

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Portfolio: Prime Minister and Cabinet  
Agency: Australian National Audit Office

Budget Estimates 2001-2002: Tuesday, 28 May 2002

<b>Senator:</b>	Senator Conroy
<b>Hansard Page:</b>	F&PA 179
<b>Question</b>	Whether the ANAO was in a position to provide the committee with a restatement of the Commonwealth revenue, with GST properly included as a Commonwealth tax.
<b>Answer:</b> <p>The request essentially was directed at how the 'Consolidated Financial Statements' (CFS) for the year ended 30 June 2001 would have been presented if Goods and Service Tax (GST) had been included on the face of the financial statements.</p> <p>The ANAO qualified the audit opinion on the CFS on the basis that they did not recognise, as revenue, the GST nor did they recognise, as expenses, the associated payments to the States and Territories, as required under AAS 31 <i>Financial Reporting by Governments</i>.</p> <p>The qualified audit report specified the following financial impacts on the CFS, on an accrual basis, of excluding GST related transactions:</p> <ul style="list-style-type: none"><li>• an understatement of revenues by \$27.5 billion, expenses by \$23.8 billion and hence the Net Result by \$3.7 billion;</li><li>• an understatement of accrued revenues by \$3.8 billion and liabilities by \$0.1 billion, and hence an overstatement of net liabilities by \$3.7 billion; and</li><li>• total operating cash inflows and outflows are each understated by \$19.2 billion (a difference which takes account of GST-related cash flows within the Commonwealth Government).</li></ul> <p>The presentation of the above impacts has been reflected on the CFS per the attached, using the existing classifications. <b>REFER ATTACHED – Consolidated Financial Statements for the Year Ended 30 June 2001 (extract)</b></p>	

IAN MCPHEE  
Deputy Auditor-General

COMMONWEALTH GOVERNMENT OF AUSTRALIA

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001**

CIRCULATED BY  
SENATOR THE HONOURABLE NICK MINCHIN  
MINISTER FOR FINANCE AND ADMINISTRATION  
FOR THE INFORMATION OF HONOURABLE MEMBERS

DECEMBER 2001

## Consolidated statement of financial performance by nature

for the period ended 30 June 2001

	<i>Adjusted</i> 2001 \$m	Note	2001 \$m	2000 \$m
<b>REVENUES FROM ORDINARY ACTIVITIES</b>				
<b>Taxation</b>				
Income tax		4	119,304	112,538
Indirect tax		5	25,548	33,005
Fringe benefits tax			3,393	3,424
Other taxes	<u>29,554</u>	6	2,054	1,782
<b>Total taxation revenues</b>	<u>177,799</u>		<u>150,299</u>	<u>150,749</u>
<b>Non-taxation</b>				
Charges for goods and services		7	28,884	28,491
Interest and dividends		8	6,037	5,017
Net foreign exchange gains		9	-	300
Proceeds from the sale of assets		10	9,034	3,563
Revenue from asset sales program		11	44	16,979
Other sources of non-taxation revenues		12	3,935	3,012
<b>Total non-taxation revenues</b>			<u>47,934</u>	<u>57,362</u>
<b>Revenues from ordinary activities</b>	<u>275,733</u>		<u>198,233</u>	<u>208,111</u>
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>				
<b>Goods and services</b>				
Employees		13	24,000	24,399
Suppliers		14	20,456	20,048
Depreciation and amortisation		15	6,500	5,826
Net write-down and impairment of assets		16	4,352	2,127
Value of assets sold		10	5,895	2,226
Net foreign exchange losses		9	575	-
Other goods and services expenses		17	6,861	5,517
<b>Total cost of goods and services</b>			<u>68,639</u>	<u>60,143</u>
<b>Subsidies, benefits and grants</b>				
Subsidies			6,600	5,490
Personal benefits			71,106	61,355
Grants	<u>57,119</u>	18	33,319	45,154
<b>Total subsidies, benefits and grants</b>	<u>134,825</u>		<u>111,025</u>	<u>111,999</u>
Borrowing costs expense		19	10,306	9,877
Value of assets sold through the asset sales program		11	-	2,044
<b>Expenses from ordinary activities</b>	<u>213,770</u>		<u>189,970</u>	<u>184,063</u>
Share of net result from associates and joint ventures accounted for using the equity method			(171)	n/a
<b>Net result from ordinary activities<sup>(a)</sup></b>	<u>11,792</u>		<u>8,092</u>	<u>24,048</u>
Result from extraordinary items			-	-
<b>Net result</b>		37	<u>8,092</u>	<u>24,048</u>
Net result attributable to outside equity interests		37	2,028	2,475
<b>Net result attributable to the Commonwealth</b>	<u>9,764</u>		<u>6,064</u>	<u>21,573</u>
Net credit (debit) to asset revaluation reserve			2,376	2,947
Net exchange difference on translation of financial report of self-sustaining foreign operations			16	2
Other non-owner related movements in equity			2,760	(2,053)
<b>Total revenues, expenses and valuation adjustments attributable to the Commonwealth and recognised directly in equity</b>			<u>5,152</u>	<u>896</u>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<u>14,916</u>		<u>11,216</u>	<u>22,469</u>

The above statement should be read in conjunction with the accompanying notes.

