LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NUMBER 6, 1994

Various Agencies
- Inter Agency Charging
- Management of Private Trust Funds

STANDING COMMITTEE ON PUBLIC ACCOUNTS
Report Number 3

May 1995

RESOLUTION OF APPOINTMENT

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 9 March 1995 with the following terms of reference:

(a) examine:

  (i) the accounts of the receipts and expenditure of the Australian Capital Territory;

  (ii) the financial affairs of authorities of the Australian Capital Territory; and

  (iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) report to the Assembly, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed;

(c) inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and

(d) inquire into and report on the implementation of the *Public Sector Management Act 1994* with particular reference to:

  (i) the public interest; and

  (ii) any other related matter.

MEMBERSHIP OF THE COMMITTEE

Ms Rosemary Follett MLA (Committee Chair)

Mr Trevor Kaine MLA (Deputy Committee Chair)

Ms Lucy Horodny MLA

Secretary: Bill Symington

1. INTRODUCTION

Background

1.1 Auditor-General's Report No 6, 1994 was presented to the Assembly on 25 August 1994. It encompasses two audits - one a review of the implementation of interagency charging in the ACT Government Service (ACTGS), the other an audit of the effectiveness of the legislative framework and management of monies held in trust for various persons, companies and third parties by ACT Government Agencies.

1.2 By resolution of the Assembly on 9 March 1995 the committee was authorised to consider and make use of the evidence and records of the Standing Committee on Public Accounts appointed during the previous Assembly.

Approach to the Inquiry

1.3 The Public Accounts Committee in the previous Assembly gave preliminary consideration to this audit report. That committee wrote to the previous Chief Minister about the conclusions, findings and recommendations made by the audit report and sought advice on the measures which had been or which were proposed to be taken to address the matters raised by the audit. The committee also requested copies of Treasury circulars, directions and guidelines relevant to the matters raised by the audit report concerning the management of private trust monies. A reply was duly received from the Under Treasurer.[1]

1.4 With the agreement of the Chief Minister and Treasurer, this committee met with senior Treasury officers on 10 April 1995 to discuss matters arising from the Under Treasurer's response to the committee on the audit report findings.

2. INTER AGENCY CHARGING

2.1 Interagency charging was introduced with the aim of determining the cost of all services provided between ACTGS Agencies and to attribute those costs to relevant programs. Among other things, the concept is intended to maximise resources, enhance cost consciousness, reduce unnecessary demand and overuse and to have Agencies become more client focussed.[2]

Audit Findings

2.2 The audit found that although significant progress had been made, particularly in some large service providers, in setting up costing systems and procedures, the implementation of interagency charging had not been fully effective in creating a platform which would enable the intended benefits to be achieved.[3] The audit found *inter alia* that:

- a significant number of service providers did not have adequate financial and other management information systems on costs and quantities of services provided

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[1] Under Treasurer, letter to the committee dated 9 March 1995

[2] Audit Report, pp3,4

[3] ibid, p4

- most service providers were not charging all relevant costs to clients
- service agreements predating the current charging arrangements, or constraints on the management of labour resources prevented the charging of actual costs to some clients
- the responsibilities of Treasury and service providers have not been made clear
- there was an inadequate understanding by both service providers and clients of the rationale for interagency charging
- there was little specialised staff training in setting up and operating charging arrangements.[4]

Audit Recommendations

2.3 The audit report recommended that:

- an overall implementation plan be prepared which would include a rationale and expected benefits of interagency charging, a timetable for implementation, the responsibilities of the parties concerned and arrangements for reporting to senior management on progress with implementation.
- monitoring of the implementation of interagency charging by the Internal Audit Bureau
- management accounting and financial reporting arrangements for service providers be reviewed by persons knowledgeable in contemporary management accounting and reporting processes.[5]

Committee Comment

2.4 The Under Treasurer advised the committee that interagency charging is not intended to put service providers into competition with the private sector for Government business. The committee was advised that the majority of interagency services are provided through the Agency Service Items (ASI) which are established by the annual Appropriation Acts. The Under Treasurer noted in a letter to the committee that these Acts provide for the operation of ASIs on such terms and conditions as agreed between the relevant Minister and the Treasurer and put the view that this is not consistent with the finding of the audit report.

