LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF
AUDITOR–GENERAL'S REPORT
NUMBER 6, 1992

Report Number 2 of the Standing Committee on Public Accounts

June 1993

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 which have been laid before the Assembly;

(2) 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; and

(3) 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.

MEMBERSHIP *

Ms Annette Ellis MLA (Acting Presiding Member)

Mrs Kate Carnell MLA

Mrs Ellnor Grassby MLA

Mr Michael Moore MLA (from 25 February 1993)

Secretary: Ms Karin Malmberg

* On 17 December 1992 the Legislative Assembly passed the resolution that Mr Trevor Kaine MLA be discharged from attending the Standing Committee on Public Accounts for the Committee's consideration of the Auditor–General's Report No. 6 of 1992.

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1 INTRODUCTION

Background

1.1 The terms of the resolution under which the Public Accounts Committee was established on 27 March 1992 require it to examine all reports of the Auditor–General which have been laid before the Assembly.

1.2 On 17 December 1992, the Auditor–General's Report Number 6, 1992 was presented to the Assembly. The Report, titled "Financial Audits with Years Ending to 30th June 1992" is based mainly on the audits of agencies' financial statements for the year ended 30 June 1992 together with an update on matters raised in previous reports. The Auditor–General also includes comment on matters relating to compliance and efficiency that came to notice during the financial audits.

1.3 The Assembly, also on 17 December, passed a resolution requiring that the Presiding Member of the Public Accounts Committee be discharged from attending the Committee for its consideration of the Auditor–General's Report Number 6 of 1992. As a result, the Deputy Presiding Member of the Committee was Acting Presiding Member for the purposes of this inquiry

Approach to inquiry

1.4 In early March 1993 the Committee sought submissions from the Chief Minister and the other members of the Executive on matters raised by the Auditor–General, that fell within individual portfolios, including all findings, comment and conclusions contained in the Report. The Committee also sought a submission from the Speaker on the matters relating to the Legislative Assembly.

1.5 Following receipt of the submissions the Committee held private discussions with the Auditor–General and the Assistant Auditor–General on the matters raised in the Audit Report and the responses provided to the Committee.

1.6 On 14 May 1993 the Committee held a public hearing at which evidence from a number of officials was taken. Agencies represented at the hearing were:

- Chief Minister's Department
- Treasury
- Legislative Assembly Secretariat
- Department of the Environment, Land and Planning
- Canberra Institute of Technology
- Department of Urban Services.

1.7 ACT Health, the Attorney–General's Department, the Department of Education and Training and the Housing and Community Services Bureau were not requested to appear at the public hearing as the matters referred to in the Report were considered to be either of minor significance or had been addressed by the agency.

Structure of report

1.8 During the inquiry it became clear that there were several issues common to a number of agencies. These issues are addressed in the earlier chapters of this Report. Following those issues, matters relevant to individual agencies are addressed.

Recommendation

1.9 The Committee has made a number of comments and findings throughout the body of the report and has not separately highlighted particular recommendations. The Committee believes that when addressing the matters contained in this report all issues need to be considered.

2 FINANCIAL MANAGEMENT AND ACCOUNTABILITY

Auditor–General's comments

2.1 Included in the Auditor–General's Report are comments on several general issues relating to financial management and accountability in the ACT Government Service.[1] Reference is made to critical comment in previous Audit Reports and the Auditor–General has drawn conclusions regarding the progress made in addressing those issues.

2.2 The Auditor–General notes that Audit Reports Numbers 9 of 1991 and 2 of 1992 contained serious criticisms of the ACT Government Services' financial systems and procedures. In Report Number 2 of 1992, comprehensive initiatives to be put in place by the Chief Minister's Department and the Treasury to improve financial management and systems were outlined. Report Number 6 states that the combined initiatives:

> *have the potential to overcome the criticisms previously made and there is evidence that these initiatives are being strongly pursued. There is still however significant progress to be made.*[2]

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[1] Auditor–General's Report Number 6 1992, Financial Audits with Years Ending to 30th June 1992, p 5–8

[2] Audit Report, p 5

2.3 In relation to the accuracy and reliability of the financial statements, the Audit Report states that the outcomes of the 1991–92 financial audits were significantly improved over the 1990–91 results, attributing the improvement to the increased emphasis being placed on financial reporting by the senior executives of most agencies. The Report acknowledges that the significance, priority and agency resources provided to financial reporting is now greater than in the past.

