LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORTS:

NUMBER 8, 1993 *Redundancies*

NUMBER 9, 1993 *Overtime and Allowances*

Report Number 10 of the Standing Committee on Public Accounts

August 1994

RESOLUTION OF APPOINTMENT

On 27 March 1992, the ACT Legislative Assembly established a Standing Committee on Public Accounts with the following terms of reference:

(1) Examine

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

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

(c) all reports of the Auditor-General that have been laid before the Assembly;

(2) Report to the Assembly, with such comment 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; and

(3) Inquire into any question in connection with the public account which is referred to it by the Assembly and to report to the Assembly on that question.

MEMBERSHIP

Mr Trevor Kaine MLA (Presiding Member)
Ms Annette Ellis MLA (Deputy Presiding Member)
Mrs Kate Carnell MLA
Mrs Ellnor Grassby MLA
Mr Michael Moore MLA (from 25 February 1993)

Secretary: Bill Symington

Assistant Secretary: Russell Keith

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CONCLUSIONS AND RECOMMENDATIONS

The Committee Concludes that:

- in the context of any review of the voluntary redundancy scheme, consideration should be given to reducing the "cooling off" period from the present 30 days;

  (Paragraph 2.7)

- the determination of which agencies are responsible for the salary payments of those officers whose positions are identified as excess is a matter for decision by the Government.

  (Paragraph 2.9)

The Committee recommends that:

- action be taken to devise a suitable form of reporting on redundancy programs and that this be included in future budget papers;

  (Paragraph 2.6)

- the Government assess the implications of broadening the attractiveness of voluntary redundancy packages with particular reference to the position of lower paid employees;

  (Paragraph 2.8)

- guidelines be introduced outlining the documentary requirements relating to the identification of positions potentially excess and which could be subject to voluntary redundancy; and

  (Paragraph 2.10)

- all Government agencies review the practice of paying continuing allowances to assess whether such allowances can be paid separately from salary where the mode of payment is not covered by award provisions.

  (Paragraph 3.18)

The committee further recommends that the Auditor-General consider reviewing the matters covered by the Auditor-General's reports numbers 8 and 9 of 1993 in twelve months time to assess the outcomes of action which those reports and this report of the Public Accounts Committee have recommended be undertaken by the relevant Government agencies.

1. INTRODUCTION

1.1 This report contains the findings and conclusions arising from the Public Accounts Committee's examination of:

- Auditor-General's Report Number 8, 1993, *Redundancies*; and
- Auditor-General's Report Number 9, 1993, *Overtime and Allowances*.

1.2 **The Redundancies review** was carried out following a request by the Chief Minister to review redundancy payments in the ACT Government Service (ACTGS). The Chief Minister also sought assurance that, in regard to certain allegations about the handling of voluntary redundancy payments, the procedures and processes being followed are in accordance with requirements and of a high standard.

1.3 The objective of the audit was to provide an opinion on:

- the effectiveness of redundancies in reducing future costs to the ACT Government; and
- the appropriateness of payments made for redundancies.

1.4. The audit covered the period 1 July 1992 to 30 June 1993 and included testing a sample of 60 redundancies for appropriateness, authorisation and accuracy. It was conducted with the assistance of the accounting firm Deloitte Touche Tohmatsu.

1.5. **The Overtime and Allowances review** is part of an audit of such payments across the ACTGS. The review was requested by the Chief Minister in May 1993 in response to public concern being expressed about these payments.

1.6. The objectives of the Overtime and Allowances audit were to:

- form an opinion and report on the overall effectiveness of management in ensuring that overtime and allowances are paid only when necessary for the economic performance of an agency's functions; and
- establish the appropriateness of payments in terms of the various awards and determinations under which the payments of overtime and allowances are made.

1.7. The audit covered industrial employees of the Department of the Environment, Land and Planning, City Services and Public Works and Services and employees of ACTION, Fire and Emergency Services, Roads and Transport, ACT Forests and ACT Electricity and Water (ACTEW). It sampled over 150 employees who received in excess of $2,000 in overtime payments and over 140 employees receiving continuing and disability allowances during the latter part of 1992-93 and early 1993-94. The audit was managed by Mr Peter Hade of the Audit Office and conducted with the assistance of the accounting firm Ernst and Young.

