



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: Annual and financial reports 2005-2006)

Members:

**MR R MULCAHY (The Chair)
DR D FOSKEY (The Deputy Chair)
MS K MacDONALD**

TRANSCRIPT OF EVIDENCE

CANBERRA

THURSDAY, 30 NOVEMBER 2006

**Secretary to the committee:
Ms A Cullen (Ph: 6205 0136)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents relevant to this inquiry that have been authorised for publication by the committee may be obtained from the committee office of the Legislative Assembly (Ph: 6205 0127).

APPEARANCES

ACT Audit Office	42
ACT WorkCover	11
Chief Minister's Department	11
Default Insurance Fund	11
Department of the Territory and Municipal Services	11

The committee met at 2.04 pm.

Appearances:

Barr, Mr Andrew, Minister for Education and Training, Minister for Tourism, Sport and Recreation, and Minister for Industrial Relations

Department of the Territory and Municipal Services

Zissler, Mr Mike, Chief Executive

McNulty, Mr Hamish, Executive Director, Environment & Recreation

Cooper, Dr Maxine, Executive Director, Enterprise Services

Marriage, Ms Sue, Director, Sport and Recreation

Hitchcock, Ms Sarah, Acting General Manager, Australian Capital
Tourism

Guthrie, Mr Neale, Chief Executive Officer, Canberra Stadium

Chief Minister's Department

Harris, Mr Mike, Chief Executive

Hudson, Ms Catherine, Deputy Chief Executive, Governance

Centenera, Ms Liesl, Director, Office of Industrial Relations

McCabe, Mr Mark, Senior Manager, Workplace Injury Performance

Neser, Ms Kate, Director, Corporate Finance

ACT WorkCover

Janssen, Mr Erich, OH&S Commissioner

York, Mr Ian, Manager, Corporate Services

Default Insurance Fund

Matthews, Mr Peter, Default Insurance Fund Manager

THE CHAIR: We will commence public hearing No 2 inquiring into annual and financial reports 2005-2006. The areas that we are examining this afternoon are the Tourism, Sport and Recreation portfolio and the Industrial Relations portfolio. I welcome the minister, officials, the committee members and Mr Smyth, who is a guest at the committee meeting.

Before we proceed, I need to read you a statement, which I am sure you are familiar with. The committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the resolution agreed by the Assembly on 7 March 2002 concerning the broadcasting of Assembly and committee proceedings.

Before the committee commences taking evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence given before it. Parliamentary privilege means special rights and immunities attached to parliament, its members and others, necessary to the discharge of functions of the Assembly without obstruction and without fear of prosecution.

While the committee prefers to hear all evidence in public, if the committee accedes

to such a request the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly. I should add that any decision regarding publication of in camera evidence or confidential submissions will not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

In relation to questions taken on notice, please note that it is the responsibility of each witness, in consultation with the departmental liaison officer, to check the transcript and respond to the questions. Responses to questions taken on notice are required within five full working days from receipt of the proof transcript. Supplementary questions from members need to be provided to the committee secretary within two full working days or by close of business on Monday, 4 December 2006. Responses to supplementary questions are required within five full working days from receipt of the questions.

Minister, before we move to questions, are there any opening remarks you would like to make in relation to these portfolio areas?

Mr Barr: I would like to thank the committee for the opportunity to appear before it today. I am conscious that we are somewhat late starting so I will move quickly to take questions. I just advise committee members that I became minister in April of this year, so for the vast majority of the period covered by the annual report other ministers were responsible for these portfolios. Nevertheless, I will endeavour to provide all answers to the committee's questions. The information that I cannot provide I will certainly take on notice and seek to get back to the committee with it as soon as possible.

THE CHAIR: Thank you, minister. I might lead off with the Tourism, Sport and Recreation portfolio. Output 1.3 in the Department of Economic Development annual report at page 19 describes the one key achievement in tourism for 2005-06 as being based on the upgrade of the National Convention Centre. Minister, was any progress made on the other key areas of focus as described in the introductory paragraph of the output, namely "increasing the levels of awareness in domestic target markets, domestic visitation, international visitation, length of stay by visitors, and economic benefit from tourism"? If there has been, why aren't they outlined in the annual report?

