularly retrospective testing and review of emergency changes.

Other matters

19.24 Additional matters raised with ATO management for improvement included:

- the failure to complete key reconciliations in an effective and timely manner, placing the validity of financial data at risk;
- deficiencies in quality assurance procedures necessary to ensure the accuracy of financial and other data;
- inconsistent application of control procedures and processing requirements in relation to debt management, resulting in the risk that processing errors could remain undetected;
- weaknesses in the general control environment, including inappropriate segregation of duties and the failure to clear suspense accounts in a timely manner; and

- inconsistent application of procedures surrounding taxpayer registration and cancellation.

19.25 The ATO has advised of appropriate remedial action in relation to each of these issues.

Other Agencies

19.26 The results of audits of the following entities were satisfactory and unqualified audit reports were issued to:

- Australian Competition and Consumer Commission;
- Department of the Treasury;
- Economic Planning and Advisory Commission;
- Housing Loans Insurance Corporation;
- Royal Australian Mint;
- Australian Bureau of Statistics;
- Industry Commission;
- Insurance and Superannuation Commission;
- Trade Practices Commission;
- Companies and Securities Advisory Committee;
- Prices Surveillance Authority;
- Reserve Bank of Australia Officers Superannuation Fund; and
- National Competition Council.



Canberra ACT
9 December 1996

P. J. Barrett
Auditor-General

Appendix 1 - Accounting and Auditing Framework

This appendix outlines the Commonwealth's accounting and financial audit reporting frameworks. Particular mention is made of developments in the accounting framework for departments and the uses of the resulting information. The approach adopted by the ANAO to its financial statement audits is also discussed.

The accounting framework

The Commonwealth public sector is made up of a number of types of entities, each of which has distinct financial reporting requirements.

Departments

Section 50 of the *Audit Act 1901* requires the Secretary of each department to prepare financial statements in accordance with the *Guidelines for Financial Statements of Departments* issued by the Minister for Finance (Guidelines for Departments).

For the purposes of financial reporting, 'department' includes a branch or agency of the public service in relation to which a person has the powers of a Secretary of a Department of the Australian Public Service. Departments do not have a legal existence separate from the Commonwealth. Their financial transactions are made on the Commonwealth Public Account and they cannot hold money in their own right.

The Guidelines for Departments require compliance with Australian Accounting Standards, Statements of Accounting Concepts, Accounting Guidance Releases issued by the Australian Accounting Research Foundation, and Consensus Views of the Urgent Issues Group.

For the year ended 30 June 1996, the heads of 60 departments (including the ANAO) were required to prepare financial statements. All of these statements were prepared on a full-accrual basis.

Under accrual reporting, departments report comprehensive information on departmental assets and liabilities and report revenues and expenses in the form of an operating statement focusing on the net cost of providing departmental services. Assets and liabilities and expenses and revenues held or incurred by the department on behalf of the government are reported separately in the statement.

All statements are audited by the ANAO, apart from the ANAO's own departmental statement, which is subject to audit by the Independent Auditor in accordance with section 48N of the Audit Act.

Departmental commercial activities

Section 41D of the Audit Act provides for the keeping of accounts and preparation of financial statements regarding the commercial activities of a department. Under a determination of the Minister for Finance, departments are required to prepare full-accrual financial statements in relation to these commercial activities in accordance with the guidelines issued by the Minister for Finance for the *Financial Statements of Commonwealth Authorities* (Guidelines for Authorities).

The Guidelines for Authorities also require compliance with Australian Accounting Standards, Statements of Accounting Concepts, Accounting Guidance Releases, and consensus views of the Urgent Issues Group.

On completion, these financial statements are incorporated into the financial statements of the relevant departments.

Statutory authorities

Statutory authorities that are bodies corporate are legal entities, separate from the Commonwealth. They can hold money in their own right and operate their own bank accounts. These authorities are required to prepare full-accrual financial statements in accordance with the Guidelines for Authorities.

Government companies

Commonwealth-owned and-controlled companies are required by the Corporations Law to prepare financial statements in accordance with Schedule 5 of the regulations under the Corporations Law and with applicable Accounting Standards. Where a company is a small proprietary company, it is normal practice for the shareholders to request audited financial statements.

The audit framework

The audit reports on financial statements referred to in this report cover mainly financial statements of departments, departmental commercial activities, statutory authorities and companies. There are a small number of other audit reports on, for example, trusts and joint ventures. Government business enterprises may be either statutory authorities or companies.

As noted above, different financial reporting requirements apply to the different types of entity. Slight variations also apply to audit reporting requirements, reflecting the various sources of audit authority. However, all audit reports on financial statements issued by the ANAO are written to comply with professional auditing requirements and the scope of the audit is the same regardless of the type of entity.

Audit scope

The secretaries of departments and heads as well as members of the governing body of other entities are responsible for the preparation and presentation of the entities' financial statements and the information contained therein. The ANAO conducts an independent audit of the financial statements in order to express an opinion on them.

The audits are conducted in accordance with ANAO Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and evaluation of accounting policies and significant accounting estimates. These procedures are undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Australian accounting concepts and standards, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with the auditor's understanding of the entity's financial position, the results of operations and cash flows.

The Auditor-General is also required by the Audit Act and other legislation to examine and audit the accounts and records of certain entities, and to report at least once in each year to the responsible Minister on the results of these audits. This examination and audit are undertaken as a part of the audit of the financial statements and reported as the results of the financial statement audit. There has been increasing emphasis worldwide on the provision of this type of report, and in line with this the Auditor-General decided to provide these reports for all entities audited from 1994-95.

