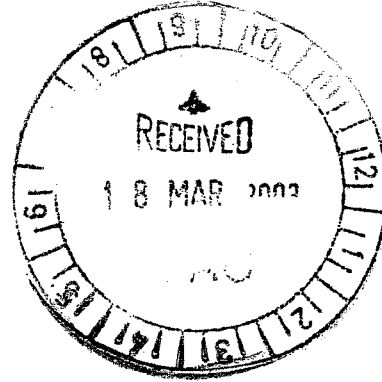


Mr Joseph Tripodi MP  
Chairperson  
Public Accounts Committee  
Legislative Assembly - Parliament House  
Macquarie Street  
SYDNEY NSW 2000



Dear Mr Tripodi

**Public Accounts Committee Review**  
***Reporting and auditing requirements for small agencies***

I refer to your letter of 27 November, 2002 calling for submissions related to the Discussion Paper on the Review of Reporting Requirements for Small Agencies.

The Department of Gaming and Racing (DGR) is responsible for the preparation of annual reports, incorporating audited financial statements for the Department and two other entities to which it provides administrative and other support.

These other entities are the Casino Community Benefit Fund (CCBF) and the Liquor Administration Board (LAB).

The former was constituted under the *Casino Control Act 1992*, and the latter under the *Liquor Act 1982*.

The Department has for some time felt that there is a strong case for incorporating these entities annual reports and financial statements into those of the Department.

It is with that in mind that I offer the following comments in relation to the Discussion Paper's "Questions for consideration".

**1 Who are the users of financial and annual reports?  
The Parliament? The Government? The public?**

Certainly in the case of the CCBF and LAB, all of the above, but in the case of the LAB, the liquor and gaming industry, including the peak industry bodies (AHA, ClubsNSW) etc are interested. Given the information reported in the financial statements, however, these are of little interest.

This is because the LAB does not receive any allocation of funds through the Consolidated Fund Budget process.

As a result, the Statement of Financial Position (Balance Sheet) does not show any assets, liabilities or equity. The Operating Statement (Income and Expenditure) shows only the value of notional support given by the DGR.

A user of financial reports would wonder about its usefulness. It is probably much more sensible to report this information in a "Notes to the DGR" report.

The LAB is a "Department" under Schedule 3 of the *Public Finance and Audit Act 1983*. This is historically because it was formerly (prior to the Department being formed) a separate entity and being allocated an appropriation.

In the case of the CCBF, it was formed to benefit the community from a levy charged against the Sydney Casino.

These funds are actually appropriated to DGR as part of the Consolidated Fund Recurrent appropriation and reported in a consolidated set of financial statements (which also includes LAB).

**2 Do the Parliament and the public need to know the detailed financial circumstances of very small entities?**

The LAB itself consists of 4-5 magistrates (who are Licensing Magistrates). As a separate entity it had no costs that it could report as those particular costs (of the magistrates) are incorporated in the financial report of the Attorney General's Department.

It is not possible for users to obtain the real costs of running the LAB at present. To present financial statements in their current form is quite meaningless, as this information is already contained within DGR's report.

Similarly, CCBF, in the Audit Offices' view is a Statutory Body by virtue of Section 39(1) of the *Public Finance and Audit Act 1983*.

It would be far more efficient to include, even as an additional column in DGR's report the financial results of CCBF, without the need for separate reports.

As is the case now, consolidated information could also be included.

The users can then get information required from one rather than three reports.

**3 Does the need for accountability for public money and assets outweigh any possible efficiency gains by reducing the number of agencies required to prepare reports and be audited?**

In DGR's view of its situation, clearly the answer revolves around efficiency. Bearing in mind that the required information is still provided, there is little effect on the value and validity of information that is reported.

This would be the case for all agencies.

**4 *Would there be any benefit in reducing the level of scrutiny for small agencies? If so, what criteria would be appropriate?***

The total estimated expenses (including CCBF) for DGR in the 2002-03 Budget (Budget Paper No. 3, pp 7-5) is \$36,148,000. The total General Government Budget was estimated at \$32.3 billion.

DGR's total expenses are 0.112 percent of that amount.

In the overall budget of the State, movements in expenses of small agencies have little or no effect because of materiality.

