Auditor-General's Report No. 8, 2001

Relocation to Brindabella Business Park

Report No. 2

Standing Committee on Public Accounts

December 2002

Legislative Assembly for the Australian Capital Territory

Committee membership

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Resolution of appointment

On 11 December 2001 the Legislative Assembly agreed to the following resolution.

> (1) The following general purpose standing committees be established and each committee to inquire into and report on matters referred to it by the Assembly or matters that are considered by the committee to be of concern to the community:
>
> > (a) a Standing Committee on Public Accounts to:
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> > > (i) examine:
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> > > > (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 which have been presented to the Assembly;
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> > > (ii) 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;
> > >
> > > (iii) 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
> > >
> > > (iv) examine matters relating to economic and business development, small business, tourism, market and regulatory reform, public sector management, taxation and revenue and sustainability.

Terms of reference

The terms of reference for this inquiry were taken from the Committee's resolution of appointment, specifically the Committee was established by the Legislative Assembly to, among other things, examine "all reports of the Auditor-General which have been presented to the Assembly".

The Public Accounts Committee examines every report tabled by the ACT Auditor-General. Often, after such an examination, the Public Accounts Committee then authorises the Chair of the Public Accounts Committee to make a short statement, in accordance with Standing Order 246A, to the Legislative Assembly. The Committee, however, having regard to the disquiet surrounding the relocation of the Canberra City office of the Canberra Tourism and Events Corporation (CTEC) to Brindabella Business Park, believed that with regard to the Auditor-General's report on the relocation, a short statement by the Chair was inappropriate. The Committee consequently resolved to produce a report on the Auditor-General's investigation of the relocation.

1. Introduction

Background

1.1. Before moving to Brindabella Business Park, Canberra Tourism and Events Corporation (CTEC) leased office accommodation in Canberra City, with additional premises at the Canberra Visitors Centre on Northbourne Avenue. The lease on the Canberra City premises was due to expire on 3 April 2001 (this was later extended to 15 May 2001).[1]

1.2. In September 2000, a consultant hired by CTEC recommended that premises, larger than those currently occupied by the CTEC in Canberra City, were needed. CTEC consequently advertised in the *Canberra Times* in October 2000 seeking expressions of interest regarding the provision of larger premises.[2]

1.3. On 2 November 2000 CTEC appointed an accommodation consultant whose role was to rank the 22 responses received to the advertisement placed in the *Canberra Times*. The accommodation consultant subsequently prepared a short-list of six properties, which included Brindabella Business Park.[3]

1.4. Short-listed properties were inspected by the CTEC Chairman, Mr James Service, and several CTEC officers. This short-list was then reduced to three properties, including Brindabella Business Park, although it should be noted that two properties were removed from the short-list, not because of any decision by CTEC, but because they became unavailable for leasing.[4]

1.5. On 21 February 2001 CTEC announced, by media release, that it intended to relocate it Canberra City operation to Brindabella Business Park.[5]

1.6. On 27 February 2001 the issue of the relocation was raised in the ACT Legislative Assembly. Concerns about the relocation centred on the lack of public transport facilities for staff and visitors to Brindabella Business Park, the difficulty organisers of events, such as Floriade and the Multicultural Festival, would have in getting to CTEC's Brindabella Business Park premises to organise their events, and the perception of conflict of interest in the relocation.[6]

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[1] *ACT Legislative Assembly Hansard*, 28 March 2001, p. 1048.
[2] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 12.
[3] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, pp. 13-14.
[4] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, pp. 15-16 and 18.
[5] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 25.
[6] *ACT Legislative Assembly Hansard*, 27 February 2001, pp. 335-36.

1.7 The perception of a conflict of interest, which was raised in the Legislative Assembly, centred on the fact that one member of the CTEC Board - Mr Stephen Byron - was a Director of Canberra International Airport Pty Ltd, which was the lessor of Brindabella Business Park. Also, the Chairman of the CTEC Board, Mr James Service, was the son of Mr Jim Service, a director of Capital Airport Group Pty Ltd, the firm that manages the Canberra International Airport.[7]

1.8 On 28 March 2001 the Legislative Assembly passed a resolution drawing the Auditor-General's attention to CTEC's relocation to Brindabella Business Park and requested that the Auditor-General conduct a performance audit on that decision.[8]

Conduct of inquiry

1.9 On 10 December 2001, the Auditor-General forwarded his report on CTEC's relocation to Brindabella Business Park, and on 26 September 2002 the ACT Government responded to this report – essentially agreeing with the Auditor-General.

1.10 This report, in the main, comments on the Auditor-General's investigation of CTEC's decision to relocate its Canberra City office to Brindabella Business Park.

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[7] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 29.
[8] *ACT Legislative Assembly Hansard*, 28 March 2001.

2. Overview

General comment

2.1. The Committee notes the Auditor-General's opinion that the "decision to relocate to Brindabella Business Park was soundly based" and "[n]o actual or apparent conflict of interest existed in relation to the CTEC Board Chairman."[9] The Committee believes, however, that the Auditor-General's opinion needs to be qualified by reference to a number of shortcomings, such as deficiencies in record keeping and inadequate financial analyses, that the Auditor-General himself found in the processes followed by CTEC.