All audits are conducted in such a way that there is a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud or error. However, the responsibility for the prevention and detection of irregularities, including fraud, rests primarily with management. This responsibility is fulfilled mainly through the

implementation and continued operation of an adequate system of internal control. It is not the prime purpose of an audit to discover irregularities, including fraud, and the examination should not be relied upon to disclose all irregularities that may exist. Put another way, an audit does not guarantee that there are no irregularities, including, in particular, fraud.

The inquiries that the ANAO makes and the tests performed cover those significant aspects of an entity's business which are necessary to enable an opinion to be formed on the financial statements. For each entity, the ANAO obtains an understanding of the control structure (comprising the control environment, the information system and the internal controls) in order to assess its adequacy as a basis for the preparation of the financial statements and to establish whether proper accounting records have been maintained. The nature and extent of the tests performed in an audit vary according to the assessment of the control structure.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any system of internal control, there is an unavoidable risk that some material misstatement may remain undiscovered. Significant weaknesses in internal control and other matters relating to the financial statements which come to the attention of the ANAO during the course of an examination are reported initially to management and subsequently to Ministers and, by way of this Report, to the Parliament.

Australian Auditing Standards

The ANAO Auditing Standards issued by the Auditor-General on 27 May 1996 adopted the recently codified Auditing Standards (AUS) for audits of financial statements for reporting periods ending on or after 30 June 1996. The AUS became mandatory for the auditing profession in general in relation to reporting periods commencing on or after 1 July 1996. One significant change is to the audit reporting provisions. Audit opinions may now be modified by qualification, or by the addition of an 'emphasis of matter' section.

Types of qualification which may be given, and the conditions which may result in such a qualification, are discussed below.

An 'except for' opinion is given where there is a disagreement with management (e.g. where management omits a significant liability from the financial statements), a conflict between applicable reporting frameworks (e.g. where current legislative reporting requirements conflict with the reporting requirements of Australian Accounting Standards), or there is a limitation on the scope of the audit, normally relating to only some items in the financial statements. In extreme cases, an 'adverse' opinion, which is critical of the financial statements as a whole, is given for disagreements or conflicts. An extreme limitation on the scope of the audit would result in the auditor reporting an inability to form an opinion on the financial statements as a whole.

The 'subject to' form of qualification is no longer used. Conditions covered by that form in the past are now covered by the remaining forms of modified audit report.

In some other circumstances, the audit report is modified, but not qualified, by the addition of information emphasising certain situations adequately disclosed in the financial statements. Examples are where there is significant inherent uncertainty over whether the entity is a going concern, or over the value of assets subject to some condition not finalised by the date of the audit report.

Assistance to audited bodies

In 1992 the then Auditor-General indicated that ANAO expertise would be made available to support the development of the revised financial reporting framework and, where appropriate, to assist departments in the introduction of the new requirements. That support will be provided on an ongoing basis. It is an area where the ANAO can add real value to public sector administration.

Action taken by the ANAO to assist with the implementation of accrual reporting has included training departmental staff in consultation with the Department of Finance (DoF) and the Australian Society of Certified Practising Accountants; the provision of a technical advisory service accessed via ANAO Audit Managers; and the publication of sample 'AMODEL' financial statements as guidance for departments, non-commercial and commercial authorities. At the informal level there was considerable assistance provided by ANAO auditors during the course of the financial statement audits, resulting in numerous and often significant adjustments to draft financial statement figures. There has also been considerable help given in understanding accrual concepts and definitions.

Corporate Governance

The ANAO corporate governance strategy encompasses transparent and integrated accountability arrangements. It also encompasses regular review of systems for security and integrity. This includes development of an ANAO Code of Conduct consistent with the framework of the service-wide ethical statement developed under the auspices of the Management Advisory Board (MAB). As with other public sector entities, we will be judged on our results in these respects.

Use of departmental accrual reports

In July 1994 DoF published a booklet, *The New Financial Reports of Agencies*, as a guide to the use of accrual accounting and reporting by Commonwealth agencies. The booklet was prepared to assist members of the Parliament, management and staff of agencies and other users to understand better accrual concepts and how to use the new forms of financial statements.

The Attachment to this Appendix illustrates possible uses of a number of ratios recommended by the DoF publication. Ratios have been calculated for both departments and departmental commercial activities and comparisons are made within each category. The Attachment also contains some analysis of these results.

The value in these analyses lies in their ability to highlight apparent anomalies between or within agencies. The anomalies may be readily explained in some cases, e.g. the nature of a particular agency's operations may account for unusually high employee support costs. On the other hand, an anomaly may be due wholly or in part to relatively inefficient administrative practices. In the latter case, the analysis should have highlighted the need for a remedy and also identified agencies where better practices may be found.

Attachment

Uses of Financial Ratios for Departments and Departmental Commercial Activities

This section illustrates the application of a variety of accrual-based financial ratios recommended in the Department of Finance's booklet, *The New Financial Reports of Agencies*. These ratios

may be used by agencies to assist with decisions on matters such as future funding requirements or as a means of comparison between agencies.

The financial ratios used in the following discussion are detailed at the end of this section.

Each of the ratios may be calculated by an agency and compared against an appropriate standard. This appropriate standard might be:

- prior year(s) ratio(s);
- a budgeted ratio; or
- an externally set target.

The use of a budget or externally set target would show the position of the entity each year with respect to that standard. A more useful approach would be to maintain at least a five-year moving trend (as the accrual information becomes available) for each of these ratios. This approach could be combined with the use of a budgeted ratio or an externally set target. Trend information is likely to prove most useful.

