ACT
Government

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THE LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

GOVERNMENT RESPONSE TO THE *AUDITOR-GENERAL'S REPORT NO. 4 OF 2016: THE MANAGEMENT OF THE FINANCIAL ARRANGEMENTS FOR THE DELIVERY OF THE LOOSE-FILL ASBESTOS (MR FLUFFY) INSULATION ERADICATION SCHEME*

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Introduction

The Auditor–General released the Auditor-General's Performance Audit *Report (the Report) No. 4 of 2016: 'The Management of the Financial Arrangements for the Delivery of the Loose-Fill Asbestos (Mr Fluffy) Insulation Eradication Scheme'* (the Scheme) on 27 May 2016.

Recommendations

The Auditor-General made three recommendations in the Report. The recommendations are agreed. A whole of government response has been prepared and is outlined below.

Other Issues

The scope of the audit included the assessment of governance arrangements and reporting framework for the implementation and management of the Scheme. This Report demonstrates that the Scheme has been undertaken with strong governance, financial and risk controls which promote transparency and accountability.

The Audit Report makes particular reference to the Commonwealth Loan Agreement and the issues faced by the ACT Government when negotiating funding arrangements. Of particular note is that a key objective of the Commonwealth Government was to ensure the Scheme has no impact on its own financial position. A number of clauses in the initial loan agreement, along with imposing a significant administrative burden, were designed to ensure this result.

Taskforce and Treasury officials successfully negotiated the terms of the loan agreement with the Commonwealth resulting in the following benefits to the Territory:

- The removal of Commonwealth provisions that would have imposed onerous reporting and governance requirements
- There is no liability indemnity for previous events
- The interest rate of the loan is fixed at the Commonwealth's borrowing cost of funds for the term of the loan
- The loan is recognised as a borrowing and is receipted in to, and serviced by, the Territory Banking Account, and
- Because the loan proceeds are fungible with the cash of the Territory, new borrowing decisions incorporate the balance of the Commonwealth loan.

These negotiated provisions provide for an efficient and cost effective cash management process to reduce the impact of the Scheme on the Territory's financial position.

Despite managing risk in the context of a complex, never before delivered program containing a high degree of uncertainty, the Taskforce's approach to governance and risk management reflects better practice. The Taskforce has mature and practical arrangements in place, to the extent that risk management is embedded into daily processes.

The Report provides a timely opportunity to not only reflect on the significant achievements of the Taskforce but to determine whether there are any opportunities to improve the success of the Scheme through improvements to governance and risk management arrangements.

The report made many positive observations and several recommendations to improve or build on existing practices. The most significant observations include:

1. Support of the implementation of key Taskforce governance arrangements that were fit for purpose.
2. The risk management framework and assurance strategy are overarching documents which aim to minimise Taskforce exposure to significant risks.
3. The use of a phased approach of a pilot demolition program was considered an effective means of implementing a program for which there was little previous experience, resulting in risk being managed at both a strategic and operational level, although the cost of the demolition phase remains a risk.

The Auditor-General also supported Taskforce intentions, as a priority to develop a quality plan to help strengthen controls for ensuring the desired levels of compliance are being adhered to by the Taskforce and its partner agencies.

Government Position on Recommendations/Findings

A whole of government response has been instigated to address the three recommendations included in the Auditor-General's Report. These are outlined below.

Recommendation 1 – Reporting of the Total Cost of the Service

The Chief Minister, Treasury and Economic Development Directorate should provide information on the total costs of the Scheme by publicly reporting on the revenue and costs (including borrowing costs) of the Scheme from its inception to completion in the annual budget papers.

<u>Government Position</u>

Agreed and commenced.

The Report notes that the planning for, and management of, the financial arrangements for the Scheme has been effective. The Taskforce supports this recommendation and in conjunction with Treasury will publish the costs associated with the Scheme in the Annual Budget Papers.

Recommendation 2 – Disclosures in Financial Statements

The Chief Minister, Treasury and Economic Development Directorate should continue to provide disclosures about the financial impact of the Loose-Fill Asbestos Eradication Scheme in future financial statements.

Government Position

Agreed and commenced.

The Government supports this recommendation and, in conjunction with Treasury, will continue to ensure future financial statements provide appropriate disclosures regarding the impact of the Loose-Fill Asbestos Eradication Scheme.

Recommendation 3 – Records Management

The Asbestos Response Taskforce should continue to migrate all relevant Taskforce records to the Objective system and complete this process by December 2016.

Government Position

Agreed and commenced.

The Asbestos Response Taskforce is committed to the migration of all relevant Taskforce records to the Objective records management system, including historical records (first six months of operation) to ensure there is a comprehensive and permanent record of activity through the life of the Scheme.

Records management processes, identified by the Taskforce before this audit began, mandate that all records are filed in Objective and it is no longer possible to use the G drive to save records. The Taskforce has implemented action plans to oversee the migration of all old records onto the Objective system and has ensured the project is appropriately resourced.

It is expected that the migration of all historical records will be completed by the end of December 2016. It is important to note that the ACT Audit Office recognises that no records have been lost.