2 REDUNDANCIES

Results of the Audit

2.1 The audit concluded that "the use of redundancies had been effective in reducing future cost to the ACT Government"[1]. That conclusion was supported by the findings that between 1 July 1991 and 30 June 1993 472 officers, or 2% of the ACT Government Service workforce, had accepted redundancy payments; the 'pay back' period for such payments was less than one year; and there was no evidence of any discernible alteration of the quality of the ACTGS workforce or the delivery of services.

2.2 In regard to the appropriateness of redundancy payments, the audit concluded that "approval and payment processes in relation to the payment of voluntary redundancies have operated effectively and that payments have been in accordance with relevant awards and agreements"[2].

2.3 The audit also noted that:

- not all processes to identify staff to be offered voluntary redundancies have precisely followed the relevant award and agreement, however, outcomes have been satisfactory to all parties and in the spirit of the voluntary redundancy agreement;
- there was no evidence that the voluntary redundancy process was inappropriately being used to remove inefficient officers; and
- a review of the content of the report prepared by an investigating officer as a result of an alleged improper redundancy payment and the associated documentation supported the conclusions drawn by the investigating officer and the Director of Public Prosecutions.

2.4 The audit made the following recommendations and suggestions:

- that action should be taken to devise a suitable form of reporting the outcome of the redundancy program and that this be included in future budget papers;
- that the 30 day 'cooling off' period for employees to accept redundancy offers be reviewed on the grounds that it appears excessive;
- that the benefits offered be reviewed with a view to making them more attractive to newer and less well paid employees;

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1 Auditor General's Report Number 8, *Redundancies*, p3
2 ibid, p3

- that the payment by agencies of salaries of identified excess officers pending redeployment or redundancy be reviewed with a view to enabling agencies to realise the benefits of restructuring sooner; and

- that guidelines be introduced outlining the documentary requirements relating to the identification of a position being potentially excess through to the payment of voluntary redundancies with a view to ensuring that the filing of documentation is consistent, complete and accessible.

Approach to the Inquiry

2.5 The Committee discussed the audit report with the Auditor General and officers of the Chief Minister's Department in separate meetings on 7 March 1994. During those discussions the committee sought further advice from the Secretary of the Chief Minister's Department on three matters which were the subject of a written response[3]. These were:

(1) Clarification of paragraph 4 of the Chief Minister's letter to the Auditor-General dated 11 May 1993.

The Department advised the committee that references to "other allegations" were contextual in that there had been allegations about overpayments and, recently, procedures for handling redundancies. The Head of Administration had appointed authorised officers to examine two specific instances and the Chief Minister's letter to the Auditor-General asked that he follow up the work already done by reviewing the approval and payment processes, including any general findings on administrative weaknesses from the examination of the two specific cases.

(2) The number of SES positions included in the 184 Health redundancies identified by the audit report.

The committee was advised that no SES officers were included in the Health redundancies and that the 184 redundancies were spread throughout all areas of the hospital and community programs.

(3) The guidelines used to determine whether an office is adjudged to be potentially excess and the officer eligible for the offer of voluntary redundancy.

The committee was advised that the voluntary processes are as provided for in the "Excess Staff" guidelines issued by the Public Service Commission and in the Redeployment and Retirement (Redundancy) Award 1987.

3 Mr J V Townsend, Acting Secretary, Chief Minister's Department, letter to the Committee Secretary, dated 15 March 1994

Consideration of the Report

2.6 The audit found that there had been insufficient reporting on the outcome of the redundancy programs and that the Legislative Assembly and the public were unable to assess whether the program has been successful in achieving the objective of reducing the recurrent costs of government. It recommended that action should be taken to devise a suitable form of reporting and that this should be included in future budget papers and the committee supports the recommendation.