2.4 The Report, however, does draw attention to two areas, the ACT Tourism Commission and the Office of Sport and Recreation, where financial systems were inadequate to produce reliable information from which to prepare financial reports.[3] The Committee particularly noted the Auditor–General's comments in relation to the impact of inadequate systems on the information provided in the Budget Papers and the Explanatory Notes.[4] The Auditor–General stated that :

> *the public accountability of public sector officials relies on correct information being disclosed in important documents such as the Budget Papers and Explanatory Notes for the Estimates Committee.*[5]

2.5 The Auditor–General concluded that:

> *although there has been major improvement over recent times there continues to be a need to vigorously pursue the training and system initiatives currently underway, or under development, in order to bring the ACTGS financial systems, management and accountability to the level which the electorate would expect.*[6]

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[3] Audit Report, p 5, 6, 17–18, 33–35

[4] Audit Report, p 18

[5] Audit Report, p 18

[6] Audit Report, p 6

2.6 The Committee's concluding comments in relation to the ACT Tourism Commission and the Office of Sport and Recreation can be found at paragraph 2.17.

2.7 In relation to the timeliness of financial statements, the Report states that a significant improvement in the availability of audited 1991–92 financial statements had occurred. The Report provides comparative data for 1990–91 and 1991–92 which showed for 1990–91 only four agencies out of 24 had audited financial statements available at 30 September with another 12 completed by 31 December 1991. All were completed by 30 June 1992 (although four received audit certificates in May–June).

2.8 In comparison, 11 out of 31 agencies had audited 1991–92 financial statements as at 30 September with all but two, ACT Fleet and the Floriade Trust Account, completed by 31 December.[7]

2.9 Whilst acknowledging the improvement made to date in relation to timeliness of financial statements, and therefore relevance to users, the Audit Report notes that further improvement is needed if all agencies are to meet a proposed legislative reporting requirement of 30 September each year.

2.10 Another issue raised by the Auditor–General concerns the functionality and shortcomings of the FI$CAL system, which is the main accounting system used generally in the ACT Government Service. The Report refers to an internal audit of a number of aspects of the system and two of the major issues arising out of that audit were:

- *the lack of specific FI$CAL functionality to process credit card purchase and statements and the consequences of this in relation to budget management given FI$CAL's reporting limitations; and*
- *the general perception amongst users that FI$CAL reports are difficult to interpret and use with the consequent proliferation of Personal Computer (PC) based reporting systems and failure to make effective use of the FI$CAL reports available.*[8]

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[7] Audit Report, p 7

2.11 Issues relating to FI$CAL are raised in the Report in connection with Treasury, the Chief Minister's Department, the Housing and Community Services Bureau and the Department of the Environment, Land and Planning.[9] The Report states that initiatives are in progress or are being developed to address the issues referred to. Committee comment on FI$CAL can be found in paragraphs 2.22–2.24.

ACT Government Service comments

2.12 The Committee was advised that the Government will be considering proposals relating to the tabling of annual reports in the Legislative Assembly, including legislative requirements to report by 30 September each year and for those reports to include audited financial statements. The Committee was assured by the Secretary of the Chief Minister's Department that if the proposals are accepted by Government and a reporting date is in place, agencies would "do what we are required to do".[10]

2.13 Treasury officials also confirmed that whilst from 1989 agencies have been required to report supplementary information on assets and liabilities in their financial statements, from 1992–93 that information will be subject to audit.

2.14 In relation to the two sets of 1991–92 financial statements that had not been audited by 31 December 1992, the Committee was advised that both the Floriade Trust Account and ACT Fleet were reporting as an entity for the first time and various accounting issues needed to be resolved.

2.15 The Department of Urban Services advised that the audit of ACT Fleet has been completed and the statements and audit report are expected to be tabled in the Assembly in the June sittings. The officials advised that it is expected the reporting timeframe would be met in relation to the 1992–93 statements.