2.5 In later discussion with the committee Treasury officers conceded that the thrust of the audit finding was that there needed to be a greater involvement in, and ongoing management focus on, interagency charging and that the issue would be pursued with more vigour.

2.6 With regard to training, Treasury advised the committee that it provides a number of courses relevant to interagency charging which include budgeting, costing and asset management as well as more comprehensive financial management courses arranged through the Canberra Institute of Technology (CIT).

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[4] ibid, pp5,6
[5] ibid, p6

2.7 There was some concern within the committee that the Treasury courses are somewhat basic and short and that they may not achieve the objectives which the auditor was looking for. The Treasury officers made the point that the courses were a structured progression designed to achieve financial management awareness and that Treasury was not seeking to have alternatives to courses provided by professional bodies and the CIT.

2.8 The committee notes the Treasury position.

3. MANAGEMENT OF PRIVATE TRUST MONIES

Audit Findings

3.1 The audit found that the management of third party trust monies was generally effective in the majority of cases. However it noted several issues which, although not significant enough to create a negative opinion on effectiveness, needed to be addressed.[6]

3.2 With regard to the administration of third party monies, the audit found that the legislative framework was not fully effective. The audit's principal findings were that:

- the Audit Act, Regulations and Directions were not fully effective in covering key procedures and controls required for the proper administration of private trust monies held by ACT Agencies;
- the extent to which the Audit Act framework covers monies held in bank accounts outside the ACT Public Account is not clear;
- there are some doubts about the status of bank accounts holding private trust monies outside the ACT Public Account; and
- there are no instructions relating to the maintenance of a trust ledger, the performance of management oversight, or other routine administrative matters relating to the management of trust monies.[7]

Audit Recommendations

3.3 The audit report recommended that:

- the current review of the Audit Act address the matters raised in paragraph 3.2 above
- Treasury Direction 19 be expanded to assist Agencies in implementing appropriate arrangements for administering trust monies
- formal instructions and procedures be developed and implemented concerning the administration of individual trusts
- responsibility for management oversight be assigned to appropriate senior officers

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[6] Audit Report, p4
[7] ibid, pp3,4

- all relevant staff be trained to ensure a clear understanding of their responsibilities and the principles and processes in accounting for trust monies.

Committee Comment

3.4 The Under Treasurer advised the committee that to put the audit recommendations into perspective, it is expected there will be significant changes to the manner in which all moneys are held by the Territory as a result of the current review of financial management policy and legislation. The committee was advised that the present framework was recognised as not fully efficient in its application to contemporary financial management and, as a result of the review, the Government had announced its intention to introduce revised financial management legislation for commencement form 1 July 1995.[8]

3.5 The committee was advised that, in many cases, moneys are held in the Trust Fund until they can be properly identified and where they cannot be identified are only transferred to the Consolidated Fund after six years.[9]

3.6 With regard to the provision of detailed guidelines, the committee was advised that there needs to be a balance between an appropriate level of central control and agency responsibility. To that end, detailed guidelines would be provided at the agency level.[10]

3.7 While the committee accepts that specific agencies have specific needs and business focuses and that appropriate guidelines need to be in place, it is concerned that there should continue to be clear and central guidelines for agencies.

3.8 The committee considers that some caution is required in providing agencies with another level of financial independence.

4. COMMITTEE REQUESTS

4.1 The committee requests that the Government in responding to this report:

(i) advise the steps taken to ensure that interagency charging arrangements are fully understood and implemented by the relevant ACT Government agencies

(ii) advise when the current review of financial management policy and legislation will be completed and the outcome of that review

[8] Under Treasurer. letter to the committee op cit

[9] ibid

[10] ibid

(iii) advise what safeguards will be put in place to ensure that there is adequate central Government control of ACT Government agencies when the agency guidelines for dealing with such moneys are developed.

Rosemary Follett

Rosemary Follett MLA
Chair