Decision making process

2.2. The Auditor-General noted that CTEC's accommodation consultant ranked responses to CTEC's October 2000 advertisement for accommodation according to the following criteria:

- location;
- profile;
- rent relative to quality;
- availability;
- floor size; and
- car parking.

The Auditor-General went on to note that there was no indication that CTEC had approved these criteria, nor was there any documentation to indicate how various properties were judged against each criterion.[10]

2.3. This lack of documentation made it impossible for the Auditor-General, or anyone else, to determine why particular properties were not considered suitable for the short-list. This is particularly unfortunate since Brindabella Business Park, a site outside Canberra City, was eventually chosen for CTEC's relocation while other properties outside Canberra City, such as in Belconnen and Phillip, properties which "met the CTEC requirements with lower rental costs" than the Brindabella Business Park site, were excluded from the short-list.[11]

2.4. CTEC also inadequately documented other aspects of the process leading to the decision to relocate to Brindabella Business Park. The Auditor-General noted that "[m]ore thorough documentation would have improved the accountability trail for the selection and decision process".[12] More thorough documentation would also have helped dispel the perception of conflict of interest.

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[9] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 3.
[10] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, pp. 13-14.
[11] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 16.
[12] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 27.

Financial Analysis

2.5. CTEC appears to have decided that the Brindabella Business Park site was preferred over its nearest rival for cost reasons.[13] The Committee is concerned to note the comment of the Auditor-General that "the financial analyses underpinning the relocation decision included debateable assumptions and methodological errors."[14] This statement leaves one wondering if a more rigorous analysis had been undertaken would Brindabella Business Park have been chosen as the preferred site. There is no way the Auditor-General, or anyone else, can decide this matter.

Conflict of interest

2.6. With regard to conflict of interest matters, the Auditor-General found that Mr Stephen Byron had disclosed his conflict of interest in a "timely manner" and CTEC had dealt with the matter appropriately. The Auditor-General also found that "[n]o actual or apparent conflict of interest existed in relation to Mr James Service."[15]

2.7 The Committee also notes the Auditor-General's advice that "the perception of a conflict of interest can be as damaging as an actual conflict."[16] The Committee feels that CTEC could have done more to manage perceptions. It is particularly unfortunate that the Board of CTEC "did not record its deliberations on the potential for a perception of a conflict of interest,"[17] thus making it problematical to review what the Board of CTEC considered.

Sustainability issues

2.8 A broader issue relating to the Auditor-General's conduct of this audit relates to sub-section 12(2) of the *Auditor-General Act 1996*. This sub-section allows the Auditor-General, in the conduct of a performance audit, where appropriate, to take into account environmental issues relative to the operations being reviewed or examined, having regard to the principles of ecologically sustainable development.

2.9 The Committee believes that there was greater scope for the Auditor-General to examine issues concerning sustainable development and to include comments on environmental issues in this report. For instance, the Auditor-General notes that CTEC, in response to staff concerns, had agreed to consider public transport issues in its decision to relocate,[18] yet concerns over public transport access were not resolved.[19]

2.10 The location of a workplace relative to the residences of the employees and other services has significant implications for transport demands and consequently a number of environmental and social impacts.

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[13] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, pp. 24 and 36.
[14] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 5.
[15] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 28.
[16] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 8.
[17] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 28.
[18] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 19.
[19] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, p. 40.

2.11 Operational issues and staff views, which favoured a location close to the existing Canberra Visitors' Centre and the Chief Minister's Department, appear to have been discounted in the final decision to proceed with the Brindabella Business Park.[20] The Auditor-General, however, concentrated on reviewing the financial costs of the alternative accommodation proposals considered by CTEC and the Committee is concerned that sustainable development issues were not given greater prominence in the Auditor-General's report.

[20] Auditor-General's Report No. 8, 2001 – *Relocation to Brindabella Business Park*, pp. 21-23 and 25.

3. Conclusion

3.1 The Committee thanks the ACT Auditor-General, Mr John A. Parkinson, and Mr Rod Nicholas of the Auditor-General's Office, for their work in reviewing matters surrounding the relocation of part of Canberra Tourism and Events Corporation to Brindabella Business Park.

3.2 The Committee came to the view that as the relocation to Brindabella Business Park became the subject of debate in the Legislative Assembly, the subject of an Auditor-General's report, and the subject of a report by the Public Accounts Committee, the perception of conflict of interest was a major concern. As a general rule, the Committee believes that greater heed needs to be paid to a perception of conflict of interest so that such a perception can be addressed in a timely and effective manner. The Committee also believes, again as a general rule, that appropriate records should be kept by any authority, agency or department that is attempting to deal with a conflict of interest, or perception of conflict of interest, situation.

3.3 The Committee notes the current Government's initiative in establishing the Office of Sustainability. The Committee hopes that this indicates that a higher priority will be given to sustainability issues in the policy making process and accordingly such issues will feature in future Auditor-General's reports.

Brendan Smyth, MLA
Chair
6 December 2002