Mr Barr: Thank you for the question. I think you will find that those are recorded in Australian Capital Tourism's annual report. However, for the benefit of the committee I can advise that there were a number of positive results in each of those areas. In fact, I draw the committee's attention to the top of page 13 of Australian Capital Tourism's annual report, which refers to those accountability indicators and shows the results from advertising and brand campaigns in Adelaide, Sydney, Brisbane and regional New South Wales as all performing strongly. Survey results from the ACT and Canberra community of their confidence in recommending visitors to the ACT achieved an 89 per cent result—well above the 70 per cent target. It is also worth noting the "survey results of preference to travel to the ACT within two years in the target market" showed that we performed well in all jurisdictions and all of the areas

we targeted—Adelaide, Sydney, Brisbane and regional New South Wales. We were just under, it seems, on our “number of visits to the website visitcanberra.com.au”, but 657,270 visits is another impressive performance.

The one area where there has been some concern is the Rally of Canberra. I have acknowledged publicly on a number of occasions that that event has struggled to attract visitors and also, obviously, is struggling to attract a sponsor at this point. But it is worth contrasting that event with the very strong performance of Floriade in 2005 and again in 2006. There is very strong performance in all of those key accountability indicators.

THE CHAIR: I was wondering how the viability and performance of tourism in the ACT is likely now to be impacted by the transfer of responsibility for Australian Capital Tourism to the Department of Territory and Municipal Services. If I can just use as an illustration—certainly this is a current one; we are looking at the previous reporting period—a calendar that was presented in national newspapers only a week or so ago by Tourism Australia, promoting all the different destinations in Australia. I read through that calendar many times and I could not find an ACT destination featuring, yet it had every other state and territory. Is this what we are going to see more of—a reduction in Canberra getting a look in on tourism matters?

Mr Barr: I did see that calendar as well and was dismayed that Tourism Australia had excluded the ACT from it. I have had some conversations with industry representatives in the last few days, who are equally dismayed at that decision. It was not one that was in any way a reflection upon Australian Capital Tourism but simply a decision that Tourism Australia made and something that we have concerns about and will be raising with Tourism Australia.

THE CHAIR: My only concern is that it is because we are trimming back so dramatically. Is this likely to lead to more of these sorts of instances, where we are just simply not in there pushing our own position?

Mr Barr: No, I do not think the two issues are linked. I think you will find that it was a decision made in Tourism Australia that would be made independent of the level of budget resources that were provided to Australian Capital Tourism. I think the issue is one with Tourism Australia and it is one that we intend to raise strongly with them. It has occurred in the past that we have been overlooked and it is something that I intend to take up strongly with Tourism Australia.

DR FOSKEY: I am looking in the report for any mention of ecotourism developments. Is anything being done to encourage ecotourism ventures in the ACT? If it is not in the report, can you possibly report on it?

Mr Barr: I refer you to page 35 of the annual report.

DR FOSKEY: That is sustainability and environment. What I am talking about are the kinds of events that promote our environment in various ways—around Namadgi, around Tidbinbilla or—

Mr Barr: On page 35 there is a reference to the Canberra heritage trails, which are

self-drive tours. I had the opportunity to launch that a few months back. They are self-drive trails throughout southern parts of the territory, designed essentially to focus on our natural, indigenous and built heritage. The three roots have strong story lines connecting current attractions, together with onsite signage that will enhance visitors' understanding of those three important elements of the territory's history.

We are aiming through these programs to grow awareness of visitors around our cultural heritage. It is particularly important that that extend back to 20,000 or 40,000 years ago, as well as taking a look at how the city has developed over the last 100 years, and we are, through the Namadgi National Park and Tidbinbilla Nature Reserve, seeking to promote those as major tourist destinations. Obviously we need to ensure there is appropriate signage to enable visitors to access these institutions and facilities with some ease and that is why it was important to pull together these three self-drive trails.

We invite you to go to the summit of Mount Ainslie and have a look at one of the trails; one begins there. That would provide you with an interesting insight into how Australian Capital Tourism, working with the Department of Territory and Municipal Services and the environment agency within, are seeking to bring together all of those wonderful attractions and facilities that we have throughout the ACT. It is good to see those agencies working together to bring that to the fore.

DR FOSKEY: Are there interpretive leaflets or is it a trail with—

Mr Barr: Yes, there is interpretive signage and I understand a self-drive map is available.

DR FOSKEY: Obviously the Mount Ainslie one is a walking one, though?

Mr Barr: You can begin there. I think there is information on all three trails at the lookout on Mount Ainslie and, depending on the amount of time that you have and the particular interests that you would like to pursue, you can follow the trails from there.