However, significantly, proportionally more resources are used to scrutinise them. These resources include audit, Treasury Budget officers and other central agencies.

The most obvious criteria is then the materiality factor.

Given that the CEO of any agency is responsible not only for the effective and efficient management of the agency, the position is responsible for internal controls and does report on performance to the responsible Minister, there are already in place risk mitigating strategies.

It is entirely appropriate that not only scrutiny be reduced but that a lower level of comprehensiveness be introduced.

**5 *It is essential to maintain a link between financial reporting requirements and the need to prepare an annual report?***

Traditionally, this has been the case for public sector agencies. Its resources are probably geared to this process. Whilst the financial information required for small agencies can be onerous, often annual report information changes only marginally, so that the information gathering is not that onerous.

**6 *Would the State's financial reporting be subjected to any additional risks by creating differential levels of reporting?***

This is mainly covered in Question 4.

**7 *Who should review classifications under a system of differential reporting? How often? Should these reviews be subject to Parliamentary scrutiny?***

To the first two questions, currently the Audit Office and Treasury carry a similar role. They review timetables for the submission of reports from various agencies and categorise them accordingly.

Not only could they apply this process to classify differing size agencies for differential reporting, but Treasury logically should reduce the resources it has in place to scrutinise small agencies budgets.

Treasury resources performing this task are totally proportionately excessive in respect of smaller agencies. It should adopt similar differential report requirements based on similar principles.

Parliament should always be able to scrutinise report accounting systems in this era, allowing quick and timely production of more comprehensive financial information when and if required.

**8 What level of resources are required to prepare annual and financial reports? Is this onerous for small agencies?**

Preparation of annual and financial reports are onerous for small agencies as has been pointed out in the Discussion Paper. The Audit Office seem to allocate the same amount of resources for most of its processes as it would a large agency.

In addition, the information required to be shown in annual reports is getting to a stage where small agencies, I believe, will soon not cope.

In the case of some information required by statute, eg EEO statistics, these are also required to be reported to other agencies.

These agencies clearly could take the responsibility to report or make these statistics available either in a consolidated form or agency specific, rather than have the agency report itself. The small agency reports clearly will have, in most cases, small insignificant numbers to report.

The CCBF and LAB annual reports do not contain all of the information that is required and need to concentrate on local issues only. These issues could easily be included in a consolidated report.

Whilst the costs of printing annual reports is not high (\$15,000 for the three reports in 2001-02), there are significant resources applied to the pre-production. It is estimated that the resources would cost around \$150,000 per annum just to produce these documents.

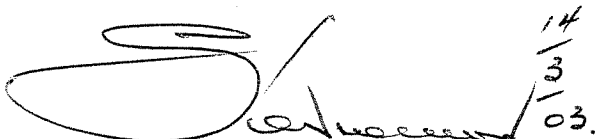
**Questions 9-15**

These are largely covered in the earlier comment and to answer them in detail would be somewhat repetitive.

Thank you for the opportunity to comment on this issue.

If you have any queries with the content you might contact Terry Dooley on 9995 0800 or Michael Foggo on 9995 0670.

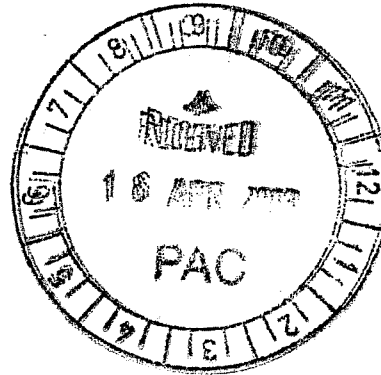
Yours sincerely

A handwritten signature in black ink, appearing to be 'K M Brown', with a date '14/3/03' written vertically to the right of the signature.

**K M Brown**  
Director-General

Mr Joseph Tripodi, MP  
Chairman  
Public Accounts Committee  
Legislative Assembly  
Parliament House  
Macquarie Street  
Sydney 2000

M02/7596



Dear Mr Tripodi

I refer to your letter to the Minister for Health inviting submissions from any groups or individuals interested in public sector financial management and, in particular, the PAC discussion paper on the "Review of Reporting Requirements for Small Agencies".

