2009

Government Response to the Standing Committee on Public Accounts 'Review of Auditor-General's Report No. 8: *2007-08 Financial Audits*'

Tabling Statement

Presented by:
Katy Gallagher MLA
Treasurer

8/12/2009

Government Response – Tabling Statement

Mr Speaker, I present the Government's Response to the Standing Committee on Public Accounts 'Review of Auditor-General's Report No. 8 of 2008: *2007-08 Financial Audits*'.

Mr Speaker, I note that the recommendations included in the Committee's Report largely relate to the adequacy of information included in agency Statements of Performance, the requirement for continuous monitoring of processes for addressing audit findings and Information Technology controls.

Significant progress has been made in implementing the majority of these recommendations, in light of previous audit outcomes, with the remainder well on the way to being implemented.

As such, the Government's Response agrees to all ten recommendations included in the Committee's Review.

The Committee's Review also recommends that I table in the Legislative Assembly the ACT Government's 2009-10 review of the Territory's unfunded superannuation liability.

Mr Speaker, the outcome of the Funding Plan Review will be considered in the development of the 2010-11 Budget, and if there is a variation to superannuation funding arrangements as a result of the Review, details will be included in the 2010-11 Budget Papers. The associated Actuary's Report will also be provided to the Assembly.

Mr Speaker, I commend this paper to the Assembly.

2009

THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

GOVERNMENT RESPONSE TO THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

AUDITOR-GENERAL'S REPORT NO. 8 of 2008: *2007-08 FINANCIAL AUDITS*

Presented By:
Ms Katy Gallagher MLA
TREASURER

8 / 12 / 2009

INTRODUCTION

On 15 September 2009, the Standing Committee on Public Accounts 'Review of Auditor General's Report No. 8 of 2008: *2007-08 Financial Audits*' was tabled in the Legislative Assembly.

Recommendations

The Standing Committee on Public Accounts made ten recommendations. A whole of Government response has been prepared to address these recommendations and are discussed in further detail later in this Response.

GOVERNMENT POSITION ON RECOMMENDATIONS/FINDINGS

The Standing Committee on Public Accounts 'Review of Auditor General's Report No. 8 of 2008: *2007-08 Financial Audits*' includes ten recommendations. Those recommendations, and a Government position on those recommendations, are outlined below.

Recommendation 1

The Committee recommends that all ACT Government agencies and authorities should continuously monitor their processes for addressing audit findings in a timely manner.

Government Position

Agreed.

Agencies have internal audit mechanisms through which they monitor their processes to ensure external audit findings and recommendations are addressed in a timely manner.

Recommendation 2

The Committee recommends, to the extent that work is not already taking place, that ACT Health review the adequacy of the information included in its Statement of Performance to ensure that the information accompanying the reported results is sufficient to enable users of the statement, particularly those external to ACT Health, to understand the performance measures, the results being reported and where appropriate, how they were measured or estimated.

<u>Government Position</u>

Agreed.

The level of information provided in ACT Health's Annual Statement of Performance has been increased in the 2008-09 Statement of Performance, with footnotes being included to further explain each of the performance measures.

Recommendation 3

The Committee recommends, to the extent that work is not already taking place, that ACT Health prioritise the improvement of controls over the stocktaking and reconciliation of its pharmaceutical inventory to minimise the risk of reporting errors and fraud.

<u>Government Position</u>

Agreed.

Recommendation implemented. Work was undertaken subsequent to the ACT Health 2007-08 audit process in consultation with the audit office to meet this recommendation. Staff from the Auditor-General's office confirmed the adequacy of these control changes during their audit of the 2008-09 financial statements.

Recommendation 4

The Committee recommends, to the extent that work is not already taking place that the Chief Minister's Department prioritise the finalisation of its business continuity plan.

Government Position

Agreed.

Recommendation implemented. The Chief Minister's Department has an endorsed business continuity plan.

Recommendation 5

The Committee recommends that the Land Development Agency (LDA) review the adequacy of the information included in its Statement of Performance to ensure compliance with the requirements of the *Financial Management Act 1996.*

Government Position

Agreed.

Recommendation implemented. The adequacy of this information was reviewed prior to completion of LDA's 2008-09 Statement of Performance and was also discussed at length with the ACT Auditor-General's Office in order to obtain agreement that the information was compliant. The ACT Auditor-General's Office subsequently issued (on 17 September 2009) an unqualified report on LDA's 2008-09 Statement of Performance.

Recommendation 6

The Committee recommends that the Department of Territory and Municipal Services review the adequacy of the information included in its Statement of Performance to ensure that the information accompanying the reported results is sufficient to enable users of the statement, particularly external users, to better understand the reported performance measures and the associated results and, where appropriate, how they were measured or estimated.

Government Position

Agreed.

The Department of Territory and Municipal Services provided a greater level of disclosure in their 2008-09 Statement of Performance and will continue to review performance measures, including the measurement methodologies, as part of the 2010-11 Budget development process.

Recommendation 7

The Committee recommends the Treasurer table in the Legislative Assembly the ACT Government's 2009-10 review of the Territory's unfunded superannuation liability.

Government Position

Agreed.

This refers to the Funding Plan Review to be undertaken during 2009-10. The Review will be informed by an Actuary report on the superannuation liability estimates, including sensitivities of assumptions. The outcome of the Review will be considered in the development of the 2010-11 Budget. If there is a variation to superannuation funding arrangements as a result of the Review details of the change will be included in the 2010-11 Budget Papers. The Actuary's report will also be provided to the Assembly.

Recommendation 8

The Committee recommends that ACT Government agencies and authorities review the relevance, usefulness and appropriateness of the performance measures reported in their statements of performance.

Government Position

Agreed.

Agencies review their performance measures annually through the Budget process. This review includes an assessment of the relevance, usefulness and appropriateness of the performance measures. This practice will continue throughout future budget processes. The Accountability in Government initiative, being led by the Chief Minister's Department, is also examining ways to strengthen the relevance and usefulness of performance indicators and reporting.

Recommendation 9

The Committee recommends that the Treasurer provide to the Legislative Assembly by the last sitting day in September 2009 a detailed project report on the delivery of projects under Appropriation Bill 2008–09 (No. 3).

Government Position

Agreed.

Recommendation implemented. The Capital Works Report: '2008-09 Supplementary Appropriation No. 3 - Delivery of Local Initiative Package' was tabled in the Legislative Assembly on 17 September 2009.

Recommendation 10

The Committee recommends that all ACT Government agencies and authorities should prioritise a review of their information technology controls to ensure that appropriate controls — general and application — are in place and are kept current.

Government Position

Agreed.

Most agencies have undertaken business upgrades or an internal audit of business critical systems as part of the review process to ensure appropriate information technology controls are in place. Information technology controls will continue to be monitored by agencies, ICT Steering Committees and InTACT.

Other Issues

The wording of the second sentence in paragraph 3.12, on page 17, of the Public Account Committee's Review is incorrect.

In an attempt to summarise the reasons outlined on page 54 of the Auditor-General's Report No. 8 of 2008: *2007-08 Financial Audits* for ACT Health not meeting its budget for 2007-08, the Committee's Review incorrectly indicates that "[t]he higher than budgeted net cost of services was due to an increase in cross border receipts that were not fully recovered by higher cross-border revenue".

The sentence would be more correctly stated as "The higher than budgeted net cost of services was due to the rising costs of providing health services, which were not fully covered by higher cross-border revenues."