2.7 A problem encountered by some agencies and noted by the audit report is the length of time between the initial identification of a position as excess and the payment of a voluntary redundancy package. The audit found that agencies believed that if all parties were happy with the payment of a voluntary package the required "cooling off" period of 30 days could be reduced to say a maximum of seven days to speed up the process. The audit proposed that this matter be included in considerations when the redundancy scheme is reviewed. The committee agrees that it would be appropriate to consider this matter in due course.

2.8 Some agencies advised the audit that with more attractive and/or flexible packages a greater number of officers whose positions had been identified as excess and who were not considered redeployable within the ACTGS would opt for voluntary redundancy. The audit noted that voluntary redundancy packages appeared to be rather more attractive to long term, relatively well paid employees than to newer employees or the less well paid and that this would be a matter of Government policy. The committee notes the issues raised and recommends that the Government assess the implications of broadening the attractiveness of the voluntary redundancy package with particular reference to the position of lower paid employees.

2.9 The audit noted that officers whose positions have been identified as excess and who cannot be redeployed and who do not take voluntary redundancy remain with their agency and are paid by the agency. This means that the agency is unable to generate the savings of a restructuring. The audit suggested that a review of the process would seem desirable. The committee notes the audit view, but sees this as an issue for Government policy in relation to the performance of agencies.

2.10 The audit recommended that guidelines be introduced outlining the documentary requirements relating to the identification of the position being potentially excess through to the payment of voluntary redundancies. Audit saw the lack of this documentation as leading to inconsistencies. The committee supports the recommendation.

3 OVERTIME AND ALLOWANCES

Results of the Audit

Overtime

3.1 The audit found that for the sample selected:

- all claims for overtime were approved;
- calculations of overtime and consequently amounts of overtime paid were correct having reference to relevant awards and determinations; and,
- there were no instances of overtime paid which should not have been paid under the relevant award or determination.

3.2 However, the audit also found that there were some areas where overtime was paid on a regular basis when there appeared to be no genuine requirement for the overtime to be worked.

3.3 Although, within the framework of existing work practices, the audit established that most roster and "on call" arrangements were necessary to maintain service level and were in accordance with conditions and awards, the audit noted that existing work practices may not necessarily result in the most cost effective options being used. The audit did not evaluate these work practices for efficiency and was confined to overtime. [4]

3.4 The audit concluded that systems for the control and monitoring of overtime worked were adequate with most systems in place being based on budget management processes. As a result of across the board cuts in Agency funding levels, the audit noted there had been pressure on management to reduce the level of overtime worked.[5]

3.5 In relation to overtime, the audit recommended that:

- The Government should ensure that Agencies' managements review the impact of work practices and call-out provisions in awards on the level of overtime payments in order to identify and negotiate the introduction of more cost effective working arrangements.
- ACTION management should pursue alternatives to the current award and work practices which allow drivers' work shifts to include significant components of paid non-productive time and paid overtime.[6]

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[4] Auditor General's Report Number 9, *Overtime and Allowances, p2*
[5] ibid, p3
[6] ibid, p5

3.6 The Committee noted that there was some discrepancy in the 1992-93 salaries and overtime statistics for the Department of the Environment, Land and Planning in the Report.[7] The Committee did not consider that the error was likely to affect the conclusions of the Report and brought the discrepancy to the Auditor General's attention informally.

Allowances

3.7 Across the ACTGS continuing allowances are incorporated into an officer's usual fortnightly salary. The audit found that these allowances are paid whether the employee is at work or on leave. They receive allowances because of their classification and when they change workplaces overpayments can occur.

3.8 With some minor exceptions, the audit found that for the sample chosen, allowance payments were reasonable in terms of the relevant award requirements and were subject to adequate approval processes. It was found that generally the period of time for which allowances were claimed was not excessive given the work carried out.[8]

3.9 The exceptions to the above include:[9]

- ACT Government workshop employees claiming disability allowances for every hour worked regardless of whether they worked under the relevant disabling conditions for the whole period;
- the payment of leading hand and senior plant allowances being paid as part of salary during times when the relevant duties were not being carried out;
- ACTION tyre fitters covered by the Trade Workers' Union award claiming allowances under the Metal Trades Award; and
- Department of the Environment, Land and Planning officers under the Metal Trades Award being paid an allowance for handling toxic materials when no such allowance existed under that award.