The NSW Department of Health's accounts up to 30 June 2002 consisted of the aggregation of the Parent Entity together with seventeen Area Health Services, the NSW Ambulance Service, the Royal Alexandra Hospital for Children and Corrections Health Service. No change in reporting requirements is considered appropriate in respect of any of these entities which exceed two of the three criteria in the First Corporate Law Simplification Act 1995 (Page 4 of your Report) ie they exceed 50 full time staff and operating revenues in excess of \$10 million, or assets over \$5M (Corrections Health does not satisfy last element).

However, a number of small entities do exist as part of NSW Health which have not been included in the financial statements of the Department to date:-

- 1 The Institute of Clinical Excellence was established in 2001/02 under the Health Services Act as a Statutory Health Corporation although, due to the limited value of its operations to date, it was agreed with the Audit Office to defer the completion of audited financial statements and an annual report until the 2002/03 financial year.

The Institute was established as a Statutory Health Corporation rather than as a unit of an existing Area Health Service given that it provides a Statewide service and so as not to prejudice the perception of its operation. The entity has operating revenues of approximately \$2.5 million in 2002/03 and net assets of \$0.5 million. The Institute has less than five full time equivalents and its financial management is outsourced to an Area Health Services.

It is probable that similar types of functional units will be established in future years for similar reasons.

- 2 The Health Foundation exists as an entity separate from NSW Health in accordance with the provisions of Section 16 of the Health Administration Act, 1982.

Its financial statements are attested as correct by myself and an annual report is produced albeit that it consists only of the annual financial statements (with Audit Office certification) and a brief commentary on its charter, aims and objectives, access, management and structure and a summary review of operations.

Of particular interest is the fact that the Net Cost of Services result is largely confined to the depreciation of the assets held and insurance thereon. Excluding such charges the 2001/02 audit fee of \$5,000 constituted 27% of the total expenses incurred. A copy of the 2001/02 annual financial statements is attached.

- 3 There are currently nine professional registration boards, all of which prepare separate audited financial statements and all of which produce annual reports covering the operation of education and research accounts.

Of these it should be noted that seven have operating revenues of less than \$1 million each year and net assets of less than \$2 million.

In order to provide further background on the basis for the submission attached I wish to advise that the Audit Office has also recently sought clarification of the status of the Health Administration Corporation in terms of the completion of annual financial statements and annual reports.

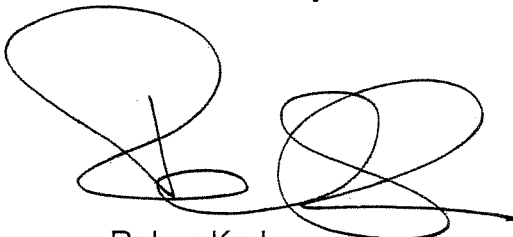
The Health Administration Corporation (HAC) was established through the Health Administration Act in 1982 and enabled the Director General as Corporate sole to enter into property transactions and other contracts.

It has been determined that, technically, HAC is a statutory body referred to in Section 39(1)(b) of the Public Finance and Audit Act and, accordingly, is required to prepare separate accounts and annual reports. However, it has no purpose falling outside the operations of the NSW Department of Health and the Department will be arguing a continuation of historical practice (ie no accounts or annual report).

Your foreword to the discussion paper highlights an expectation that the PAC inquiry may inform discussion for the forthcoming review of differential reporting planned by the International Standards Board. I agree with this view and attach a Department of Health commentary on the various points raised in the discussion paper.

Should further comment be required I invite you to contact the Department of Health's Chief Financial Officer, Mr Ken Barker, on 9391 9178.

Yours sincerely

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Robyn Kruk  
**Director-General**

