

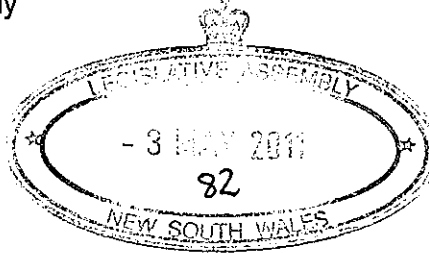


**Treasurer**



Mr Russell D. Grove  
Clerk of the Legislative Assembly  
Parliament of New South Wales  
Macquarie Street  
Sydney NSW 2000

Contact: Ian Rosenbaum  
Telephone: (02) 9228 4659  
Our Reference: T10/00711  
Your Reference: LAG5338



11 APR 2011

Dear Mr Grove

**Report No. 14/54 (177) of the Public Accounts Committee –  
“Report on Quality and Timeliness of Financial Reporting”**

I refer to your request of 8 October 2010 to the former Treasurer requesting a response to the Public Accounts Committee “Report on Quality and Timeliness of Financial Reporting”.

The Report makes a valuable contribution to improving the quality and timeliness of financial reporting in the NSW Public Sector. I am pleased to provide the Government’s response to the recommendations in the Report.

I look forward to working collaboratively with the Public Accounts Committee to improve financial management in the NSW Public Sector.

Yours sincerely

**THE HON MIKE BAIRD MP**  
Treasurer

**RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE'S  
'FINAL REPORT, QUALITY & TIMELINESS OF FINANCIAL REPORTING',  
AND THE GOVERNMENT'S RESPONSE TO THE REPORT**

**Recommendation 1**

The Committee recommends that the Treasurer require all agencies to conduct a hard close of their accounts at 31 March from 2011.

***Government response:***

The Government supports the principle underpinning the recommendation that agencies should conduct accounts preparation work as early as possible to minimise any likelihood of misstatements in material submitted to the Auditor-General for audit.

Treasury has consulted with the Auditor-General and the fifteen agencies that recently piloted hard close procedures. The main lesson from the pilot is that a full hard close is not cost efficient or practical for all agencies as it can cause significant duplication of work conducted for the hard close and at year end.

Accordingly, Treasury has implemented a progressive rollout of early close procedures commencing in 2011. Early close procedures involve conducting certain aspects of the financial statement preparation process early (for example, developing pro-forma financial statements and resolving significant accounting policy issues) but not conducting all aspects of a hard close. For 2010-11, Treasury has extended the program for early close procedures from the pilot agencies to all large and medium tier agencies.

The Government believes that these initiatives will address the Committee's concerns about the quantity of misstatements in agency accounts, in a cost efficient manner.

**Recommendation 2**

The Committee recommends that the Treasurer propose amendments to the *Public Finance and Audit Act 1983* requiring chief financial officers to certify their financial reporting systems.

***Government response:***

The Government supports the principle that chief financial officers are made more explicitly accountable for the quality of financial information produced by their agencies.

Beginning in 2011, Treasury requires all Chief Financial Officers to express annually a formal opinion as to the effectiveness of internal controls over the financial information prepared by their agencies. These statements are due to Treasury by 15 April 2011. Treasury has also surveyed agencies to inform the ongoing development of this requirement.

The Government will assess the effectiveness of this new certification process before determining whether it needs to be supported by amendments to the Public Finance and Audit Act.

**Recommendation 3**

The Committee recommends that the Premier ensure that accountability for accurate and timely financial reporting is included in all chief executive officers' performance agreements.

***Government response:***

The Government supports this recommendation and it will be incorporated as part of a broader reform of accountability of chief executive officers.

**Recommendation 4**

The Committee recommends that the Treasurer develop and implement a program to bring forward the deadline for the tabling of annual reports in Parliament to three months after the end of the financial year by 2013 at the latest.

***Government response:***

The Government supports this recommendation. Amendments will be required to the statutory reporting deadlines set out in the Public Finance and Audit Act 1983, the Annual Reports (Statutory Bodies) Act 1984 and the Annual Reports (Departments) Act 1985.

The early close procedures currently being adopted will facilitate earlier tabling of annual reports.

**Recommendation 5**

The Committee recommends that the Treasurer consider proposing amendments to prescribe minimum qualifications of chief financial officers in the *Public Finance and Audit Act 1983*.

***Government response:***

The Premier's Department Circular 99-69 'Qualifications for Senior Financial Management and Accounting Positions' is still current. The Circular prescribes that departmental Chief Financial Officers (and other specified senior financial reporting staff) have minimum accounting qualifications. The Government believes this issue can be managed more flexibly through the current administrative arrangements rather than through legislative amendment.