3.10 The audit noted that a Department of Urban Services internal review had recently made recommendations to cease the above practices.

3.11 In relation to allowances, the audit recommended that:

- The practice of paying all continuing allowances as part of salary be reviewed. Instances where continuing allowances are being paid when employees are on leave or are not actually doing the work for which the allowances are payable, need to be identified and consideration given to

7 ibid, p28
8 ibid, p39
9 ibid, p39

eliminating the payments. This will have to be achieved within the guidelines of each respective award.

- Where disability allowances payments are not appropriate under the relevant awards, the payments should cease.
- An independent expert review should be carried out to ensure that disability allowance payments are only made for days and times when the necessary working conditions exist.[10]

Approach to the Inquiry

3.12 The committee sought comment from the Minister for the Environment, Land and Planning and the Minister for Urban Services on the matters raised by the audit.

Consideration of the Report

3.13 The Minister for the Environment, Land and Planning advised the committee that in the instance where officers covered by the Metal Trades Award were paid an allowance for handling toxic materials when working on pest control spray equipment, the allowance was immediately ceased when the anomaly came to notice.[11]

3.14 The Minister for Urban Services advised the committee that the Department had introduced a number of changes in response to the audit and an internal review conducted early in 1993.[12] In essence, the Department and relevant agencies had responded to the audit report by:

- ACTION reaching agreement with unions on the introduction of part-time drivers, multi skilling of drivers to allow their deployment to other tasks when they are not driving, and more efficient rostering arrangements. Routine overtime in ACTION workshops ceased on 1 November 1993.
- Public Works and Services working to reduce the need for out of hours call outs through consultations with client agencies. Negotiations are underway to rationalise work practices of landfill staff with a view to reducing the cost of weekend overtime.
- the Department of Urban Services conducting extensive negotiations with unions over redefining allowances. Agreements have been reached on all but one outstanding issue which was being submitted to the Australian Industrial Relations Commission.

10 ibid, p5
11 Minister for the Environment, Land and Planning, Mr B Wood MLA, letter to the committee dated 14 February 1994
12 Minister for Urban Services, Mr T Connolly MLA, letter to the committee, dated 17 March 1994

- ACTEW indicating it was implementing various mechanisms which sought to reduce the level of overtime payments while acknowledging the need to employ people out of hours.[13] It is particularly focussing on removing penalty payments for weekend and after hours work and incorporating such rates into a wage rate through enterprise bargaining.

3.15 ACTEW indicated that an analysis of industrial payroll data conducted in 1992 led to increased attention to the appropriate payment of allowances. It has commenced rationalising disability payments into a regular bulk payment in order to reduce the administrative cost of allowance payments and to avoid payments being made incorrectly. It has reached agreements to rationalise allowances with the Electrical, Electronic, Plumbing and Allied Workers' Union, the Australian Workers' Union, the Transport Workers' Union and the Construction, Forestry, Mining Energy Union.

Conclusion

3.16 The committee supports the recommendations made by the audit report. It notes that the matters identified by the audit leading to its recommendations are being addressed by the relevant agencies or that they have been rectified.

3.17 With regard to the audit recommendation about reviewing the continuing payment of allowances as part of salary, the committee was advised that in the case of the Department of Urban Services, the internal review had showed that practically all continuing allowances are correctly paid as part of salary. The committee was advised that the Awards define these allowances as being for "all purposes" and as such should be regarded as part of salary. In some instances this also means that they should be paid while the officer is on leave.[14]

3.18 The committee accepts the position as outlined in the case of the Department of Urban Services, but recommends that all agencies review practice with a view to paying allowances separately from salary where the mode of payment is not covered by Award provisions.

Trevor Kaine MLA
Presiding Member

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[13] Mr Connolly, op cit, re ACTEW
[14] ibid, re Dept Urban Services