**Department of Health Submission to Public Accounts Committee  
– Review of Reporting Requirements for Small Agencies**

<p><b>1. WHO ARE THE USERS OF FINANCIAL AND ANNUAL REPORTS? THE PARLIAMENT? THE GOVERNMENT? THE PUBLIC?</b></p>	<p>Potentially, reports produced could be useful to Parliament, the Government and the Public.</p> <p>However, in practice the audience for each report is often limited as demonstrated in the cases of the health entities reference in the Minister’s covering letter –</p> <ul style="list-style-type: none"> <li>• The Institute of Clinical Excellence was established as a Statewide service which, by accounting standards and annual reporting requirements, is deemed to come under the control of the NSW Department of Health.</li> </ul> <p>Its financial operations are insignificant when viewed against the overall operations of NSW Health.</p> <ul style="list-style-type: none"> <li>• The Health Foundation is an entity which does not fall under the control of the Department of Health. For 2001/02 seventy annual reports were produced, forty five of which were provided to Parliament.</li> </ul> <p>Few enquiries have been received in terms of its operation.</p> <ul style="list-style-type: none"> <li>• The Registration Boards are of principal interest to the professional groups they serve in terms of financial viability, registration fees chargeable, the determination of health professional standards or experience required for registration and the maintenance of professional and ethical standards through the administration of disciplinary provisions.</li> </ul> <p>The Government is also able to use information on registration numbers for workforce planning.</p>
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**2. DO THE PARLIAMENT AND THE PUBLIC NEED TO KNOW THE DETAILED FINANCIAL CIRCUMSTANCES OF THE VERY SMALL ENTITIES?**

It is suggested that there is no value in having small agencies provide detailed financial reports, if they are part of a consolidated entity, eg the Institute of Clinical Excellence. In agencies of this type the inclusion of a suitable commentary in the controlling entity's report (eg one-two pages) outlining its charter, objectives, strategies, achievements, key measures of performance and financial summary and forward direction is proposed.

In agencies such as the Health Foundation and the smaller Registration Boards it is suggested that financial reports should be provided which satisfy accounting standards. However, it is also suggested that the need for audit should be determined using the criteria adopted with the First Corporate Law Simplification Act, 1995 as referenced in the discussion paper.

Where, in retrospect it was found that expenses, revenues or net assets (other than through asset revaluations) varied by more than 10% from the previous year an audit of the ensuing year's accounts could be required inclusive of verification of the previous year's comparatives.

**3. DOES THE NEED FOR ACCOUNTABILITY FOR PUBLIC MONEY AND ASSETS OUTWEIGH ANY POSSIBLE EFFICIENCY GAINS BY REDUCING THE NUMBER OF AGENCIES REQUIRED TO PREPARE REPORTS AND BE AUDITED?**

Provided that the need for and level of reporting is based on clearly established criteria, reduced levels of accountability can be justified.



**4. WOULD THERE BE ANY BENEFIT IN REDUCING THE LEVEL OF SCRUTINY FOR SMALL AGENCIES? IF SO WHAT CRITERIA WOULD BE APPROPRIATE?**

It is suggested that the criteria used in the First Corporate Law Simplification Act, 1995 would be appropriate in determining Health reporting.

Controlled entities forming part of Health's aggregated financial result would be required to provide separate audited financial statements where in excess of 50 full time equivalent staff are employed on average throughout the year, or revenue exceeded \$10 million per annum or assets (excluding Land & Building) varied by more than 10%.

Where a Health entity fell short of this criteria no audited financial statements or separate annual report would be provided. Instead, a one or two page commentary would be included in the NSW Department of Health Annual Report with the financial information being duly attested as correct by the officer assigned accountability at the controlled entity.

Audits would only be reintroduced in the event that the entity exceeded the benchmarks or its expenses, revenues or net assets in any year varied from the previous year comparisons by more than 10%.

In respect of entities that are not presently "rolled up" into a Departmental consolidation it is suggested that the above criteria again be used to determine whether the financial statements need be audited.

However, annual reports should still be completed but in modified form to that presently prescribed under the Annual Reports (Departments) or Annual Reports (Statutory Bodies) Act and supporting regulations.

The Public Bodies Review Committee in its November 2002 Report on Accountability for Unforeseen Performance Outcomes and Use of Budget Supplementation" sought legislative changes specifying information which must be included in all annual reports.

It is considered that a provision should be included which permits modifications to be effected where agencies are able to demonstrate to Treasury that the information is relatively insignificant or inappropriate.

