

2007

THE LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY

TABLING STATEMENT

Government Responses to:

Standing Committee on Planning and Environment: Report No. 26 – Report on Annual and Financial Reports 2005-2006

Standing Committee on Legal Affairs: Report No. 5 – Report on Annual and Financial Reports 2005- 2006

Standing Committee on Health and Disability: Report No. 3 – Report on Annual and Financial Reports 2005-2006

Standing Committee on Public Accounts: Report No.10 – Report on Annual and Financial Reports 2005-2006

Standing Committee on Education, Training and Young People: Report No. 4 – Report on Annual and Financial Reports 2005-2006

Tabled by
Jon Stanhope MLA
Chief Minister

27 / 9 / 07

I am pleased to present the Government's Responses to five Standing Committee reports on the Annual and Financial Reports for the calendar years 2005 and 2006, and the financial year 2005-06.

As in previous years, I am tabling the responses to all of the Standing Committee reports covering all portfolios together. This is because the Standing Committee reports generally cover more than one Minister and more than one portfolio and, in certain cases, issues raised in the reports apply across departments and agencies.

As members will be aware, annual and financial reports are prepared by agencies in accordance with the *Annual Reports (Government Agencies) Act 2004*, the *Financial Management Act 1996* and the Chief Minister's Department *Annual Report Directions*. The Government seeks to ensure that annual and financial reports are continually updated to reflect best practice and full accountability. In line with this approach, some of the issues raised in the Committee reports have already been addressed in the 2006-07 Annual Report Directions.

The Standing Committees made 33 recommendations. The Government has agreed in full or in principle to 20 of these, and noted a further five. Eight recommendations are not agreed.

The Government has agreed in full or in principle to the majority of recommendations made by the Standing Committees. I will briefly touch on the reasons for the Government not agreeing to some of the recommendations.

The Standing Committee on Public Accounts recommended that the Department of Treasury include in future annual reports a discussion on levels and rates of charging and taxing within the Territory. It is the Government's position that the purpose of annual reports is for agencies to account for their performance. A discussion on levels and rates of charges and taxes go beyond the scope of departmental annual reports.

The Public Accounts Committee recommended that the Government publish the audited financial report on TransACT Communications Private Limited, as soon as it becomes available and submit this report to the Legislative Assembly, rather than wait till the end of the financial year. The Government is not responsible for publishing TransACT's annual report. Further, the Government does not have a controlling interest in TransACT and notes that ACTEW is satisfied with the process currently adopted by the TransACT Board.

The Public Accounts Committee also recommended that the ACT Government publish policy advice provided by the Department of Treasury, in relation to revenue measures and reductions in outlays of expenditure. However, policy advice from the Department of Treasury in relation to revenue or expenditure measures is provided to Government through Cabinet as part of the Budget development process, hence this advice is classified 'Cabinet-in-Confidence' and is not publicly released.

In addition, the Standing Committee on Public Accounts recommended that the Chief Minister's Department report back to the ACT Legislative Assembly on the outcomes of the Small Business Commissioner and the status of ongoing projects of the Small Business Commissioner. The outcomes and status of ongoing projects of the Small Business Commissioner have been articulated in the Small Business Commissioner annual reports to the Legislative Assembly. The remaining Government responses to the 2005-06 Annual and Financial Reports of the Standing Committees on Public Accounts, on Legal Affairs, on Planning and Environment, on Health and Disability, and on Education, Young People and Training are set out below.

I would like to thank the Standing Committees for the effort they have made in preparing their reports. I am sure the Assembly will agree that the Government has responded in a manner that enhances our record of openness and accountability.

Mr Speaker, I commend the Government's Responses to the Assembly.

2007

THE LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY

GOVERNMENT RESPONSE

Standing Committee on Public Accounts

Report No. 10

Report on Annual and Financial Reports 2005-2006

April 2007

Tabled by
Jon Stanhope MLA
Chief Minister

Government Response

Report 10 - Standing Committee on Public Accounts – Report on 2005-2006 Annual and Financial Reports

Introduction

The Annual Reports of all ACT Government agencies are referred to the Standing Committees of the ACT Legislative Assembly for examination and report.