Comparisons between agencies

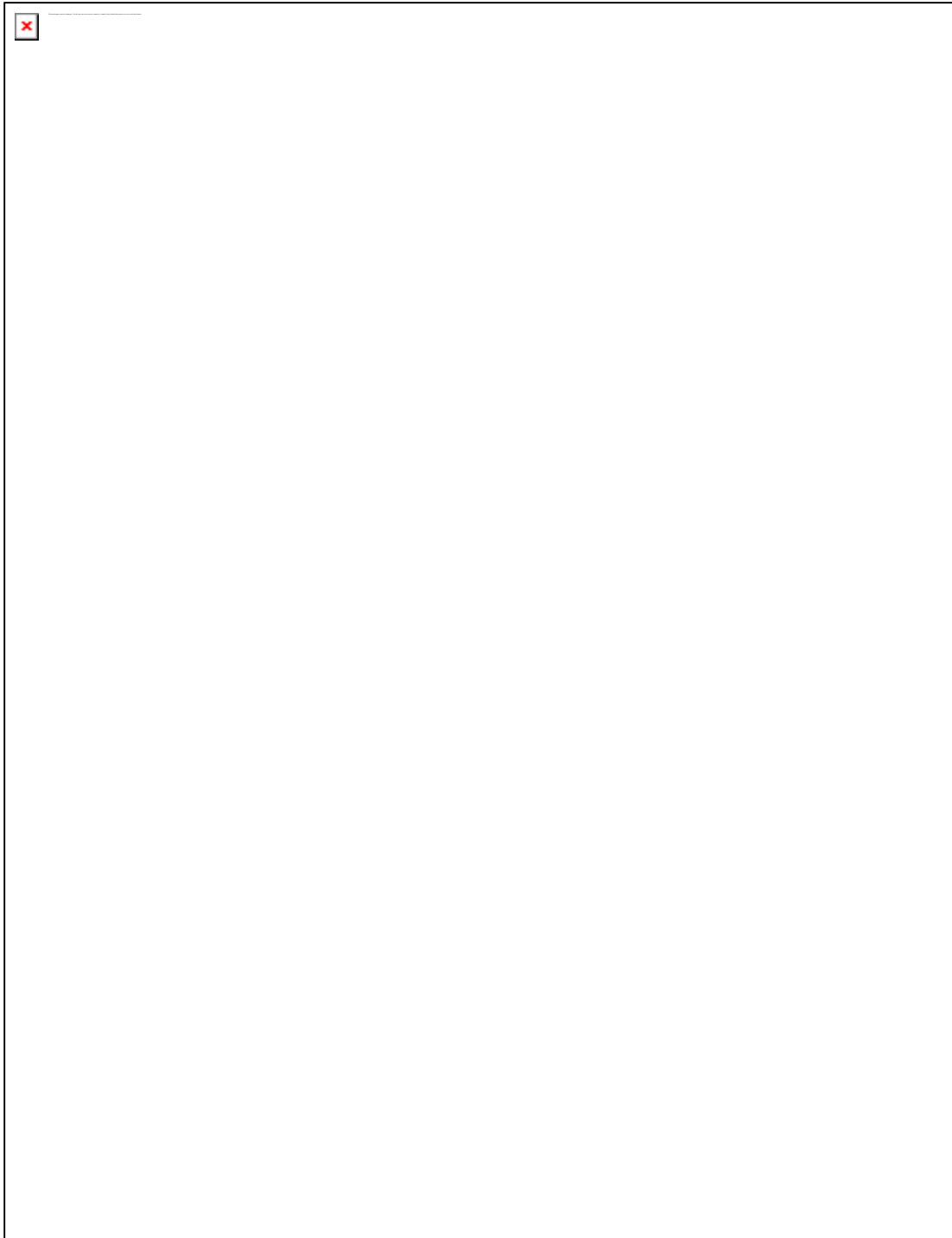
Average employee costs and employee support costs

Average employee costs within government departments range from a low of \$30 500 to a high of \$105 400. The weighted average of employee costs and employee support costs across all departments are \$50 800 (\$48 100 in 1994-95) and \$52 770 (\$48 060 in 1994-95) respectively.

Figure 1, which arranges the departments in ascending order of size by staff numbers, shows that:

- 75% of departments (70% in 1994-95) have average employee support costs less than average employee costs;
- a small number of departments have average employee support costs much greater than average employee costs; and
- smaller departments tend to have higher average employee costs. The costs in some are extremely high. This may reflect the specialist nature of the work performed.