DR FOSKEY: How do people find out about those?

Mr Barr: There is information at the visitor centre. We are also set to promote them through the various websites. We did only launch those trails in the last six weeks or so. We will seek to make them a major feature of our tourism awareness campaigns in the years ahead.

DR FOSKEY: And local I would say?

Mr Barr: Indeed, yes.

MS MacDONALD: Supplementary to what Dr Foskey said: would you not consider that the Brindabella Challenge would fall into that category as well?

Mr Barr: Indeed, yes. There are a number of different events that we are running. It is also worth highlighting the Tidbinbilla nature discovery zone as well and the large investments that are occurring there post bushfires. They are largely within the Chief

Minister's portfolios but nonetheless we are seeking to capitalise on that as a tourism destination as well.

MS MacDONALD: I note that Floriade has gone from strength to strength I suppose is the best way of putting it. With the amalgamation of Australian Capital Tourism, do you think that will have any negative impact on Floriade?

Mr Barr: In relation to Floriade, I think it is important to note that the deliverers of the product—the flowers—were in fact within territory and municipal services. So what we have seen is a closer working relationship in fact. The preliminary figures for Floriade 2006 show an increased visitation on even the 2005 record levels. It is a perfect example of where there are tremendous synergies that can be achieved through this integration. Events like Floriade, which is undoubtedly Australia's premier springtime festival, are showing the real advantages of this integration.

MS MacDONALD: While we are talking about Floriade I might also mention a topic I have raised before and that is the issue of the way that the people who exhibit at craft corner, or whatever it is called, are chosen. I understand there is quite a list of people trying to get in. I also suggest that it is a very effective part of Floriade which doesn't focus just on flowers.

Mr Barr: I will call for some assistance in a moment to get some of the detail that you are after, but it is certainly worth noting that there is always a very long waiting list to access the Floriade village. There are, obviously, some space constrictions on the site but I have asked for some further work to be done, working up to next year's event and beyond, to see if there are ways to increase the capacity of the village to enable more access for people and for more stallholders. I think that would add to the event, but we are obviously constrained by the space. I might get Sarah Hitchcock to give you some information on that.

MS MacDONALD: I might also comment that I did note when I went in this year that there were three different stalls selling soap. I understand they were very successful but—

Mr Barr: Some more diversification do you think would be in order?

MS MacDONALD: Yes. Somebody who has been going for a while mentioned to me that there is an issue with the requirement to open at 8 o'clock on a Saturday; that that was causing quite a bit of concern amongst all the stallholders, because nobody came in during that first hour or two that they were required to be there; and that when it was raised as an issue they weren't dealt with very nicely.

Mr Barr: Okay. I will take that one on notice to see if we can resolve it for next year's event.

Ms Hitchcock: The minister has asked me to look a little more at what we can do to supplement the existing stalls that come into the area as part of the event. It is a challenge. Thirty days is a long time for people who quite often run these stalls as ancillary to their existing jobs or businesses. There are a couple of criteria that exist at the moment. The products that exist in the two main marquees must be Australian

made. We do have a blend of local suppliers and interstate suppliers as part of those. Because of the limitations on the site as far as electricity and space are concerned, we are limited in the area that we open up for the marquees. We try to ensure that there is a good variety of product but also account for those other two factors.

The other thing is to make sure that the products are quality. We have tended to make sure that we have product examples sent through prior to the event so that we can make sure that the experience is enhanced—that the whole experience is enhanced by having those stores available. But the greatest limiter of it is that parking is a challenge there if we were to expand the site. The electricity is probably the key for us at the moment. We have full demand on the supplies of electricity that go into the area.

MS MacDONALD: What is the current mix of local versus further afield?

Ms Hitchcock: I would have to take that on notice. I am sorry; I do not know that straight off the top of my head.

MS MacDONALD: If you could provide that information, I would be interested to know what that is.

Ms Hitchcock: Certainly.

THE CHAIR: Mr Smyth, do you have some questions?

MR SMYTH: On page 8 of the Department of Economic Development report, there is a section headed “A.4. Outlook”. It says:

The risks in relation to potential loss of corporate memory and skill set have been well recognised and will be managed.

The FTE staff level for the department for 2005-06 was 54. How many staff are there now in tourism?

Mr Barr: There are 38.

MR SMYTH: Is that 38 staff or 38 FTEs?