(a) The 1999-2000 Net result from ordinary activities includes \$16,964 million of revenues and \$3,550 million of expenses which are of such a size and nature that their separate disclosure in the notes is relevant to explaining the financial performance of the Commonwealth. In the 1999-2000 financial report these items were separately disclosed after the line item 'Net result from ordinary activities'.

## Consolidated statement of financial position

as at 30 June 2001

	Adjusted 2001 \$m	Note	2001 \$m	2000 \$m
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash		2(b)	2,236	2,569
Receivables		30	36,420	34,991
Accrued revenue	5,763	33	1,963	1,883
Investments - accounted for using the equity method		31	1,285	498
Investments - other		32	59,030	52,966
Other financial assets			134	128
<b>Total financial assets</b>	<u>104,868</u>		<u>101,068</u>	<u>93,035</u>
<b>Non-financial assets</b>				
Inventories		35	3,930	3,492
Land and buildings		34	21,500	21,067
Infrastructure, plant and equipment		34	69,199	65,069
Intangibles		34	5,877	2,793
Other non-financial assets		36	2,567	1,586
<b>Total non-financial assets</b>			<u>103,073</u>	<u>94,007</u>
<b>Total assets</b>	<u>207,941</u>		<u>204,141</u>	<u>187,042</u>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers		20	3,482	3,206
Personal benefits			2,404	2,279
Subsidies			242	345
Grants	8,347	21	8,247	7,565
Other payables		22	3,367	2,967
<b>Total payables</b>	<u>17,842</u>		<u>17,742</u>	<u>16,362</u>
<b>Interest bearing liabilities</b>				
Overdrafts		2(b)	10	7
Deposits		23	3,069	3,534
Government securities		24	54,455	60,424
Loans		25	27,533	23,382
Leases		26	377	382
Other interest bearing liabilities		27	7,558	7,996
<b>Total interest bearing liabilities</b>			<u>93,002</u>	<u>95,725</u>
<b>Provisions</b>				
Employees		28	87,779	85,662
Australian currency on issue			27,168	25,434
Provision for taxation refunds			1,285	833
Other provisions		29	5,604	4,041
<b>Total provisions</b>			<u>121,836</u>	<u>115,970</u>
<b>Total liabilities</b>	<u>232,680</u>		<u>232,580</u>	<u>228,057</u>
<b>Net assets</b>	<u>(24,739)</u>		<u>(28,439)</u>	<u>(41,015)</u>
<b>EQUITY(a)</b>				
<b>Parent entity interest</b>				
Accumulated results	(72,333)	37	(76,033)	(84,679)
Reserves		37	39,708	37,140
<b>Total parent entity interests</b>	<u>(32,625)</u>		<u>(36,325)</u>	<u>(47,539)</u>
Outside equity interests		37	7,886	6,524
<b>Total equity</b>	<u>(24,739)</u>		<u>(28,439)</u>	<u>(41,015)</u>
Current liabilities			76,717	76,376
Non-current liabilities			155,863	151,681
<b>Total liabilities by maturity</b>			<u>232,580</u>	<u>228,057</u>
Current assets			88,230	82,274
Non-current assets			115,911	104,768
<b>Total assets by maturity</b>			<u>204,141</u>	<u>187,042</u>

The above statement should be read in conjunction with the accompanying notes.

(a) This is the residual interest in assets after deduction of liabilities.

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Portfolio: Prime Minister and Cabinet  
Agency: Australian National Audit Office**

**Budget Estimates 2001-2002: Tuesday, 28 May 2002**

<b>Senator:</b>	Senator Brandis
<b>Hansard Page:</b>	F&PA 180
<b>Question</b>	How much is there in addition by way of outgoings? (Question relates to Centenary House lease)
<b>Answer:</b>  The Centenary House lease stipulates that the ANAO is liable for the payment of 91.7% of all outgoings. The May 2001-2002 to date expenditure on outgoings is \$294,224.	

IAN MCPHEE  
Deputy Auditor-General

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Portfolio: Prime Minister and Cabinet  
Agency: Australian National Audit Office**

**Budget Estimates 2001-2002: Tuesday, 28 May 2002**

<b>Senator:</b>	Senator Murphy
<b>Hansard Page:</b>	F&PA 180
<b>Question</b>	With regard to the report which you did on the Australian Taxation Office's administration of taxation rulings, when you deal with the area of product rulings do you actually talk to people outside of the Tax Office or government agencies? Do you talk to the people who have applied for or have been granted product rulings to get an understanding of whether the process is working efficiently and effectively? Could you let me know how many you spoke to as well?