Figure 1. Average Employee Costs and Employee Support Costs



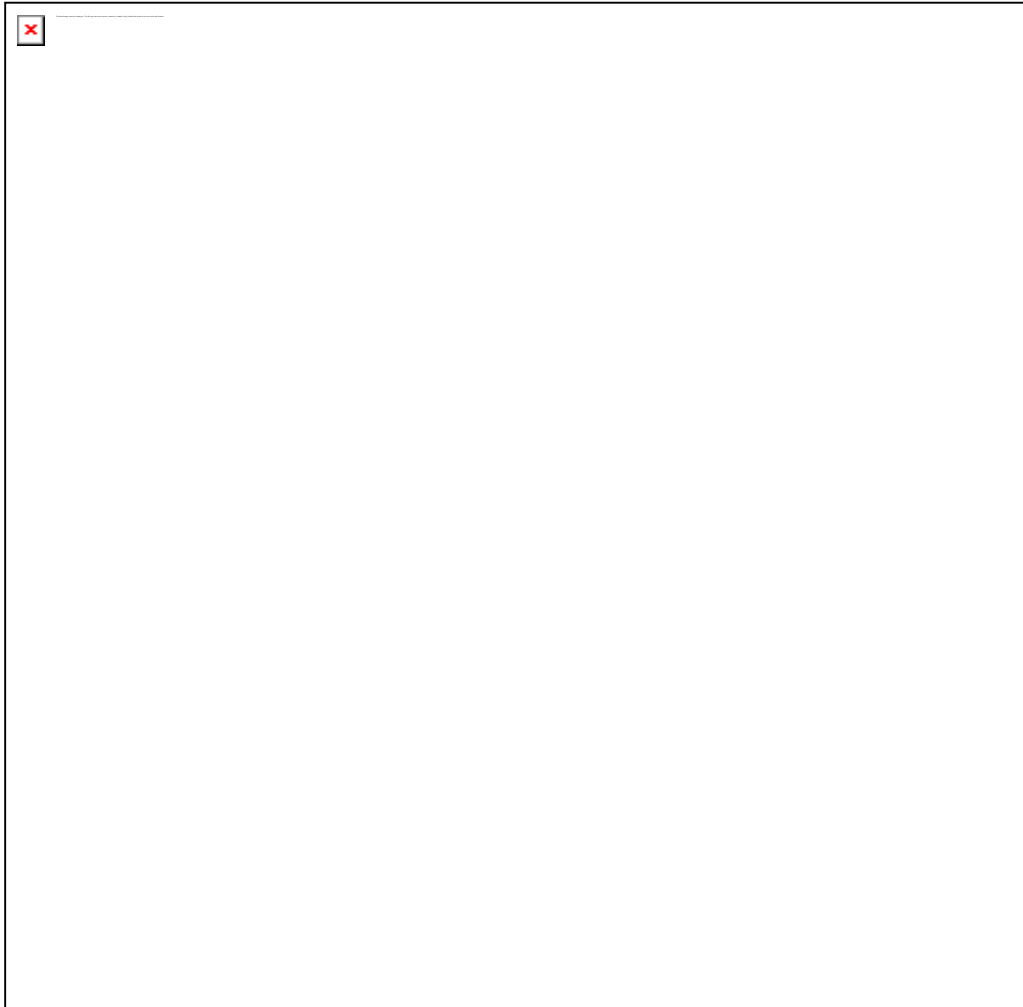
Average employee costs and income per employee

Certain departmental activities are required to operate on a commercial basis. Figure 2 shows average employee costs and income per employee for each of these activities. If the income per employee is greater than the average employee cost, employees are covering their own cost and making a contribution towards non-staff costs. The graph indicates that:

- six (four in 1994-95) departmental commercial activities are not covering their employee costs and, while this continues, they will have difficulties in sustaining their operations on a commercial basis; and

- on average, all departmental commercial activities are earning revenue over 1.8 times (2.5 in 1994-95) their employee costs.

Figure 2. Average Employee Costs and Income per Employee



The financial ratios

The financial ratios used in this section are calculated in the following ways:

average employee costs = employee expenses* ÷ average number of employees*

average employee support costs = other administrative expenses* ÷ average number of employees*

average income per employee* = customer revenue ÷ staff numbers

* excludes departmental commercial activities figures

** departmental commercial activities only

The figures used in these calculations are taken from the audited financial statements included in departmental annual reports.

Audit portfolio as at 30 June 1996	Date of receipt of financial statements	Date of audit report	Qualified
Parliamentary Departments			
Department of the Senate	09-09-96	09-09-96	
Department of the House of Representatives	10-09-96	11-09-96	
Department of the Parliamentary Reporting Staff	04-09-96	04-09-96	
Department of the Parliamentary Library	31-07-96	31-07-96	
Joint House Department	18-09-96	18-09-96	
Attorney-General's Portfolio			
Attorney - General's Department	27-09-96	27-09-96	
-- <i>Commercial activities</i>			
-- Attorney - General's Legal Practice	27-09-96	27-09-96	
-- Australian Protective Service	27-09-96	27-09-96	
-- Auscript	27-09-96	27-09-96	
Administrative Appeals Tribunal	29-08-96	29-08-96	
Austrac	09-09-96	09-09-96	
Australian Bureau of Criminal Intelligence	16-10-96	17-10-96	
Australian Federal Police	25-09-96	26-09-96	Yes
Australian Institute of Criminology	04-09-96	04-09-96	
Australian Security Intelligence Organisation	12-09-96	12-09-96	Yes
Criminology Research Council	04-09-96	04-09-96	
Family Court of Australia	13-09-96	13-09-96	
Federal Court of Australia	09-08-96	09-08-96	
High Court of Australia	28-08-96	28-08-96	
Human Rights and Equal Opportunity Commission	01-10-96	02-10-96	
Industrial Relations Court of Australia	26-08-96	26-08-96	
Law Reform Commission	19-09-96	19-09-96	
National Crime Authority	24-09-96	24-09-96	
National Native Title Tribunal	12-09-96	12-09-96	
National Police Research Unit	27-09-96	27-09-96	
Office of Film and Literature Classification	30-09-96	30-09-96	