Ms Hitchcock: There are 38 full-time staff. We also have an on-call casual base at the information centre that we draw on for supplementary peaks. That is about eight people. I think they roll into about two FTEs.

Mr Barr: It is worth noting that a proportion of the reduction was positions that were transferred to shared services under another repositioning when integrated into territory and municipal services. I do not have that detail in front of me now, but we can supply that information.

MR SMYTH: That would be handy. What has the actual budget reduction been for this financial year for Australian Capital Tourism?

Mr Barr: For this financial year?

MR SMYTH: Yes.

Mr Barr: That information is available in the budget papers.

MR SMYTH: So the information in the budget papers is consistent.

Mr Barr: Is correct.

MR SMYTH: It is just that the tourism budget has changed. I understand that the sport and recreation budget has not been finalised or has changed from what was announced in the budget.

Mr Barr: No. What is in the budget is accurate.

MR SMYTH: So the tourism budget is still accurate. On page 18 of the Australian Capital Tourism report, it says, under “Quarterly outcome”, that there is a wonderful growth in visitation. On one page you quote a figure for extra visits. That is on page 16. It says:

The ACT received 577,000 domestic overnight visitors in the September quarter ...

When you do a comparison of the figures back to 2003-04, using the figures provided on the tourism website, we are still remarkably below the 2003-04 outcomes. How do you account for that? For instance, last financial year the figure for domestic day visitors was 486,000 less than in 2003-04; the figure for domestic overnight visitors, according to your website, was 97,000 less than in 2003-04; and the figure for international visitors was 20,000 less than in 2003-04.

Mr Barr: I am not entirely sure what we are looking at. You are seeking to take financial year figures rather than calendar year figures, I think. From the information I have in front of me, there was an increase in domestic overnight visitors in the Olympic year, 2000. In calendar year terms, that would be the largest year going back to 1999—2,128,000 domestic overnight visitors in calendar year 2000, coinciding with the Sydney Olympics. But the 2005 figure was 2,004,000 visitors, up from 1.88 million visitors in 2004 and also up from the 1.95 million visitors in 2003. It may well depend on which series of quarters you use and how you choose to slice the figures. If you look at annual domestic overnight visitation, the figures show that, whilst we did achieve a peak in the year 2000, in 2005 we were back over the two million mark.

MR SMYTH: Looking at the financial year 2005-06, from the government data, for instance, there were only 2,006,000 overnight visitors, yet back in 2003-04, again from the data off the government website, there were 2,103,000. That is a drop of 97,000 over a two-year period.

Mr Barr: If you look back over the long run experience, I think it is clear that the figures fluctuate from year to year. In 1999 it was 1.98 million. In the year 2000, it was 2.12 million. In 2001, it was 2.1 million. In 2002, it dropped back to 1.98 million—then to 1.95 million and down to 1.8 million—and then it bounced back to

over two million again. There are fluctuations that occur from year to year. There are particular events held in particular years—things such as rugby world cups and a variety of other major events that would probably account for that difference in visitation levels. We do have to expect that the figures will fluctuate from time to time, and there is clear acknowledgment from anyone who has ever held the tourism portfolio that these things are event driven. But what is important is to look at whether there is growth in the long run, and that certainly is the case. With our most recent performance, we have been the only jurisdiction to improve our visitation against what has been a flat domestic market. If you look at the long run experience, again going back over 20 years, which is a more useful tool than looking at year to year fluctuations, you will see that the ACT's performance in what has been a flat tourism market domestically, for 20 years, effectively, has been very impressive.

MR SMYTH: But look at the figures across the board for the last three financial years. In 2003-04, there was a total visitation of 4,013,000. In 2004-05, it was down to 3,532,000. For 2005-06, it was down again, to 3,427,000. Over the recent period there is a trend down as your government has been cutting funding to tourism. How do you explain the drop and how are you going to cope with a smaller budget and fewer staff in this financial year?

Mr Barr: Again, you have sought to pull a peak, the Rugby World Cup. It was significant.

MR SMYTH: I am just using the figures off your website.

Mr Barr: There was significant visitation around those particular events, clearly. As I say, in large part the fluctuations can be attributed to major events. Through our contracts, there has been successful renegotiation with the AFL around the playing of premiership matches and further negotiations with Cricket Australia around our involvement in international cricket. The PM's XI was a great way to start this year's—

MR SMYTH: But we have a PM's XI every year.