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[8] Audit Report, p 20

[9] Audit Report, p 9–10, 20, 40, 46

[10] Public hearing, 14 May 1993

2.16 During the hearing officials from the Department of the Environment, Land and Planning acknowledged that the 1991–92 financial statements for the Floriade Trust Account had not been provided to the Auditor–General for audit but that a draft set of accounts would be passed to the Audit Office in late May. The officials referred to a number of accounting issues requiring resolution, in particular difficulties in attributing transactions between the Trust Account and the Consolidated Fund, but indicated that most of those issues are now resolved. The officials were hopeful that the 1992–93 financial statements would be presented earlier.

2.17 The Committee was also advised by officials from the Department of the Environment, Land and Planning and the Chief Minister's Department that problems identified relating to the incorrect accounting treatment and reporting of certain matters in the financial statements for the Office of Sport and Recreation and the ACT Tourism Commission have been corrected. In both cases the Committee was advised of the circumstances surrounding the incorrect accounting treatments and the action that has been taken to prevent such problems recurring in the future.

2.18 In relation to the lack of FI$CAL functionality for credit cards, the submission from Treasury states that the accounting for credit card transactions is linked to the broader issue of handling and reporting formal and informal commitments and that this issue needs to be addressed. The submission also outlined recent initiatives.[11] During the hearing the Committee was advised by Treasury that it is possible for agency heads to sequester off a sum of money and use notional limits on each credit card holder to ensure that appropriation limits are not breached. Treasury also advised that guidelines have recently been issued regarding use of credit cards.

Committee comment

2.19 The Committee notes, and is encouraged by, the Auditor–General's comments in relation to the significant improvement in accuracy, reliability and the timeliness of audited financial statements. The Committee notes however that there is still need for improvement.

[11] Chief Minister, 26 March 1993

2.20 Given the requirement for assets to be included in audited financial statements for the 1992–93 financial year for the first time, the Committee has some concerns regarding continuation of this improvement referred to in paragraph 2.19. Further comment regarding the control, recording and management of assets will be made in the following Chapter.

2.21 The Committee also fully supports the comments of the Auditor–General in relation to the need to ensure that all information provided to the Assembly, its committees and the wider community is timely and accurate. In addition, the Committee is strongly of the view that the information should be provided in a clear, easy to read format.

2.22 The Committee is concerned at the issues raised by the Auditor–General in relation to FI$CAL, credit cards and personal computers. The Committee, although noting Treasury's comments regarding the responsibilities of agency heads in the use of credit cards, is of the view that the lack of specific FI$CAL functionality in relation to credit cards needs to be addressed on a service wide basis as a priority given the increasing use of such facilities in the ACT Government Service. It was also of concern that Treasury officials could not readily answer Committee questioning in this regard.

2.23 Following the hearing the Committee was provided with additional information relating to credit cards and in relation to the management and administration of the cards, the Committee is satisfied.[12]

2.24 The Committee also views the Auditor–General's comments regarding the proliferation of personal computers as a consequence of the lack of confidence in the FI$CAL system and its reports with concern.

[12] Treasury, 30 May 1993

3 ASSETS

Auditor–General's comments

3.1 A consistent theme through the Audit Report related to a lack of procedures or records to properly account for assets.[13] The agencies referred to were the Chief Minister's Department, ACT Health, the Office of Sport and Recreation, the Canberra Institute of Technology and the Department of Urban Services. In a number of cases the Auditor–General stated that the problems had been commented upon in previous Audit Reports.

ACT Government Service comments

3.2 The Committee sought comment from agencies during the hearing as to the current position regarding procedures and records relating to the control and management of assets.

3.3 The Committee was particularly interested in the progress being made by Treasury in the production and issue of service wide guidelines for the control and recording of assets. The Committee was advised that Treasury is responsible for providing the framework and guidance on asset accounting and has issued a Treasury Direction on accounting and management of assets. The Committee was also advised that Treasury is in the process of preparing a more detailed manual for service wide distribution. At the hearing Treasury indicated that it will be a "couple of months" before the manual is completed and distributed.[14]

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[13] Audit Report, p 9, 31, 35, 53, 56

[14] Public Hearing, 14 May 1993

3.4 The Chief Minister's Department advised that it was well advanced in the installation of an asset management system and is finalising the completion of its own guidelines for the management of the assets.

3.5 The Committee was advised by several agencies that further guidance from Treasury in the form of guidelines was awaited. The Environment and Conservation Division of the Department of the Environment, Land and Planning advised that some areas of the Division have well developed asset management systems in place, but in other areas the identification of what constitutes an asset and at what point in time an item becomes an asset can be difficult. The Committee was advised that the Division was waiting for the Treasury policy to be developed.