**Answer:**

As mentioned at the hearing, as a matter of general practice we endeavour to speak to stakeholder groups. In the audit we had consultations with stakeholders outside the ATO about rulings administration (including the processes for public rulings, private rulings and product rulings). We did not seek to deal exclusively with a particular type of ruling (such as product rulings which are a form of public ruling) in these discussions.

As noted in the Rulings Report, Audit Report No 3 2001-2002 (paragraph 1.38), we had discussions with the then Commonwealth Ombudsman Special Tax Adviser, members of the legal, taxation and small business representative bodies and industry. The report does not mention names but, for your information, these bodies included the Law Council of Australia, the Tax Institute of Australia, the Institute of Chartered Accountants, CPA Australia, the Corporate Tax Association and Taxpayers Australia. We also spoke to representatives of large business and small business and tax law experts who were in practice. All of these people would have been specific end users of rulings, but the number who could have applied for, or been granted, a product ruling (ie been promoters marketing tax-effective arrangements to groups of taxpayers) is not known. We did not specifically seek out promoters in our stakeholder discussions.

We spoke to some 26 people outside the ATO as stakeholders in the administration of taxation rulings by the ATO. In addition, late in the audit process we also received some correspondence from individuals affected by the ATO's processes around mass marketed schemes, a matter then being considered by the Senate Economics References Committee.

IAN MCPHEE  
Deputy Auditor-General

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Portfolio: Prime Minister and Cabinet  
Agency: Australian National Audit Office**

**Budget Estimates 2001-2002: Tuesday, 28 May 2002**

<b>Senator:</b>	Senator Murray
<b>Hansard Page:</b>	F&PA 181
<b>Question</b>	Do you know offhand how many GBEs there are?
<b>Answer:</b>  There are currently 12 Government Business Enterprises:  Australian Government Solicitor Australian Postal Corporation Australian Rail Track Corporation Limited Australian Technology Group Limited ComLand Limited Defence Housing Authority Employment National Limited Health Services Australia Limited Medibank Private Limited Snowy Mountains Hydro-Electric Authority Sydney Airports Corporation Limited Telstra Corporation Limited	

IAN MCPHEE  
Deputy Auditor-General

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Portfolio: Prime Minister and Cabinet  
Agency: Australian National Audit Office**

**Budget Estimates 2001-2002: Tuesday, 28 May 2002**

<b>Senator:</b>	Senator Forshaw
<b>Hansard Page:</b>	F&PA 182
<b>Question</b>	You reviewed the grants made under that section of RAP for projects of national significance. Do you recall what the general criteria are to describe a project as being of national significance?

**Answer:**

There are no specific guidelines or assessment criteria for Projects of National Significance. These projects are approved in response to situations, such as local economic crises, natural disasters or projects, which are of national significance. These projects are not covered by the same objectives or guidelines as the community-based element of the Regional Assistance Programme. Rather, the guiding principles of the Regional Assistance Programme, namely jobs generation, improving the skills base of a region, tackling disadvantage and encouraging growth in a region and supporting infrastructure, apply to Projects of National Significance.

Mr McPhee indicated that Projects of National Significance are decided on a case-by-case basis by Cabinet. They can also be decided by Ministers.

IAN MCPHEE  
Deputy Auditor-General



**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Portfolio: Prime Minister and Cabinet  
Agency: Australian National Audit Office**

**Budget Estimates 2001-2002: Tuesday, 28 May 2002**

<b>Senator:</b>	Senator Murray
<b>Hansard Page:</b>	F&PA 185
<b>Question</b>	Could you provide the committee with a profile and whether you feel the area is well managed or whether it is at any risk of entitlements not being taken up when they should be? (Question relating to employee leave entitlements)

**Answer:**

To assist in the effective management of leave entitlements, the ANAO has in place the following arrangements:

- the ANAO Certified Agreement enables staff to accrue a maximum of 10 weeks (50 days) as at 1 February each year. Staff with an accrued balance in excess of 50 days as at 1 February are deemed to be on leave. This took effect from 1 February 2002;
- staff have the option of 'cashing out' one weeks leave of their 5 weeks personal leave entitlement per annum;
- details of staff leave balances are provided to responsible ANAO managers on a fortnightly basis; and
- the ANAO Executive Board of Management is provided with a quarterly report on leave usage.

In the 11 months ending 31 May 2002, each ANAO employee availed themselves on average of 20.97 days leave.

A profile of leave balances for all ANAO staff is as follows:

	Leave Balances			
	0-20 days	20-40 days	40-50 days	50 days +
Percentage of staff	40%	35%	13%	12%
Number of staff	110	94	35	34

IAN MCPHEE  
Deputy Auditor-General