Mr Barr: It has not always been scheduled at the best time for us. It also depends on who the visiting team is.

MR SMYTH: Manuka is normally pretty full.

Mr Barr: Indeed, but I think you will find that this year's event attracted a larger tourist base than previous events, given the nature of it—being the opening game of a highly anticipated Ashes tour. The key point overall, though, is to look at the longer run trends—look at where we have been successful in targeting our marketing and then look more broadly at domestic tourism in Australia. Over the last 20 years, you can observe that expenditure from domestic tourism authorities on capturing a domestic market has nearly doubled but it has not returned a growth in visitors.

MR SMYTH: But day visitors—

Mr Barr: There has been a fundamental change in consumer behaviour, and

tourism's share of wallet has fallen.

MR SMYTH: But day visitors last financial year and the previous one—neither had a world cup—

Mr Barr: The simple point is though—

MR SMYTH: We were down 200,000 visitors.

Mr Barr: The simple point is, though, that there is not necessarily a correlation between massive increases in spending and increases in visitation.

MR SMYTH: But overall your visitor numbers are dropping. The trend data and the line of your government are that the visitors are down.

Mr Barr: Again, I refer you to the most recent national visitation survey figures, which show that the ACT—

MR SMYTH: I have the most recent data off your website.

Mr Barr: They show that the ACT was the only jurisdiction in Australia—looking at December 2005 back to December 2004—to increase visitation. Whilst you may wish to highlight something, it is a case where there are a wide variety of data available.

MR SMYTH: I am using the data off your website.

Mr Barr: I am using my data as well.

THE CHAIR: We still have to get through the sport and recreation area.

DR FOSKEY: Can I ask a question?

THE CHAIR: Yes. I have one question, and Dr Foskey has one. It may be anecdotal, but I am hearing repeated concerns from industry about the difficulty you are likely to have in attracting skilled people to tourism given that you have changed the nature of the agency. In the past you would attract people who were much more marketing focused and the like. Now you are likely to be having difficulties in getting people to come into tourism given that it is effectively within the normal mainstream of government. Do you see this as an issue that you are going to be struggling to deal with?

Mr Barr: I would like to take this opportunity to put on record my appreciation for the very high quality of staff in Australian Capital Tourism. The team there is focused. I am delivering great outcomes for the ACT. We have an outstanding team at the moment. Obviously there have been some changes, and some people have left the organisation.

THE CHAIR: You have had a lot leave, have you not?

Mr Barr: A number. Some have moved to shared services, some have integrated into

other areas of territory and municipal services, and some have left.

THE CHAIR: I am not reflecting on the people. My concern is your capacity to recruit given the new nature of the organisation.

Mr Barr: It is undoubtedly a competitive labour market. It does not matter which business you are in. With the unemployment rate as low as it is in the territory, it is a competitive market. But the advantages of working within an organisation like Australian Capital Tourism will be there, particularly as we have a strong flow through of graduates and interns through the University of Canberra programs. We certainly seek to have a very close relationship with the university. A number of the interns through that program have provided a huge amount of assistance in running events such as Floriade. We will continue to maintain those close relationships with the University of Canberra. I see an opportunity in having education and tourism within the one ministerial suite of portfolios in that there is a chance to strengthen those links. That will stand us in very good stead in terms of recruiting young talent into our organisation.

THE CHAIR: I wish you well in getting marketers who want to make careers in the public service. It will be fascinating to see what happens. Dr Foskey.

DR FOSKEY: In the last few days we have had the Australian Hotels Association's position paper which says that the realities of the budget environment call into question a number of peripheral activities undertaken by Australian Capital Tourism, including the tourism awards and the tourism industry accreditation scheme. They also query the value of government support for the Rally of Canberra and the wisdom of targeting such a large proportion of the marketing budget at international visitors. Do you foresee the same level of government support for the tourism awards and the tourism accreditation scheme being maintained? Please comment on the AHA paper, if you would like. What has been the final decision on the Rally of Canberra?

Mr Barr: Like all members of the government, we are keenly aware of AHA reports and papers and we read them with considerable interest. I did at the time welcome the contribution the AHA had made through that set of proposals and agree with a large number of the ideas and initiatives that the AHA has put forward. You raised questions around international marketing. I think it is important that we have balance in our approach. There has been some commentary from the federal minister that they see a role for Tourism Australia in bringing visitors to Australia and see the states' and territories' role as to fight for a share of that international visitation. As Mr Mulcahy highlighted in his opening question, Tourism Australia tends to overlook us a little. We have that issue to take up with them, but it does highlight a need, I think, for us to maintain an international presence, particularly in those great markets where we have achieved an 84 per cent increase in visitation.