The Standing Committee on Public Accounts reviewed annual reports for:

- ACT Auditor-General
- ACT Cleaning Industry Long Service Leave Board
- ACT Construction Industry Long Service Leave Board
- ACT Gambling and Racing Commission
- ACT Government Procurement Board
- ACT Insurance Authority (ACTIA)
- ACT Legislative Assembly Secretariat
- ACTEW Corporation
- ACTTAB Corporation
- Australian Capital Tourism
- Australian International Hotel School
- Chief Minister's Department¹
- Commissioner for Public Administration
- Cultural Facilities Corporation
- Department of Economic Development
- Department of Treasury
- Exhibition Park in Canberra (EPIC)
- Nominal Defendant
- Office of the Occupational Health and Safety Commissioner and ACT WorkCover
- Office of the Small Business Commissioner
- Rhodium Asset Solutions Limited
- Stadiums Authority

The Committee made twenty-two recommendations.

¹ Sections of the Chief Minister's Department Annual Report concerning the environment are referred to the Standing Committee on Planning and Environment with the Minister for Territory and Municipal Services as the responsible Minister.

Response to Committee Recommendations

Recommendation 1

2.18. The Committee recommends that the ACT Government require agencies to take up the Auditor-General's recommendation that agencies should ensure that their Annual Report includes the complete and correct version of the audited financial report.

Government Response

Agreed.

Recommendation 2

2.23 The Committee recommends that the ACT Government require agencies to take up the Auditor-General's recommendation to plan their reporting processes to ensure compliance with the Treasury timetable.

Government Response

Agreed. The Government will continue to work with agencies and the Auditor-General's Office to plan and implement agreed annual audit timeframes and requirements.

This process will achieve: continued refinement and enhancement of the Model Financial Reports; assist agencies with the preparation of their annual financial report; and improve clarity in the Audit Process Memorandum and associated documents.

Recommendation 3

2.26 The Committee recommends that the ACT Government require agencies to take up the Auditor-General's recommendation regarding improvement to the quality of annual statutory reporting practices and procedures and inquire into the causative factors contributing to this deterioration.

Government Response

Agreed. Each financial year the Territory releases a Model Financial Report to assist agencies with the preparation of their annual financial report. Treasury strives to improve the quality of this document each year and consults with the Audit Office on possible areas for improvement.

As part of the end of financial year preparation, the Department of Treasury liaises with ACT Government agencies seeking feedback on what worked well and what needs to be improved from the prior year's end of financial year process. This feedback is then taken into consideration when preparing the end of financial year's procedures.

In order to assist in improving the quality of annual statutory reporting practices and procedures, the Department of Treasury will review the Model Chief Executive Financial Instruction, chapter 1.4 *Reporting Responsibility*. It is envisaged that the chapter will be revised to emphasise the importance of adhering to Treasury's end of financial year timetable and the Chief Minister's Department Annual Reporting Directions.

Recommendation 4

2.30 The Committee recommends that the Chief Minister's Department inform the Assembly on the outcome of Strategic Human Resources' review of 2005-06 annual reports.

Government Response

Not Agreed. In previous years, a high-level check was conducted on compliance with mandatory reporting requirements. This was used to inform development of future annual reports directions. As a result of a review of the Annual Report Directions this compliance check is no longer conducted. The focus moving forward is to support agency understanding of reporting obligations through briefing sessions.

Furthermore, under the *Annual Reports (Government Agencies) Act 2004*), the responsibility for annual reporting rests with Chief Executives, Chief Executive Officers or relevant statutory office holders or appointees with governance responsibility who make independent reports. They are required to sign a transmittal certificate on agency letterhead that must state that the report is in accordance with requirements of the Annual Report Directions and the report is an honest and accurate account, containing all material information for the reporting period.

The Annual Report Directions also require that annual reports must include a compliance index of mandatory reporting requirements and a table of reporting omissions (if applicable).

Agencies are also encouraged to enter the ACT Division of Institute of Public Administration Australia (IPAA) (ACT Division)'s awards for excellence in annual reporting. This is open to all ACT public sector organisations and provides agency specific external scrutiny of annual reports. IPAA publishes the outcomes of their scrutiny through the awards process.

Recommendation 5

2.41 The Committee recommends that the Chief Minister's Annual report Directions be amended to require satisfactory Agency compliance with the reporting requirements in connection with ACT Legislative Assembly Committee Inquiries and reports as stipulated in the April 2002 Assembly Resolution.