3.6 The Department of Urban Services also raised the issue of waiting for Treasury guidelines and the issue of definitional problems although it was stated that procedures and practices varies across the Department.

3.7 Problems such as these were referred to by Treasury in the context of discussion on the timing of the preparation of whole of government financial statements on an accrual basis. The Committee was told that inter–jurisdictional work was currently being undertaken on that issue but still has a way to go. In this context it was acknowledged that within individual agencies certain types of assets are relatively easy to identify and value, but when looking at whole of government accounts a range of problems are raised that are being addressed in a national sense at the moment.

3.8 The Canberra Institute of Technology was able to advise the Committee that progress has been made in relation to the recording and control of assets and is hopeful that the 1992 financial statements will not be subject to unfavourable comment from the Auditor–General.

Committee comment

3.9 The Committee is concerned at the continuing and consistent comments by the Auditor–General in regard to the recording and control of assets.

3.10 However, the Committee notes the concerns of agencies regarding the lack of Treasury guidelines, particularly with the requirement for the inclusion of assets in audited financial statements from 1992–93. The Committee is of the view that some agencies, particularly those that are having difficulty with the definition and valuation of some assets, may be unable to meet timeframes for presentation of annual reports containing audited financial statements, particularly if the guidelines are not available until after the end of the financial year.

3.11 The Committee acknowledges the difficulties experienced in some areas defining and valuing assets.

3.12 In addition to the concerns referred to above, the Committee believes that management of assets cannot properly begin until procedures to control and record the assets are in place and operating. The Committee believes that management issues should also be addressed in the proposed guidelines.

4 SALARIES OF STAFF OF MEMBERS OF THE LEGISLATIVE ASSEMBLY

Auditor–General's comments

4.1 The Auditor–General reviewed the administrative arrangements in relation to Members and their staff during the period between the day of the election and the declaration of the election results. One matter that was examined related to salaries paid to staff employed by Members of the First Assembly.[15]

4.2 Under the Legislative Assembly (Members' Staff) Act a staff member's employment terminates when the Member by whom they are employed ceases to be a Member (one way a Member ceases to be a Member is on election day), although a determination has been issued by the Chief Minister allowing Members' staff to continue to be paid for two weeks after an election (separate arrangements exist for the staff of Ministers and the Speaker). The Chief Minister also made a determination regarding the staff of the Leader of the Opposition for the period following the election.

4.3 Under certain circumstances staff are entitled to severance pay. One instance where this is payable is when employment is terminated other than through resignation or due to an offence of the type that would have led to the dismissal of an officer of the Australian Public Service.

4.4 For those staff of Members not re–elected, and those to whom severance payments were made, the Auditor–General conducted a review to ensure the amounts were correctly calculated and processed.

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[15] Audit Report, p 27–28, 30

4.5 The Auditor–General found that whilst all payments were in accordance with entitlements, in one instance "some doubt arose as to the appropriateness of a severance payment.".[16]

4.6 The particular incident arose when the employment of a staff member, who was standing at the election and subsequently elected, was terminated by the employing Member. Notice of the persons termination of employment was given by the Member about a week before the election with effect two weeks after the election. An amount of $6,400 severance pay was paid to the staff member. The Auditor–General noted that:

> *Had the person resigned, as would have been required to take up his seat in the Assembly, rather than terminated, there would have been no entitlement to severance pay.*[17]

4.7 The Report notes that:

> *At the conclusion of the audit the matter was raised with the recipient of the severance payment. After becoming aware of the circumstances that person has made arrangements to repay the amount.*[18]

4.8 In conclusion the Auditor–General stated that:

> *the circumstances of a severance payment to a Member's former employee may indicate that the severance pay entitlement provisions need clarification.*[19]

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[16] Audit Report, p 28

[17] Audit Report, p 28

[18] Audit Report, p 28

[19] Audit Report , p 30

ACT Government Service comments

4.9 During the hearings comment was made on two different aspects of the matter raised by the Auditor–General. Firstly, the question of the suggested inappropriate severance pay paid to a staff member, and secondly the general arrangements affecting the day to day administration of the Legislative Assembly (Members' Staff) Act.