THE CHAIR: Off a low base.

Mr Barr: Indeed, off a low base. Nonetheless, it is an important growth area. We have invested considerably in those markets and continue to work with the Canberra international airport on seeking direct flights from Singapore to Canberra. I do not think that now is the time to back away completely from some focus on the

international market. Roughly speaking, Dr Foskey, we invest about 80 per cent of our marketing effort domestically, but it is not a case of putting all your eggs into one basket, so to speak. The domestic market is flat and has been for some time. I have a view that there will come a point when people will have filled their houses with all the widescreen plasma televisions they can and they might decide to change their consumption pattern somewhat and return to spending on domestic tourism. I would like to see that occur.

DR FOSKEY: You might get worried about their oil consumption!

Mr Barr: One of the issues is the amount of unused recreation leave sitting round the country at the moment. I think the industrial environment is a feature also of the decline in domestic tourism. When you consider just how much unused recreation leave there is and the great fear that many employees have that if they do take their annual leave entitlements they might come back and find their jobs gone or that their conditions have change considerably, you can understand why it is that the domestic market is somewhat flat.

In relation to the Rally of Canberra, I have indicated that the event will run in 2007 but we are looking seriously at the viability of the event for 2008. That is the final year of our contract, I understand, to host the event. I think that it is agreed across the industry that it has not been a particularly successful tourism event. The question I pose is: if there isn't a commercial sponsor prepared to step up and sponsor the event, why would the ACT government contribute \$750,000 towards it? I think that is a legitimate question. I have provided the opportunity and the time for a sponsor to emerge, but at this point it does not appear as if that is going to be the case. The final decision on the 2008 event will be taken in the near future, but I am not in a position today to make the final call on that.

As far as the tourism awards are concerned, it is a collaborative event with industry. As always, we would like to see an enhanced contribution from the industry towards the event. We did restructure it slightly this year, becoming the first jurisdiction to provide a local medal category whereby we were able to recognise an outstanding achievement in the local industry outside, if you like, the broader national process. I think that did encourage some organisations to seek recognition and to put themselves forward. It was tremendous to see that. I would particularly like to highlight the achievements of the Mount Majura vineyard in winning an award in that category as well. It is in the electorate of Molonglo and has done an outstanding job. I take this opportunity to put on record my appreciation of all of the work of the local industry. It was great to see so many recognised at the awards night.

THE CHAIR: We will move on to sport and recreation, given our time constraints. I draw your attention to output 2.1 on page 20 of the annual report of the Department of Economic Development. Among the key achievements stated are the sport and recreation grants program and the approval of various boxing contests. How does the \$2.4 million distributed through the sport and recreation grants program compare with previous years?

Mr Barr: Going back to 2000-01, the amount was in the order of \$2.3 million. I understand that a Treasurer's advance was made available in 2001-02 of \$150,000,

which bumped the program up to about \$2.5 million. In 2002-03 it was in the order of \$2.4 million. In 2003-04 it was \$2.5 million. In 2004-05 it was \$2.581 million. In 2005-06, it was \$2.4 million.

THE CHAIR: In real terms it is, effectively, in decline somewhat, is it not?

Mr Barr: The figures vary from year to year, but it has peaked over the last seven years at \$2.581 million.

THE CHAIR: So that it is a key achievement, is it?

Mr Barr: Obviously, it is important to note that it is a grants program. The number of applications for grants varies from year to year and there is a series of subcategories within that overall grants program around money for capital and also, if you like, direct operational subsidies, and there are different peak organisations that apply for funding and there are one-off projects. There is a mix.

THE CHAIR: Have you had a growth in the number of applicants in the year under review compared with previous years?

Mr Barr: My understanding is that there were 89 or thereabouts in 2005-06.

THE CHAIR: Successful applicants?

Mr Barr: In total, unless I have got that figure wrong.

Ms Marriage: The figure for 2005-06 when it comes to the success rate for applications, which is, I think, the way that we try to assess it, was about 69 per cent. There is such a broad range of categories and people apply in some cases in ambit claims across those, so we try to look at the success rate and make sure that we can spread the moneys across as many of those organisations as we can.