**5. IS IT ESSENTIAL TO MAINTAIN A LINK**

It is suggested that annual reports should, at a minimum, contain a set of financial statements for

<p><b>BETWEEN FINANCIAL REPORTING REQUIREMENTS AND THE NEED TO PREPARE AN ANNUAL REPORT?</b></p>	<p>the year reported albeit that such statements may not be audited based on the criteria referenced above.</p>
<p><b>6. WOULD THE STATE'S FINANCIAL REPORTING BE SUBJECT TO ANY ADDITIONAL RISKS BY CREATING DIFFERENTIAL LEVELS OF REPORTING?</b></p>	<p>From a NSW Department of Health perspective the creation of differential levels of reporting as suggested would have no effect on the reliability/usefulness of information available.</p>
<p><b>7. WHO SHOULD REVIEW CLASSIFICATIONS UNDER A SYSTEM OF DIFFERENTIAL REPORTING? HOW OFTEN? SHOULD THESE REVIEWS BE SUBJECT TO PARLIAMENTARY SCRUTINY?</b></p>	<p>The entities afforded concessions in reporting should assume an ongoing responsibility to ensure that the concessions are still applicable and reporting is relevant to their principal stakeholders.</p>
<p><b>8. WHAT LEVEL OF RESOURCES ARE REQUIRED TO PREPARE ANNUAL AND FINANCIAL REPORTS? IS THIS ONEROUS FOR SMALL AGENCIES</b></p>	<p>Given that the production of annual reports within Health entities is largely expected to continue in their present form no action has been taken to quantify the direction of resources to this activity. However, considerable savings are expected to accumulate in respect of these agencies where audits are not required:-</p> <ul style="list-style-type: none"> <li>• The annual audit fee.</li> <li>• The lost productivity to date in responding to audit enquiries where time spent in providing Departmental backgrounds, supporting documentation and explanations may outstrip actual preparatory time threefold.</li> </ul>
<p><b>9. WOULD IT BE APPROPRIATE TO ENABLE SMALLER, LOW RISK AGENCIES TO PREPARE LESS COMPREHENSIVE FINANCE REPORTS?</b></p>	<p>The need for separate financial statements of entities controlled by a Department and assessed as insignificant in value (see Point 4 above) and be dispensed. If not deemed insignificant full compliance with the Accounting Standards is required for annual financial statements.</p>
<p><b>10. IF SO, WHAT CRITERIA WOULD</b></p>	<p>Not applicable.</p>

<p><b>PROVIDE THE RIGHT BALANCE BETWEEN RISK AND ACCOUNTABILITY?</b></p>	
<p><b>11. WHAT SHOULD BE INCLUDED IN A CONCISE FINANCIAL REPORT?</b></p>	<p>Not applicable.</p>
<p><b>12. HOW OFTEN SHOULD DECISIONS BE MADE ABOUT AN AGENCY'S REPORTING REQUIREMENTS?</b></p>	<p>The onus should be on the individual agency to certify that the circumstances relevant to its initial concessions are still applicable. This should be demonstrated to the satisfaction of Treasury on an annual basis.</p>
<p><b>13. WHAT ARE THE RISKS IF THE LEVEL OF AUDIT FOR SMALL ENTITIES IS REDUCED?</b></p>	<p>In Health it is considered that the risk would be minimal and at no time would ever reach a material amount.</p> <p>The risk would be minimised by ensuring ongoing review in respect of the satisfaction of criteria and in respect of the extent of variations from the previous year comparatives.</p>
<p><b>14. HAS THE AUDIT OFFICE ADDED ANY BENEFIT BY PERFORMANCE REVIEWS OF VERY SMALL AGENCIES INCLUDED IN THE PUBLIC FINANCE AND AUDIT REGULATIONS BY IDENTIFYING ACCOUNTING CONTROL PROBLEMS OR OTHER FINANCIAL MANAGEMENT ISSUES?</b></p>	<p>It would be wrong to suggest that recommendations on accounting controls are not received periodically from the Audit Office.</p> <p>However, health entities are also subject to extensive review by the Department's internal audit branch and it is considered appropriate to rely on these services if the external audit function is relaxed.</p>
<p><b>15. WHO SHOULD DECIDE WHETHER ORGANISATIONS ARE SUBJECT TO THIS LEVEL OF SCRUTINY? THE GOVERNMENT? THE TREASURY/ THE PARLIAMENT?</b></p>	<p>Provided that clear criteria is available the decision will be largely self-determined although it is suggested that Treasury should satisfy itself with the concession on an annual basis, based on a certification from the agency involved.</p>
<p><b>16. WHAT SHOULD BE THE CRITERIA</b></p>	<p>See comments at Point 4.</p>