Government Response

Agreed in Principle.

The Chief Minister's 2006-2007 Annual Report Directions require agencies in Section B3 Legislative Assembly Committee Inquiries and Reports that:

“Agencies must include a list of completed inquiries by Legislative Assembly Committees that relate to the operations of the agency. Agencies should also provide details on the implementation of recommendations of Assembly Committees that have been accepted by the Government of the day in response to Committee reports.”

This schedule should indicate, for each Committee report:

- the name of the committee, the report number and title, and the date the report was tabled in the Legislative Assembly;

- details of the recommendations of the report that have been accepted, either in whole or in part, by the Government; and
- a summary of action to date, either completed or in progress (including milestones completed), in implementing these recommendations.

Recommendation 6

3.10 The Committee recommends that the ACT Government establish appropriate governance arrangements at the outset of the Shared Services Centre, which provide a clear understanding and appreciation of the roles and responsibilities of the relevant participants in the governance framework, to safeguard the dual accountability of participants both for their individual organisations and for the shared arrangements.

Government Response

Agreed. A Shared Services Centre Governing Committee (SSCGC) has been established to provide both governance and stewardship of the Shared Services Centre (SSC) in its delivery of services across the ACT Government, noting that within the shared services framework, each Agency remains accountable for its own expenditure, revenue, assets and liabilities transacted through the SSC.

The functions of the SSCGC include oversight of strategy, policy and overall service delivery. The SSCGC is comprised of all Departmental Chief Executives and the Chief Executives from CIT and the LDA and it is chaired by the Chief Executive of the Chief Minister's Department. The Committee meets monthly.

In addition, a Shared Services Centre Audit Committee has been established as a component of the SSC's governance framework to oversight risk, compliance, external accountability and the internal control environment on behalf of the Head of the SSC and the Under Treasurer, and through this role provide assurance to the SSCGC. The key responsibilities of the SSC Audit Committee include:

- oversight the SSC's internal audit function;
- oversight the SSC's risk management framework and processes including the SSC's Fraud and Corruption Prevention Plan;
- oversight the SSC's legislative, regulatory and ethical compliance management framework; and,
- evaluation of the processes the SSC has in place for assessing and continuously improving compliance and internal controls, particularly those related to areas of significant risk.

The SSC Audit Committee will share information on the Shared Services internal audit program with Agency Audit Committees, including explanation of the control processes within Shared Services governing the preparation of Agency financial statements.

Recommendation 7

3.12 The Committee recommends that the ACT Government ensure that where authorities have been merged into departmental operations, governance structures are clearly agreed and responsibilities defined, to safeguard against gaps in accountability and to make sure that the required performance is to be achieved.

Government Response

Agreed.

Recommendation 8

3.22 The Committee recommends that the ACT Government delay debate of its Public Interest Disclosure Bill 2006 until the outcomes of the ANU Democratic Audit of Australia and Ombudsman reviews are available, and that the ACT Government amend its Bill, as necessary, based on the reviews' recommendations.

Government Response

Agreed in Principle. The *Public Interest Disclosure Bill 2006* was presented on 8 June 2006 with subsequent debate adjourned. The Bill has been prepared to address concerns about the operation of the current legislation that were identified by ACT government agencies, the ACT Ombudsman and members of the public during consultations in 2004-2005.

Dr Brown' paper is currently being reviewed with comments being prepared. Once completed, the Government will consider the need to further delay debate on the Bill and/or incorporate any amendments.

It is further noted that it is the Griffith University not the ANU that is undertaking the national research project 'Whistling While They Work: Enhancing the Theory and Practice of Internal Witness Management in the Australian Public Sector'. The ACT is a partner organisation to the project through the Chief Minister's Department.

Recommendation 9

3.30 The Committee recommends that the ACT Government reconsider its decision to merge the Commissioner for Public Administration's role and function with that of the Deputy Chief Executive of the Governance Division of CMD.

Government Response

Not Agreed. For a period from 1995-99, the Commissioner of Public Administration and the Deputy Chief Executive roles were combined within a senior executive role in the Chief Minister's Department. For a period the Commissioner was then a separate but part-time role. It is now combined back again to make the most efficient use of resources. In other jurisdictions, there is no single model for that Commissioner-type role and no one preferred approach.