4.10 On the first of these issues, evidence was given by the Clerk of the Assembly outlining in detail the methods followed in ensuring dissemination of information to Members and their staff in relation to the cessation of employment. He advised the Committee that he had felt "that it was all under control and everything was covered".[20]

4.11 The Committee received copies of a number of papers relating to advice provided to Members and, where requested, staff of Members, relating to the election period and the administrative arrangements and procedures relevant to the period.[21]

4.12 On the second of these issues, comment on the general question of responsibilities under the legislation and the provision of advice was sought from three agencies that have varying degrees of involvement and responsibility in the employment of Members' staff. The Assembly Secretariat and the Chief Minister's Department agreed that there was potential for difficulties to arise.

4.13 In response to Committee questioning on the issue raised in paragraph 4.12 above, the Secretary of the Chief Minister's Department offered to initiate a rationalisation process of the administrative arrangements surrounding the operation of the Legislative Assembly (Members' Staff) Act.

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[20] Public hearing, 14 May 1993

[21] Speaker, 16 MArch 1993

Committee comment

4.14 In examining the matter raised the Committee concentrated on both the broad principles surrounding the operation of the Act, as well as examining in detail with the Clerk of the Assembly the circumstances surrounding the provision of advice prior to the election in relation to the severance payment in question.

4.15 The Committee is of the view that appropriate and comprehensive advice was provided by the Secretariat in this regard. The Committee is also of the view that whilst the severance payment was in accordance with the Act, it was not an appropriate method by which to cease employment.

4.16 The Committee, in noting that "The Member advised that when signing the notice of termination he was not aware that a severance payment would be made",[22] strongly agrees with the Auditor–General's statement:

> *In the circumstances the severance payment seemed inappropriate as it is considered that the spirit of severance moneys is that they are paid to recompense persons for losing their employment through no fault of their own.*[23]

4.17 Given the many years of government, management and accounting experience of both the Member and the staff member in question, the Committee reaches these conclusions with regret.

4.18 The Committee confirmed during the hearings that arrangements have been made regarding the repayment of the money and that this is still occurring.

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[22] Audit Report, p 28

[23] Audit Report, p 28

4.19 In relation to the general day to day administration of the Legislative Assembly (Members' Staff) Act, the Committee endorses the review proposed by the Chief Minister's Department and believes that it should review the roles played by each of the Chief Minister's Department, the Assembly Secretariat and the Corporate Services Bureau. At the conclusion of the review a report should be provided to each Member and all staff employed under the Act.

5 EMPLOYEE ALLOWANCES

Auditor–General's comments

5.1 The incorrect claiming of allowances by ACTEW employees was the subject of comment by the Auditor–General.[24] The Auditor–General refers to three situations where the incorrect claiming of disability allowances has arisen: the payment of claims by union members for allowances provided for in awards to which their union was not a party; misconstruing the original intention of the allowances; and, payment of allowances relating to the use of machinery which ACTEW no longer uses.

5.2 ACTEW advised the Auditor–General that two main industrial award developments had contributed to the payments ie the development in the late 1970's of general industrial and construction allowances and the Second Tier Agreement of 1987.

5.3 ACTEW advised the Auditor–General that:

> *it is unable to accurately quantify the total dollar amounts relating to the incorrect claiming of allowances and numbers of employees involved with such incorrect claims. ACTEW advice is that the practice is relatively common within the Authority and also occurs in other areas of the ACT Government such as the Department of Urban Services and the Department of Environment, Land and Planning.*[25]

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[24] Audit Report, p 66–68

[25] Audit Report, p 67

5.4 The Department of Urban Services and the Department of Environment, Land and Planning advised the Auditor–General that they were reviewing whether such payments had been made in their Departments as well as participating in an ACT Government review into the payment of disability allowances.[26]

ACT Government Service comments

5.5 The Committee was advised by officials from the Chief Minister's Department that the review currently being undertaken is being conducted at an agency level and involves the interrogation of the payroll records over varying periods of time. That information will provide the basis for further discussions and also be the basis for determining the nature of any problems that may exist.

5.6 Whilst unable to specify a timeframe within which the review would be completed the officials indicated that the enterprise bargaining process could be an avenue to resolve the issues. The Committee was also advised during the hearing that an estimate of the total amount that may have been paid incorrectly was not yet known.

5.7 Officials from the Department of the Environment, Land and Planning advised the Committee that a review of the payment of allowances has been undertaken and in the Department's view no allowances are paid outside the awards.