Office of Parliamentary Counsel	02-10-96	02-10-96	
Office of the Director of Public Prosecutions	26-09-96	26-09-96	
Communications and the Arts Portfolio			
Department of Communications and the Arts	23-09-96	24-09-96	
-- <i>Commercial activity</i>			
-- Artbank Trust Account	17-09-96	17-09-96	
Australia Council	17-09-96	17-09-96	
Australian Broadcasting Authority	14-08-96	14-08-96	
Australian Broadcasting Corporation	22-10-96	22-10-96	
-- <i>Controlled entities</i>			
-- AIM Holdings Australia Pty Limited	22-10-96	22-10-96	
-- AIM West Pty Ltd	22-10-96	22-10-96	
-- Arnbridge Pty Ltd	22-10-96	22-10-96	Yes
-- Australian Information Media Pty Limited	22-10-96	22-10-96	
-- Australia Television International Limited	16-10-96	16-10-96	
-- Equipco Australia Pty Limited	22-10-96	22-10-96	
-- Music Choice Australia Pty Limited	16-10-96	16-10-96	
-- Sydney Symphony Orchestra Holdings Pty Limited	21-10-96	21-10-96	
-- The News Channel Pty Limited	22-10-96	22-10-96	
Australian Contemporary Music Development Company Limited	08-07-96	08-07-96	Yes
Australian Film Commission	12-09-96	12-09-96	
Australian Film Finance Corporation Limited	27-09-96	27-09-96	
1994-95 Australian Film Finance Corporation Superannuation Fund	22-12-95	22-12-95	
Australian Film Finance Corporation Superannuation Fund	*	*	
Australian Film Television and Radio School	11-09-96	11-09-96	
Australian Multimedia Enterprise Limited	21-08-96	21-08-96	
Australian National Maritime Museum	18-09-96	18-09-96	
Australian Postal Corporation	22-08-96	22-08-96	
-- <i>Controlled entities</i>			
-- Postcorp Developments Pty Ltd	22-08-96	22-08-96	

-- Sprintpak Pty Ltd	22-08-96	22-08-96	
Australian Telecommunications Authority (AUSTEL)	12-09-96	12-09-96	
Bundanon Trust	08-11-96	08-11-96	
Film Australia Limited	12-09-96	13-09-96	
National Australia Day Council	31-07-96	31-07-96	
National Cultural Heritage Fund	16-09-96	17-09-96	
National Gallery of Australia	17-09-96	18-09-96	
-- <i>Controlled entity</i>			
-- National Gallery of Australia Foundation	28-08-96	28-08-96	
National Library of Australia	29-08-96	29-08-96	
National Museum of Australia	06-09-96	06-09-96	
Special Broadcasting Service Corporation	09-10-96	09-10-96	
-- <i>Controlled entity</i>			
-- Multilingual Subscriber Television Limited	09-10-96	09-10-96	
Spectrum Management Agency	02-09-96	03-09-96	
1994-95 Telstra Corporation Limited controlled entities			
-- Beckersley Pty Ltd	18-11-95	18-11-95	
-- OTC Staff Superannuation Scheme	30-11-95	30-11-95	
-- OTC Super Pty Ltd	30-11-95	30-11-95	
-- QPSX Employee Share Scheme Trust	18-11-95	18-11-95	
Telstra Corporation Limited	12-09-96	12-09-96	
-- <i>Controlled entities</i>			
-- Telecommunications Equipment Finance Pty Ltd	30-08-96	30-08-96	
-- Telstra Systems Pty Limited	30-08-96	30-08-96	
-- Telstra Finance Ltd	30-08-96	30-08-96	
-- Telstra Productivity Superannuation Scheme	24-09-96	24-09-96	
-- Telstra Superannuation Pty Ltd	24-09-96	24-09-96	
-- Telstra Superannuation Scheme No.1	24-09-96	24-09-96	
-- Telstra Technologies Pty Ltd	30-08-96	30-08-96	
--- <i>Controlled entity</i>			
--- Lyer Nystal Pty Ltd	30-08-96	30-08-96	

Defence Portfolio			
Department of Defence	01-10-96	04-10-96	
-- <i>Commercial Activity</i>			
-- Defence Science and Technology Organisation Commercial Activities Trust Account	30-08-96	02-09-96	
Department of Veterans' Affairs	24-09-96	24-09-96	
-- <i>Commercial Activity</i>			
-- Lady Davidson Repatriation Hospital	19-09-96	20-09-96	
Aerospace Technologies of Australia Limited Commonwealth Superannuation Scheme Additional Contributions Trust Fund	22-12-95	22-12-95	Yes
Army and Air Force Canteen Service #	20-05-96	20-05-96	
Australian Defence Industries Limited	28-08-96	28-08-96	
Australian Military Forces Relief Trust Fund #	16-04-96	16-04-96	
Australian War Memorial	24-09-96	24-09-96	
Avalon Airport Geelong Ltd	23-05-96	23-05-96	
-- <i>Controlled entity</i>			
-- ASTAAS Pty Ltd	23-05-96	23-05-96	
Defence Housing Authority	24-09-96	24-09-96	
- Fairview Rise Joint Venture	23-09-96	27-09-96	
- Fairway Joint Venture	09-10-96	10-10-96	
- Holsworthy and Anzac Villages Redevelopment Joint Venture	17-09-96	23-09-96	
- Leichhardt Redevelopment Co-venture	*	*	
- Streeton Views Joint Venture	03-09-96	12-09-96	
- Wattle Grove Development Joint Venture	18-09-96	24-09-96	
- Willows Development Joint Venture	18-09-96	24-09-96	
Defence Service Homes Insurance Scheme	27-09-96	27-09-96	
Defence Technologies Australia Pty Ltd	02-10-96	03-10-96	
Military Superannuation and Benefits Board of Trustees No.1	04-10-96	04-10-96	
Radarscan Limited	23-10-96	23-10-96	
Royal Australian Air Force Veterans' Residences Trust Fund	03-10-96	03-10-96	
Royal Australian Air Force Welfare Trust Fund #	28-03-96	29-03-96	
Royal Australian Navy Relief Trust Fund #	21-03-96	21-03-96	