Recommendation 10

3.35 The Committee recommends that the ACT Government take steps to advance the proposed sustainability legislation.

Government Response

Noted. While the Government continues to make progress on embedding sustainability into its decision-making, our attention has turned to more pressing issues in sustainability in the ACT including climate change, water, energy and national issues such as addressing the Murray-Darling Basin and now the prospect of a national approach to reducing greenhouse gas emissions.

The Government, however, remains committed to further progress in its consideration of sustainability legislation.

Recommendation 11

4.10 The Committee recommends that the ACT Government offer multiyear funded art organisations grants that are indexed so that the grant funding increases according to CPI for each year for the term of the grant.

Government Response

Agreed in principle. Indexing grant funding according to CPI will help ensure that the ACT Arts Fund can continue to support a range of categories, including Project work, Community Arts and a variety of awards and prizes.

CPI has a significant impact on the long-term operations of our 'multi-year' key arts organisations. Other jurisdictions have ameliorated the impact of CPI through bidding for a special top-up to their arts funds to cover CPI costs, as we have done from time to time. This recommendation would have a significant impact on the Fund's internal allocations.

Recommendation 12

4.36 The Committee recommends that the Chief Minister's Department report back to the ACT Legislative Assembly on the outcomes of the Small Business Commissioner and the status of ongoing work/projects of the Small Business Commissioner.

Government Response

Not agreed. The outcomes of the Small Business Commissioner and the status of his ongoing work/projects are articulated in the 2005-06 Small Business Commissioner annual reports to the Legislative Assembly.

Recommendation 13

4.44 The Committee recommends that the ACT Government ensure that the calculation errors affecting superannuation contributions are corrected as a matter of urgency.

Government Response

Agreed. A system specification for the correction of the calculation error that affects the amount of the EPSC paid on behalf of some temporary or casual employees who are not members of the Comsuper administered schemes, is currently with the vendor and a fix has been urgently sought. The error in the formula may result in a relatively small overpayment or underpayment in each year.

Recommendation 14

4.63 The Committee recommends that the ACT Government expedite its response to the Report of the Community Sector Taskforce, Towards a Sustainable Community Services Sector in the ACT.

Government Response

Noted. The Chief Minister wrote to each non-Government member of the Community Sector Taskforce in April 2007 with the Government's response to all of the Taskforce recommendations.

The Deputy Chief Minister is taking the lead on community sector sustainability issues.

Recommendation 15

4.100 The Committee recommends that the ACT Government publish policy advice, provided by the Department of Treasury, in relation to revenue measures and reductions in outlays of expenditure.

Government Response

Not agreed. Policy advice from the Department of Treasury in relation to revenue or expenditure measures is provided to Government through Cabinet as part of the Budget development process. As a consequence this advice is classed as 'Cabinet-in-Confidence'. It is a longstanding Cabinet rule under the Westminster system that Cabinet document not be publicly released.

Recommendation 16

4.101 The Committee recommends that the Department of Treasury, as part of improving performance, in relation to triple bottom line accounting, work towards a whole-of-government review of the measures taken to implement this concept, and their effectiveness, and report back to the ACT Legislative Assembly.

Government Response

Not agreed. The Government is committed to Triple Bottom Line/sustainability as a philosophy, and has clearly indicated that its preference is to adopt a wider approach to Triple Bottom Line/sustainability rather than simply focusing on accounting.

In the 2004-05 Supplementary Budget Paper *Format of Future Budget Papers*, the Government states that it did not intend to introduce any additional bottom line metrics. Likewise, as a service focussed state/local level jurisdiction, the Government did not consider it appropriate or relevant to introduce extended accounts or composite indicators other than the usual economic/financial indicators.

The framework for the adoption of Triple Bottom Line is based on performance measures. These performance measures are subject to continuous assessment as part of policy development and regular review through the Assembly Estimates process. There would be little value in Treasury undertaking a separate assessment of triple bottom line reporting.

Moreover, the Government has clearly achieved the key principles that underpin triple bottom line as set out below:

Broader scope and focus: The Government has developed a framework of performance measures that is more relevant to the needs of the users, and provides meaningful information on performance of the agency, service area or Government. These performance indicators reflect financial, social and environmental outcomes in the relevant areas of Government operations. The horizon of the performance measures has also been expended through the introduction of strategic indicators, which also serve to link agency's outputs to strategic outcomes.