5.8 The Department of Urban Services officials advised the Committee that a preliminary examination of the Department's payroll has been undertaken. However, the officials were not able to identify how much may have been paid out as the process of identifying cases has not been completed. Two situations were identified, the payment of allowances where no allowances were included in the award, and secondly, the payment of allowances that are in the award but the employee has not undertaken the duties for which the allowance is payable. It was recognised that the review and enterprise bargaining process would resolve the first situation but the second was a management issue. The officials indicated that the process would not be completed quickly.

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[26] Audit Report, p 67

5.9 During the hearing, ACTEW advised the Committee that rationalisation of allowances is in progress. The Committee was also advised that further potential savings or reductions in costs in direct payouts will be approximately $250,000 a year (in the context of a salary bill of $50 – $60 million including overtime and allowances). ACTEW also expect to save an additional $200,000 – $300,000 a year in the long term through administrative effort in managing the allowances.

Committee comment

5.10 The Committee was concerned to note the Auditor–General's comments that:

> *It appears that management from both ACTEW and the ACT Government have been aware of this situation for a substantial period of time and have not promptly taken effective remedial action.*[27]

5.11 The Committee supports the government wide review being coordinated by the Chief Minister's Department regarding the payment of disability allowances within the ACT Government Service.

5.12 It is, however, concerned that a timeframe has not been determined within which to conduct and complete the review and that it appears that agencies are able to set their own timeframes and approaches. The Committee acknowledges that it is appropriate for agencies to conduct reviews of payments to their own employees, but in the Committee's view there is an apparent lack of progress and priority being placed upon the issue.

5.13 The Committee strongly urges that a timeframe be determined for the completion of the review and at the completion of the review the Assembly be advised of the outcome, including proposed savings.

[27] Audit Report, p 67

6 FRAUD CONTROL

Auditor–General's comments

6.1 The Auditor–General referred to previous Reports where comment had been made on fraud control in the ACT Government Service.[28] Reference was made to comments in Auditor–General's Report Number 9 of 1991 which, whilst commenting on the lack of fraud control plans, recognised that the setting of a 31 December 1991 deadline for the development of agency specific guidelines provided a timetable for measures to be developed and implemented.

6.2 The Auditor–General, in Report Number 6, commented that "little change has occurred since the 1991 Reports were published".[29] The Report noted that a memorandum was issued to agency heads in October 1992 regarding the development of fraud control plans and the Auditor–General commented that "it is hoped that this will accelerate the development of fraud prevention processes".[30]

ACT Government Service comments

6.3 During the hearing, the Committee was advised that in 1992 a procedures manual for the operation of the investigations unit across the ACT Government Service was developed and a review was undertaken of the operations of the unit to establish whether the best arrangements were in place for the structure and operation of the ACT Government Service.

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[28] Audit Report, p 10–12

[29] Audit Report, p 10

[30] Audit Report, p 11

6.4 Three roles were identified in relation to fraud control; education; investigation and inquiry; and fraud risk assessment. The officials stated that there has been a concentration of effort on investigation and inquiry, but that the review indicated the need to redirect emphasis back to fraud control and risk assessment, hence the circular referred to in paragraph 6.2.

6.5 The Committee was advised that most agencies have undertaken preliminary planning on risk assessment and prepared outlines of fraud control plans, although only one or two plans would be in place. During the hearing the Committee was also advised that it was expected that all plans would be in place in the first half of 1993–94.

Committee comment

6.6 The Committee, whilst concerned at the length of time that has elapsed since the issue of fraud control plans and risk assessments was first raised by the Auditor–General, notes the officials comments regarding the progress that has occurred and expects that future comment by the Auditor–General will be more positive.

7 OTHER MATTERS

7.1 The Committee raised a number of matters with agencies and was generally satisfied with the responses given, particularly where action is in progress to resolve the matters raised by the Auditor–General. Certain of the other issues raised are discussed below.

ACTNET

Auditor–General's comments

7.2 As part of its audit program the implementation of several of the 1991–92 restructuring initiatives were reviewed by the Auditor–General. The review included a comparison of the costs of implementing the initiatives compared to the expected costs identified in the Budget Papers.