Employment, Education, Training and Youth Affairs Portfolio			
Department of Employment, Education, Training and Youth Affairs	23-09-96	25-09-96	
Anglo-Australian Telescope Board	05-11-96	05-11-96	
Australian Maritime College #	01-04-96	04-04-96	
-- <i>Controlled entity</i>			
-- Australian Maritime College Search Ltd #	01-04-96	04-04-96	
Australian National Training Authority	19-09-96	19-09-96	
Australian National University #	17-05-96	17-05-96	Yes
Employment Services Regulatory Authority	*	*	
University of Canberra #	17-04-96	17-04-96	
Environment, Sport and Territories Portfolio			
Department of Environment, Sport, and Territories	04-10-96	04-10-96	
Australian Heritage Commission	03-09-96	03-09-96	
Australian Nature Conservation Agency	10-10-96	10-10-96	
Australian Sports Commission	18-09-96	18-09-96	
-- <i>Controlled entity</i>			
-- Australian Sports Foundation	25-09-96	25-09-96	
Australian Sports Drug Agency	23-08-96	26-08-96	
Great Barrier Reef Marine Park Authority	23-09-96	23-09-96	
National Capital Planning Authority	27-09-96	27-09-96	
National Environment Protection Council Service Corporation	24-10-96	24-10-96	
Finance Portfolio			
1994-95 Aggregate Financial Statements prepared by the Minister for Finance	15-12-95	17-01-96	
Aggregate Financial Statements prepared by the Minister for Finance	*	*	
Department of Finance	27-09-96	27-09-96	
-- <i>Commercial Activity</i>			
-- Office of Government Information Technology	25-09-96	25-09-96	
Department of Administrative Services	17-10-96	18-10-96	Yes
-- <i>Commercial Activities</i>			
-- Business Services Trust Account	03-10-96	10-10-96	

--- <i>Controlled Entities</i>			
--- Asset Services	03-10-96	10-10-96	
--- Australian Construction Services	03-10-96	10-10-96	
--- Australian Government Analytical Laboratories	03-10-96	10-10-96	
--- Australian Government Publishing Service	03-10-96	10-10-96	
--- Australian Operational Support Services	03-10-96	10-10-96	
--- Australian Property Group	03-10-96	10-10-96	
--- Australian Surveying and Land Information Group	03-10-96	10-10-96	
--- Australian Valuation Office	03-10-96	10-10-96	
--- DAS Centre for Environmental Management	03-10-96	10-10-96	
--- DAS Distribution	03-10-96	10-10-96	
--- DASFLEET	03-10-96	10-10-96	
--- DAS Interiors Australia	03-10-96	10-10-96	
--- DAS Removals Australia	03-10-96	10-10-96	
-- COMCAR Trust Account (VIP Transport)	11-10-96	16-10-96	
Australian Electoral Commission	19-09-96	19-09-96	
Commonwealth Funds Management Ltd	23-08-96	23-08-96	
-- <i>Controlled entity</i>			
-- CFM (ADF) Limited	23-08-96	23-08-96	
-- <i>Related Entities</i>			
-- CFM Australian Equities Fund	23-08-96	23-08-96	
-- CFM Cash Management Trust	23-08-96	23-08-96	
-- CFM Cotton Fund	23-08-96	23-08-96	
--- <i>Controlled entities</i>			
--- 24 Controlled entities #	14-05-96	14-05-96	
-- CFM Fixed Interest Trust	23-08-96	23-08-96	
-- CFM International Equities Fund	23-08-96	23-08-96	
-- CFM Investment Fund	23-08-96	23-08-96	
-- CFM Ltd General Investment Trusts (12 Trusts)	23-08-96	23-08-96	
-- CFM Pooled Superannuation Trust	23-08-96	23-08-96	
-- CFM Property Fund	23-08-96	23-08-96	

--- <i>Related entity</i>			
--- 101 Collins Street Pty Limited	13-11-96	14-11-96	
-- CFM Retirement Fund	23-08-96	23-08-96	
-- CFM Rural Investment Fund	23-08-96	23-08-96	
--- <i>Controlled entities</i>			
--- Australian Pastoral Company	05-09-96	05-09-96	
--- The Tubbo Estate Company Pty Limited	05-09-96	05-09-96	
-- Colly Cotton Limited	13-09-96	13-09-96	
-- Colly Farms Cotton Limited #	14-05-96	14-05-96	
--- <i>Controlled entities</i>			
--- Agriculture Australian Pty Limited #	14-05-96	14-05-96	
--- Colly Farms Gin Pty Limited #	14-05-96	14-05-96	
--- Colly Farms Limited #	14-05-96	14-05-96	
--- Colly Farms Limited	13-09-96	13-09-96	
--- Colly Farms Management Pty Limited #	14-05-96	14-05-96	
--- Colly Farms Marketing Pty Limited #	14-05-96	14-05-96	
--- Colly Farms Properties Pty Limited #	14-05-96	14-05-96	
--- Colly Farms Risk Management Pty Limited #	14-05-96	14-05-96	
--- Colly Farms Risk Management Pty Limited	13-09-96	13-09-96	
--- Colly Farms Superannuation Plan Pty Limited #	14-05-96	14-05-96	
--- Idameneo (No.145) Pty Limited #	14-05-96	14-05-96	
--- Idameneo (No.156) Pty Limited #	14-05-96	14-05-96	
--- Idameneo (No.157) Pty Limited #	14-05-96	14-05-96	
--- Idameneo (No.158) Pty Limited #	14-05-96	14-05-96	
--- Idameneo (No.159) Pty Limited #	14-05-96	14-05-96	
--- The Colly Trust #	14-05-96	14-05-96	
--- The Colly Trust	13-09-96	13-09-96	
-- Commonwealth Approved Deposit Fund	23-08-96	23-08-96	
-- Commonwealth Funds Management Limited Pooled Superannuation Trust	23-08-96	23-08-96	
Commonwealth Superannuation Administration (ComSuper)	04-10-96	04-10-96	Yes