Transparency: The Government has improved the format and presentation of the budget papers to provide information on Government's objectives and goals, its

decisions on resource allocation, and the targets to be achieved by agencies, service areas and the Government

Accountability: The Government has enhanced the reporting framework (both budget papers and departmental annual reports) to improve accountability through reporting against strategic objectives and budget targets for individual agencies as well as at whole of government level. The Government has simplified the legislative and audit framework to reduce audit and compliance burden while maintaining accountability

Integrated planning and operations: The Government has introduced sustainability into budgeting and resource allocation decisions to assist in balancing short-term imperatives against a longer-term perspective. The 2006-07 Budget was framed particularly in that context in order to put ACT's finances and services on a sustainable footing for the future generations. The Government also aligned its administrative structures to its strategic objectives.

Recommendation 17

4.102 The Committee recommends that the Department of Treasury include in future annual reports a discussion on levels and rates of charging and taxing within the Territory. This should include a comparative analysis that recognises the different tiers of the Territory and State governments and takes into account any economies of scale from the division of these functions.

Government Response

Not agreed. The purpose of annual reports is for agencies to account for their performance through Ministers to the Legislative Assembly and the wider community. This recommendation goes well beyond the scope of departmental annual reports.

Furthermore, this information is already widely available.

- The *Relative Fiscal Capacities of the States*, published annually by the Commonwealth Grants Commission, provides calculations of revenue raising capacity and effort. To enhance comparability between jurisdictions, these calculations adjust for a number of factors including scale.
- The *Interstate Comparison of Taxes*, published annually by the NSW Treasury, summarises state taxes as they apply in each jurisdiction.

Recommendation No. 18

4.130 The Committee recommends that the ACT Government ensure that audited financial statements of entities, in which the Territory has a controlling interest, be tabled in the ACT Legislative Assembly.

Government Response

Agreed.

Recommendation No. 19

4.131 The Committee recommends that the ACT Government publish the audited financial report TransACT Communications Pty Ltd as soon as it becomes available and submit this report to the ACT Legislative Assembly, rather than waiting until the end of the financial year.

Government Response

Not agreed. The ACT Government is not responsible for publishing TransACT's annual report. Further, the Government does not have a controlling interest in TransACT, and as a minority shareholder the only action that ACTEW (on behalf of its Voting Shareholders) may consider is to invite other members to formally amend the Shareholder's Agreement to extend the audit period.

The Government notes that ACTEW is satisfied with the process currently adopted by the TransACT Board, and that to date, there has been no material impact between the audited and unaudited information provided by TransACT.

Recommendation 20

4.135 The Committee recommends that the ACT Government should give priority to making a decision regarding the granting of a permanent lease on Block 751 Gungahlin to EPIC.

Government Response

Noted. The Government is to consider a submission on this issue in the near future.

Recommendation 21

4.140 The Committee recommends that in future rounds of all ACT Government Grants Programs, as part of the application process, the respective administrators seek permission from all applicants that the scope of their proposed projects may be made public, even if they are unsuccessful.

Government Response

Not agreed. Confidentiality of grant applications is an important part of the application process. Grant applications often contain original ideas that are the intellectual property of the applicant. If an application is unsuccessful in a given round, it does not preclude that applicant from applying for future grant funding for the same project. If details of unsuccessful applications were made public, this would compromise the competitive selection process, and provide an open forum for ideas that could potentially be appropriated by other applicants.

Recommendation 22

4.144 The Committee recommends that the Office for Women explore ways to more widely promote the ACT Women's Register.

Government Response

Agreed. The Office for Women is reviewing the process for placing applications on the ACT Women's Register. The current process is paper-based and labour intensive. Options for enabling online applications and improved search capabilities are currently being considered so that the Register can better assist:

- Women who are skilled, experienced and interested in being on boards and committees; and
- Boards and committees which are seeking women with suitable skills and experience.

These proposed enhancements will provide an ideal platform to launch a campaign which more widely promotes the ACT Women's Register and which links into a broader approach aimed at increasing women's capacity to participate at all levels in the community and in particular, as part of decision-making bodies.