7.3 One of the restructuring projects examined was the voice communication system across the ACT Government Service (ACTNET).[31] The ACTNET proposal involved the replacement of a number of ACT Government Service switchboards and lines with a centralised whole of government system. The Audit Report noted that approximately 61% of total services had been connected.

7.4 The Report also noted that the original estimated cost did not provide for the required parallel run between the old and new PABX systems, nor for an increase in services from 11,500 to 13,000, requiring additional appropriation.

7.5 The Report referred to expected 1991–92 savings from ACTNET, which were estimated in the Budget Papers as $1,072,000.[32]

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[31] Audit Report, p 58

[32] Audit Report, p 58

7.6 The Report concludes that:

> *It has not been possible to ascertain whether these savings have been achieved. This project will be the subject of a future performance audit by this office.*[33]

ACT Government Service comments

7.7 The Committee was advised during the hearings by officials from the Department of Urban Services that the savings for the current financial year, some $1 million, have been achieved. It is also expected that the estimated savings of $1.7 million will be realised in 1993–94. The Committee was also advised that further revisions to the number of services to be connected have been made. Currently, approximately 10,000 services have been connected and the implementation of ACTNET is "virtually complete" with possibly another 500 connections to be made over the next few months.

Committee comment

7.8 The Committee notes the assurances from the Department that savings from the introduction of the ACTNET system are now able to be identified and have been achieved.

7.9 The Committee also notes that the Auditor–General will be carrying out a further audit in this area.

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[33] Audit Report, p 58

Building and Construction Industry Long Service Leave Board

Auditor–General's comments

7.10 The Auditor–General carried out a review of the adequacy of the Building and Construction Industry Long Service Leave Board pool of investments to finance long service leave payments.[34]

7.11 The audit found that, taking into account the level of surplus funds and the current contribution rate, it would appear that the Board has more than sufficient funds for its purpose and that the contribution rate could be reduced from its present level (2.25%) without affecting the ability of the Board to meet its current statutory obligations. The Report notes that an Actuary recommended (in January 1991) that the contribution rate could be reduced to 1.5%.[35]

ACT Government Service comments

7.12 The Committee was advised that the issue of a reduction in the contribution rate was a matter for Government. Of the 2.5% levy collected by the Board, 0.25% is transferred to the Building and Construction Industry Training Fund. The Committee was advised that work is currently being undertaken to develop an alternative means of funding training and both this and the issue of the long service leave contribution rate will be addressed by Government at the same time.

7.13 The Committee was advised that the current timeframe is to have legislation drafted that could be introduced in early 1994.

Committee comment

7.14 The Committee notes that the matter is one for Government to consider and also notes that the issue is being addressed.

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[34] Audit Report, p 14–17

[35] Audit Report, p 16–17

Trust Fund Other Trust Moneys

Auditor–General's comments

7.15 The Audit Report referred to a qualification to the 1991–92 Treasury financial statements as the composition of the "Other Trust Moneys" balance of the Trust Fund were unable to be identified. The 1990–91 statements had been qualified for the same reason.[36]

7.16 The Report notes the action taken by Treasury in creating individual accounts for each of the six ACT agencies so that accounting and administrative responsibilities are properly aligned. The Report also notes that the residual funds in the Trust Fund will continue to diminish as transactions continue to progressively clear the account.

7.17 The Auditor–General considers the actions proposed by Treasury as appropriate.

Committee comment

7.18 The Committee notes the Treasury's comments in relation to Trust Fund Other Trust Moneys.

Annette Ellis MLA
Acting Presiding Member
3 June 1993

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[36] Audit Report, p 19–20

Appendix A

LIST OF WITNESSES

Chief Minister's Department

Bill Harris
Stephen Hunter
Paul Rayner
Chris Eccles
David Lawrance
David Worthy
Martin Walsh

ACT Treasury

Dr David Rosalky
Greg Harper
Rex Hollier
Chris Bellchambers
Ian Keightley

ACT Legislative Assembly Secretariat

Mark McRae

Department of the Environment, Land and Planning

Jeff Townsend
Greg Fraser
John Thwaite
Diana Jackson

Canberra Institute of Technology

Norm Fisher
Bill Dobson

Deparment of Urban Services, ACTION and ACTEW

John Turner
Phil Sadler
Mike Wadsworth, Chief Executive, ACTION
Dr Mike Sargent, Chief Executive, ACTEW