Commonwealth Superannuation Scheme (CSS)	04-10-96	04-10-96	Yes
Public Sector Superannuation Scheme (PSS)	04-10-96	04-10-96	Yes
Foreign Affairs and Trade Portfolio			
Department of Foreign Affairs and Trade	04-10-96	04-10-96	
Australia-Japan Foundation	04-10-96	04-10-96	
Australian Centre for International Agricultural Research	30-09-96	30-09-96	
Australian Secret Intelligence Service	20-08-96	20-08-96	Yes
Australian Trade Commission	22-08-96	22-08-96	
Commission for the Conservation of Antarctic Marine Living Resources #	16-04-96	16-04-96	
Health and Family Services Portfolio			
Department of Health and Family Services	21-10-96	22-10-96	
-- <i>Commercial activities</i>			
-- Australian Government Health Service	14-10-96	16-10-96	
-- Commonwealth Rehabilitation Service	14-10-96	16-10-96	
-- Therapeutic Goods Administration	14-10-96	16-10-96	
Australian and New Zealand Food Authority	16-08-96	16-08-96	
Australian Hearing Services	27-08-96	27-08-96	
-- <i>Controlled entity</i>			
-- National Hearing Aids System Pty Ltd	17-09-96	24-09-96	
Australian Institute of Family Studies	06-09-96	09-09-96	
Australian Institute of Health and Welfare	17-09-96	17-09-96	
Health and Community Services Ministerial Council	*	*	
Health Insurance Commission	26-09-96	26-09-96	
Nuclear Safety Bureau	02-10-96	02-10-96	
Private Health Insurance Complaints Commissioner	26-07-96	26-07-96	
Professional Services Review	01-10-96	01-10-96	
Immigration and Multicultural Affairs Portfolio			
Department of Immigration and Multicultural Affairs	15-10-96	15-10-96	Yes
Industrial Relations Portfolio			
Department of Industrial Relations	24-09-96	24-09-96	
Affirmative Action Agency	13-09-96	13-09-96	

Australian Industrial Registry	17-09-96	17-09-96	
Australian Trade Union Training Authority	30-09-96	01-10-96	
Coal Mining Industry (Long Service Leave Funding) Corporation	12-09-96	16-09-96	
Comcare Australia	06-09-96	06-09-96	
-- <i>Controlled entity</i>			
-- QWL Corporation Pty Ltd	06-09-96	06-09-96	
National Occupational Health and Safety Commission	26-09-96	26-09-96	
Stevedoring Industry Finance Committee	20-09-96	10-10-96	
Primary Industries and Energy Portfolio			
Department of Primary Industries and Energy	01-10-96	01-10-96	
-- <i>Commercial activities</i>			
-- Australian Quarantine and Inspection Service	01-10-96	01-10-96	
-- National Residue Survey	01-10-96	01-10-96	
Australian Dairy Corporation	05-09-96	05-09-96	
Australian Dried Fruits Board	06-09-96	09-09-96	
Australian Fisheries Management Authority	02-09-96	03-09-96	
Australian Horticultural Corporation	08-10-96	08-10-96	
Australian Meat and Livestock Corporation	19-09-96	19-09-96	
Australian Pork Corporation	18-09-96	18-09-96	
Australian Tobacco Marketing Advisory Committee #	19-01-96	19-01-96	
Australian Wine and Brandy Corporation	27-09-96	27-09-96	
Australian Wool Research and Promotion Organisation	11-09-96	11-09-96	
Clean Food Marketing Australia Limited	21-10-96	21-10-96	
Cotton Research and Development Corporation	03-09-96	03-09-96	
Dairy Research and Development Corporation	04-09-96	04-09-96	
Energy Research and Development Corporation	13-09-96	13-09-96	
-- <i>Controlled entity</i>			
-- Liquiphase Management Pty Limited	04-09-96	04-09-96	
Fisheries Research and Development Corporation	02-09-96	02-09-96	
Forest and Wood Products Research and Development Corporation	02-08-96	02-08-96	

Grains Research and Development Corporation	16-09-96	16-09-96	
Grape and Wine Research and Development Corporation	01-10-96	01-10-96	
Horticultural Research and Development Corporation	30-08-96	30-08-96	
Joint Coal Board	20-09-96	20-09-96	
-- <i>Controlled entity</i>			
-- Coal Mines Insurance Pty Limited	20-09-96	20-09-96	
Land and Water Resources Research and Development Corporation	20-09-96	20-09-96	
Landcare Australia Limited	04-11-96	04-11-96	
Meat Industry Council	30-08-96	30-08-96	
Meat Research Corporation	14-08-96	19-08-96	
-- <i>Controlled entities</i>			
-- Agribusiness Development Capital Pty Limited	09-08-96	09-08-96	
-- Australian Meat Technology Pty Limited	06-08-96	06-08-96	
-- Fututech Pty Limited	13-08-96	13-08-96	
-- MRC Agribusiness Development Trust	09-08-96	09-08-96	
Murray-Darling Basin Commission	27-08-96	27-08-96	
National Registration Authority for Agricultural and Veterinary Chemicals	05-09-96	05-09-96	
Pig Research and Development Corporation	03-09-96	04-09-96	
Pipeline Authority	12-08-96	12-08-96	
Rural Industries Research and Development Corporation	30-09-96	30-09-96	
Snowy Mountains Hydro-electric Authority	26-09-96	26-09-96	
Sugar Research and Development Corporation	03-09-96	03-09-96	
Tobacco Research and Development Corporation	16-10-96	16-10-96	
Wool International	17-09-96	18-09-96	
Prime Minister and Cabinet Portfolio			
Department of the Prime Minister and Cabinet	17-09-96	19-09-96	
Aboriginal and Torres Strait Islander Commercial Development Corporation	*	*	
-- <i>Controlled entities</i>			
-- Barra Base Holdings Pty Ltd	*	*	
-- CDC Investments (Tasmanian Aquaculture) Pty Ltd	*	*	