<p><b>FOR DECIDING THE REPORTING REQUIREMENTS FOR AGENCIES? FOR INSTANCE, SHOULD IT BE THE SIZE OF THE BUDGET, ASSETS OR WHETHER THEIR ACTIVITIES ARE COMMERCIALY FOCUSED?</b></p>	
<p><b>17. SHOULD THERE BE A REGULAR REVISION OF THE ORGANISATIONS INCLUDED IN THE INVITED AUDITS LIST?</b></p>	<p>This appears to be an issue for Treasury consideration but it is considered that regular review would be appropriate.</p>

It is noted that the Chairman's foreword indicates that the PAC Report "may assist the Treasurer in ongoing fundamental review for financial management legislation". Whilst the Report focuses on small agencies the PAC may also wish to consider the potential adopting a Corporate sector view to annual reporting that restricts the volume of detailed printed reports and specifying a concise annual report and abridged financial statement format for general public distribution.

I would be pleased to participate in any face-to-face discussions in this matter and would suggest that a forum be established consisting of a representation of small agencies, the Audit Office and Treasury.

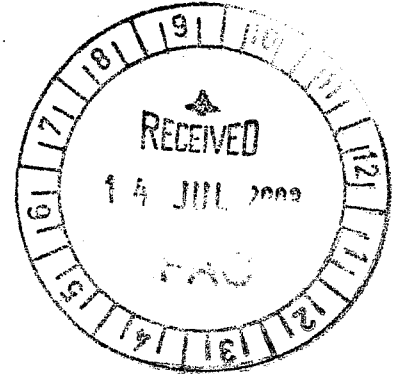
**Ken Barker  
Chief Financial Officer**



WOLLONGONG  
SPORTSGROUND TRUST

July 8, 2003

Mr David Monk  
Committee Manager  
Legislative Assembly Public Accounts Committee  
Parliament of New South Wales  
Macquarie Street  
SYDNEY NSW 2000



Dear David,

Thank you for your invitation of the 30<sup>th</sup> May 2003 to make a submission to the Public Accounts Committee regarding the reporting requirements for small agencies. The Wollongong Sportsground Trust has subsequently discussed the issue and prepared the attached submission.

The Trust has long been an advocate for differentiation between NSW Government agencies according to size, financial resources and human capital. The Trust believes the Government's application of a 'one-size-fits-all' approach to all agencies regarding reporting and policy compliance places an unmanageable financial and administrative burden on smaller agencies like itself.

The Trust hopes that its submission, along with support from other smaller agencies, will lead to a more equitable reporting regime, as well as a more efficient use of limited government resources.

Yours faithfully,

Bill Barnetson  
Chairman  
Wollongong Sportsground Trust

**Submission to Public Accounts Committee**  
**Re: Review of Reporting Requirements for Small Agencies.**

Background

The Wollongong Sportsground Trust (the Trust) is a NSW Government Public Trading Enterprise that is responsible for operating WIN Stadium and the adjacent Entertainment Centre in Wollongong. The Trust reports to the Minister for Sport, Recreation and Tourism.

The Trust is a relatively small agency that employs ten permanent staff, has an income of around \$3M per annum, and manages physical assets of around \$50M. The Trust produces an Annual Report, including an Independent Audit Report.

The Independent Audit Report is provided by the Audit Office, after a Contract Audit Agent (currently KPMG) prepares the on-site financial report audit and working papers. The total Audit Fees for this work were \$23,100 (excl. GST) in 2003.

Issues

*Purpose of financial and annual reports*

The Trust takes its responsibility to efficiently and effectively manage the assets of the people of NSW very seriously. In fact, this sentiment is explicitly stated in the Trust's mission statement.

Although the Trust's financial turnover is relatively minor compared to other NSW Government departments and agencies, it does recognise that within the context of the local Illawarra region, the Trust's activities are not above public scrutiny.

The Trust's venues have a very high profile in the region's sport, entertainment and media industries. Most of the major local, national and international sports and entertainment events that occur in Wollongong are staged at either the Entertainment Centre or WIN Stadium.

