**2010**

# THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

# GOVERNMENT RESPONSE TO THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

## *AUDITOR-GENERAL'S REPORT NO. 8 of 2009: 2008-09 FINANCIAL AUDITS*

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## INTRODUCTION

On 24 September 2010, the Standing Committee on Public Accounts 'Review of Auditor General's Report No. 8 of 2009: *2008-09 Financial Audits*' was tabled in the Legislative Assembly.

### Recommendations

The Standing Committee on Public Accounts made 11 recommendations. A whole of government response has been prepared and provided below to address these recommendations.

## GOVERNMENT POSITION ON RECOMMENDATIONS/FINDINGS

The Standing Committee on Public Accounts '*Review of Auditor General's Report No. 8 of 2009: 2008-09 Financial Audits*' includes 11 recommendations. Those recommendations, and a Government position on those recommendations, are outlined below.

### Recommendation 1

**The Committee recommends that Housing ACT and the Department of Territory and Municipal Services take steps to ensure that all necessary action is carried out to adequately measure and report against performance measures, as specified in their respective statements of performance.**

<u>Government Position</u>

Agreed.

The Department of Territory and Municipal Services has amended their Customer Satisfaction Survey to include a specific question regarding the overall satisfaction with the management of roads and infrastructure services. The revised question was included in the November 2009 survey.

Housing ACT is liaising more closely with the Commonwealth to ensure that results of the National Social Housing Survey are available in the period expected. The ACT survey in alternative years is also planned to occur and report in the period required.

## Recommendation 2

**The Committee recommends that the Department of Territory and Municipal Services review its processes for preparing its statement of performance to ensure that the results obtained accurately reflect the agency's performance.**

Government Position

Agreed.

The Department of Territory and Municipal Services has been making incremental improvements to processes for preparing its statement of performance since the 2008-09 financial audit.

A thorough review of the performance management framework addressing appropriateness of targets, verification processes, greater disclosure, rigour and explanations will be undertaken. Results of this review will be evident in the 2010-11 Statement of Performance.

A further review will occur as part of the 2011-12 Budget development process.

## Recommendation 3

**The Committee recommends that the ACT Government ensure that appropriate personnel are aware of the legislative requirements that apply directly to the preparation of financial reports and statements of performance.**

Government Position

Noted.

Annual training sessions are conducted by both Treasury and the Auditor-General's office for relevant agency personnel to assist agencies in meeting legislative requirements when preparing financial statements and statements of performance.

The Chief Minister's 2007-2010 Annual Report Directions also outline the legislative requirements for agencies to follow when preparing their annual financial reports.

**Recommendation 4**

**The Committee recommends that the ACT Government ensure that the performance measures included in statements of performance for all its reporting entities are: (i) clearly and concisely defined, (ii) accurately reported, and (iii) supported by sufficient evidence and/or accompanied by sufficient explanatory information to enable the performance of the department or agency to be understood.**

<u>Government Position</u>

Agreed.

Agencies review performance measures as part of the Annual Budget process. During the 2010-11 Budget development process, Treasury provided agencies with detailed advice on the principles and considerations required when developing performance measures including defining and reporting of indicators, and the need for sufficient evidence.

The practice of reviewing and refining performance measures will continue throughout future Budget and Annual Reporting processes. Treasury's Better Practice Guideline on Statements of Performance require agencies to provide explanations for accountability indicators where either the terms used or methodology used might be either difficult to understand or open to interpretation.

**Recommendation 5**

**The Committee recommends that the ACT Government ensure that its agencies are appropriately resourced to allow for the resolution of audit findings, and implementation of agreed audit recommendations, within a timely manner.**

<u>Government Position</u>

Noted.

Appropriate resourcing to resolve and implement audit findings which have been agreed by Government is a matter for agencies and the Government.

**Recommendation 6**

**The Committee recommends that all ACT Government agencies 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 7**

**The Committee recommends that ACT Government agencies should review their implementation processes for audit recommendations with the aim of implementing a substantial majority of those recommendations within twelve months from the date of being reported.**

Government Position

Noted.

Agencies aim to implement all agreed audit recommendations within twelve months from the date of being reported, excluding exceptional circumstances.

Timing and implementation of recommendations are assessed on a case by case basis using an appropriate project and risk methodology.

**Recommendation 8**

**The Committee recommends that the ACT Government ensure that all its reporting entities take the necessary steps to ensure financial reports are provided in accordance with the Government's reporting timetable.**

Government Position

Agreed.

Agencies currently have in place well established processes to ensure adherence to the reporting timetable. In 2008-09, 70 per cent of agencies submitted their financial reports to the Audit Office by the due date. This was a significant improvement over the previous year where 63 per cent of agencies submitted their reports by the due date.

Further improvements are evident in the 2009-10 Audit process.

**Recommendation 9**

**The Committee recommends that the Treasurer provide the Committee with an updated analysis of the unfunded superannuation liability, including modelling incorporating a range of discount rates, to demonstrate the potential changes that are possible in this liability, in sufficient time for the 2009-10 annual report public report hearings.**

<u>Government Position</u>

Noted.

The most recent details of the unfunded superannuation liability are available in the Treasury 2009-10 Annual Report. The reported liability projections are based on the '*Report on the Actuarial Investigation as at 30 June 2009*' and sensitivity analysis is available from the report '*Superannuation Liabilities - Sensitivity Analysis 21 December 2009*'.

**Recommendation 10**

**The Committee recommends that, where applicable, ACT Government agencies should review their capital works project management to identify areas where improvements can be made, in particular by: (i) enhancing the overall management of projects by adopting a formalised project management framework, (ii) providing training to staff in project management, and (iii) allocating appropriate resources to projects.**

<u>Government Position</u>

Agreed.

Agencies either have existing project management frameworks, or are in the process of formalising them. In addition, the Government has an established centralised area of project and contract management with Procurement Solutions. The processes, practices and management framework utilised within Procurement Solutions is independently audited and *ISO 9001:2008 Quality Management Certified*.

Appropriate training for project management staff is a fundamental aspect in the successful delivery of capital works projects. This is a practice that is widely used across Government.

Procurement Solutions provides expert advice on project management and procurement activities. Procurement Solutions is structured into multidisciplinary areas of specific skills encompassing a range of expertise including qualified architects, landscape architects, engineers and project management specialists. These officers are assigned projects in accordance with their area of expertise. Procurement Solutions provides ongoing training to its project officers on behalf of agencies to ensure that all applicable infrastructure projects are managed by a subject matter expert.

## Recommendation 11

**The Committee recommends that ACT Government agencies ensure that their information systems operate as intended, are accurately and appropriately used, and that the information contained within them is valid, complete, and secure for the purpose of supporting agency operations and requirements.**

Government Position

Agreed.

Shared Services has implemented an on-going process for testing the restoration of backed up data and systems. Agencies are able to request this service on either an ongoing or ad hoc basis with the costs incurred directly recovered from agencies by InTACT. The current version of Chris 21 has improved capacity to monitor audit log changes. In conjunction with InTACT and the TAMS Security and Risk unit, implementation of a fully workable solution using data mining software is on-going.

The Revenue Office will work with InTACT and the vendor on completion of the Territory Revenue System (TRS) upgrade to improve audit logging.