-- CDC Nominees (Cairns Art) Pty Ltd	*	*	
-- CDC Nominees (Ceduna) Pty Ltd	*	*	
-- CDC Nominees (Dandenong) Pty Ltd	*	*	
-- CDC Nominees (GPI Ferry) Pty Ltd	*	*	
-- CDC Nominees (GRC) Pty Ltd	*	*	
-- CDC Nominees (McArthur River Shipping) Pty Ltd	*	*	
-- CDC Nominees (Mt Todd) Pty Ltd	*	*	
-- CDC Nominees (TCTP) Pty Ltd	*	*	
-- CDC Nominees (WWLS) Pty Ltd	*	*	
-- Ngarrindjeri Community Orchard Pty Ltd	*	*	
-- Torres Strait Islander Investment Corporation Pty Ltd	*	*	
Aboriginal and Torres Strait Islander Commission	08-10-96	08-10-96	
-- <i>Controlled entities</i>			
-- Bilioara Pty Limited	04-10-96	04-10-96	
-- Bilioara Unit Trust	04-10-96	04-10-96	
-- Morr Morr Pastoral Co Pty Limited	04-10-96	04-10-96	
-- Yeperenye Pty Limited	24-09-96	24-09-96	
Aboriginal and Torres Strait Islander Education and Cultural Advancement Trust	08-10-96	08-10-96	
Aboriginal and Torres Strait Islander Land Fund	08-10-96	08-10-96	
Aboriginal Benefit Trust Account	08-10-96	08-10-96	
Aboriginal Hostels Limited	10-09-96	13-09-96	
Australian Institute of Aboriginal and Torres Strait Islander Studies	27-09-96	27-09-96	
Indigenous Land Corporation	05-09-96	05-09-96	
Merit Protection and Review Agency	05-07-96	08-07-96	
Office of the Commonwealth Ombudsman	21-08-96	22-08-96	
Office of the Inspector-General of Intelligence and Security	23-08-96	23-08-96	
Office of National Assessments	19-09-96	19-09-96	
Public Service and Merit Protection Commission	04-10-96	04-10-96	
Torres Strait Regional Authority	19-09-96	19-09-96	
Social Security Portfolio			

Department of Social Security	27-09-96	27-09-96	
Transport and Regional Development Portfolio			
Department of Transport	16-09-96	17-09-96	
Department of Housing and Regional Development (former)	17-07-96	17-07-96	
Airservices Australia	06-08-96	06-08-96	
Albury-Wodonga Development Corporation	25-10-96	25-10-96	
1994-95 ANL Limited and controlled entities	21-12-96	21-12-96	
ANL Limited	21-10-96	21-10-96	
-- <i>Controlled Entities</i>			
-- ANL Searoad Holdings Pty Limited	21-10-96	21-10-96	
-- Australian Transport Technology Solutions Limited	21-10-96	21-10-96	
-- Marine Management Services Pty Ltd	21-10-96	21-10-96	
-- Quality Container Management Pty Ltd	21-10-96	21-10-96	
-- Rendsburgh Pty Limited	21-10-96	21-10-96	
-- Trans-United Pty Ltd	21-10-96	21-10-96	
Australian Maritime Safety Authority	19-09-96	19-09-96	
Australian National Railways Commission	30-10-96	21-11-96	Yes
Civil Aviation Safety Authority	22-08-96	22-08-96	
Federal Airports Corporation	30-08-96	30-08-96	
-- <i>Controlled entities</i>			
-- Airport Fine Foods Pty Ltd	30-08-96	30-08-96	
-- Airports Australia Pty Limited	30-08-96	30-08-96	
-- FAC Investments Pty Ltd	30-08-96	30-08-96	
-- FAC Superannuation Fund Pty Limited	30-08-96	30-08-96	
National Rail Corporation Limited	12-11-96	12-11-96	
National Road Transport Commission	30-08-96	30-08-96	
Treasury Portfolio			
Department of the Treasury	11-10-96	11-10-96	
-- <i>Commercial entity</i>			
-- Royal Australian Mint	27-08-96	27-08-96	
Australian Bureau of Statistics	13-09-96	16-09-96	

Australian Competition and Consumer Commission	27-08-96	28-08-96	
Australian Securities Commission	22-08-96	22-08-96	
Australian Taxation Office	24-09-96	24-09-96	
Companies and Securities Advisory Committee	30-09-96	30-09-96	
Economic Planning Advisory Commission	04-09-96	13-09-96	
1996-97 Economic Planning Advisory Commission	15-11-96	15-11-96	
1994-95 Housing Loans Insurance Corporation	17-11-95	17-11-95	
Housing Loans Insurance Corporation	06-11-96	06-11-96	
Industry Commission	30-09-96	30-09-96	
Insurance and Superannuation Commission	02-09-96	04-09-96	
National Competition Council	23-08-96	26-08-96	
Prices Surveillance Authority	20-06-96	20-06-96	
Reserve Bank of Australia	06-08-96	06-08-96	Yes
Reserve Bank of Australia Officers' Superannuation Fund	19-09-96	19-09-96	
Trade Practices Commission	22-05-96	31-05-96	

* Signed financial statements not presented for audit by 29 November 1996.

Financial year does not end on 30 June 1996.