For these reasons, the Trust accepts the legislative requirement of NSW Government agencies like itself to prepare financial and annual reports, and to be audited. The Trust believes that the NSW public, especially the local population, has a rightful expectation that the Trust should be financially transparent and accountable for its actions.

However, the Trust does consider that the generic application of the financial and annual reporting legislative compliance to all sectors of government, regardless of their size and available resources, does cause problems and a financial impost for relatively small agencies like itself.

The Trust's past experience has shown that the financial auditing methodologies used, and the reporting requirements for both the financial and annual reports, do not seem to differ whether the government 'agency' has 10 or 10,000 employees, 1,000 or 1,000,000 annual transactions, or assets of \$5M or \$5B.

The Trust is operated under a tight budget regime, and is under constant financial scrutiny by NSW Treasury. However, the additional cost to the Trust of generic audit and reporting compliance does not seem to be taken into account when Treasury pressure is applied to the Trust to continually reduce its' costs and improve its' operating position.

Given these limited resource and cost implications, the Trust would advocate that some consideration be given to categorising agencies according to their 'size' and 'risk' profile, and modifying the audit and reporting compliance requirements accordingly. It believes that some effort should be made to acknowledge and match the capacity of an organisation to comply, with an appropriate reporting/audit regime.

The Trust does not believe that a change to the level of public scrutiny of agencies like itself would significantly decrease the accountability for its actions. Some Trustees would argue that the current regime of regular financial reporting to Treasury, in the Trust's case monthly, provides a far more rigorous and disciplined management environment than having to produce an annual financial report that few members of the public could understand or draw any sensible conclusions from.

In fact, given the public's understandably poor understanding of accounting language and standards, which drive financial reports, the conclusions drawn are often at odds with the actual financial strength and governance principles within the organisation. The recent spectacular failure of several large public corporations only reinforces the fact that financial reporting and audit compliance does not, of itself, ensure public accountability.

#### *Reporting and audit costs*

The costs associated with preparing financial reports, annual reports and auditing are driven directly by the detail required in the reports, the depth of auditing required and the frequency of reporting/auditing. As described above, a generic approach to reporting and auditing for all government 'agencies', the 'one size fits all' approach, inevitably imposes an asymmetrical cost and time burden on smaller enterprises like the Trust.

The Trust currently produces standard financial statements on a monthly basis, which are submitted to the Board, Treasury and other stakeholders for review. These statements are the basis for the annual audited financial report, and experience has shown that these statements have rarely been materially modified by the annual audit process.

In fact, there have been many occasions where the audit process (and cost) has been driven by auditors 'over-zealous' attention to accounting details that, while significant for large government agencies, have no material effect on the integrity of the Trust's financial reports. Over time, the audit process has also not exposed any significant weaknesses in the Trust's financial management or internal control processes.

In addition, the finalisation of the audit process has often caused delays to the preparation and submission of the Trust's annual report. The Trust has found that although the on-site audit work is generally carried out in a timely fashion by the Contract Audit Agent, the subsequent review by the Audit Office has taken an inordinate amount of time. It is apparent that due to the limited resources within the

Audit Office, the Trust, and no doubt other small agencies, go to 'the bottom of the pile'. These delays have meant that the Trust, through no fault of its own, has consistently missed Treasury deadlines for the submission of its annual report to Parliament.

On the issue of annual reports, the Trust does not have any significant issues to raise, other than the level of detail in the reports sometimes requested by Treasury reviews. Some consideration should be given to, and an allowance made, for smaller agencies with limited resources such as the Trust, to produce reports that meet minimum public information and accountability standards.

#### *Options for changing auditing requirements*

The Trust would argue that the annual audit of its accounts and management processes actually adds little value to the public accountability question. It believes the existing control processes, including monthly financial reporting to the Minister and Treasury, impose a far more rigorous accountability regime than an annual compliance check against the accounting standards of the day.

The Trust believes that an alternative approach should be considered, whereby the Trust is responsible, and accountable, for the regular delivery of standard financial statements. In addition, an external audit of these statements and its' internal control processes could be done at an appropriate interval, say every 3 years, to ensure that the Trust was complying in principle with its' statutory requirements.

The Trust would argue that this new approach would allow smaller agencies like itself to meet the Government's dual objectives of efficient operation and public accountability, with reduced financial costs and time burden on limited resources.