THE CHAIR: Are you getting an increase in the number of people seeking grants or is it fairly static?

Ms Marriage: No. What we have tended to find over the years is that we have improved the quality of those applications, so we have worked heavily with the sport and recreation organisations prior to application time, got them to look at what they are going to apply for and then tried to make sure that they put in quality applications. For 2006-07 we are currently going through the assessment process and I would have to say that our success rate this year is going to be higher.

THE CHAIR: One of the other key achievement areas relates to boxing. Has there been an increase or a decrease in recent years in the number of contests approved in the ACT under the Boxing Control Act 1993? If so, by what figure have approved contests increased or decreased?

Mr Barr: I am only aware in my time as minister of being asked to approve one. I suspect that there has been a reduction. My snapshot as minister goes across two financial years, but my sense is that there has been a reduction.

Ms Marriage: It is pretty consistent each year. It all very much depends on when there are peak times in putting the applications through. Kickboxing is coming through now as having very strong support and a lot of the applications are now tending to be for kickboxing, whereas those activities in the past have been the loophole around the edges of the boxing act. We may see in the future those applications actually increase.

THE CHAIR: Although you have it here as a key achievement, it is really business as usual by the sound of it in that there has been no significant change.

Ms Marriage: In one respect it is, but on the other side of it we have to make sure under the legislation that we have approval for those before they have gone out there and we have met with the boxing promoters and made sure that they are meeting all of the criteria. The key achievement is that we had 100 per cent success in that year of being able to do that.

DR FOSKEY: The kids at play program seems to be a worthwhile program. I am just wondering whether you agree with my perception of that and are committed to ensuring that it receives ongoing funding support so that the organisers can have certainty and plan for the long term.

Mr Barr: Yes, I do share your view on the success of that program. It is important to note that it is moving into its second phase, that the initial setup was indeed very successful and we are now moving into phase two of the program. The current band service will continue for the early childhood sector and selected community events, but the primary focus of the program now is on the education of primary carers of children in the ACT. We are looking at further developing partnerships with the heart foundation and ACT Health to facilitate joint promotion of not only physical activity but also nutrition and healthy lifestyles overall. As part of the roll-out of this second phase, practical resource has been developed and a series of play shops will be conducted throughout the new year. The tender process and the design of the resources will be completed by mid-December this year.

DR FOSKEY: Similarly, at the other end of the age scale, the prime movers program looks as though it has also been very successful. I am just wondering what the plans are for that and whether it suffered any cutbacks in the most recent budget or whether it has a long-term future.

Mr Barr: I presume you are referring to actively ageing.

DR FOSKEY: It is called prime movers. It is for seniors.

Mr Barr: It is part of actively ageing.

Ms Marriage: Yes, it is under the framework.

DR FOSKEY: I have been to one session in Goodwin Homes, I think. It is where someone visits a centre and works with people who otherwise have limited movement.

Mr Barr: Yes. It is part of the actively ageing framework and there is continuity of funding for that program into the outyears.

THE CHAIR: I have a supplementary question on the prime movers program. You are showing in the report an average attendance of 550 a week. Has there been a growth in that number or is it static?

Ms Marriage: It is pretty consistent actually and the participation numbers that we are getting now through the surveys actually show for the age range that comes under this actively ageing program that we have had increased participation, a quite substantial increase in participation. I guess that the challenge for us is to make sure in that age range that we are keeping them coming along each week and it is being maintained at that level. The promoters of it are very happy with that approach.

THE CHAIR: Given the dramatic growth in the age population, the penetration of services being delivered would be in decline, would it not, if you did not grow that figure?

Ms Marriage: Not necessarily because you have some people coming into the program at different times and then they have health issues so that they withdraw for a while and you get new people coming in. It is really the penetration that you are after. I think that the YMCA, which is running it, is very happy and content with the fact that in that age range they are able to keep people coming along and people are very eager to, I would have to say. There is one participant in the program who is 100 years old and she had her 100th birthday at the activity. It is extremely important that they keep those people coming along to the actual program.

DR FOSKEY: On the whole, we are talking about people who are very frail aged. We cannot expect them to stay alive forever and keep the numbers up. If the numbers are maintained, it is perhaps an indication that new people are coming in.

Turning to elite sports funding, is there ever a check on the public benefit from expenditure of quite large resources on a small number of people who are already pretty fit, rather than on broader participation in physical and sporting activities? There is a graph on page 147 which shows the increase in ACT athletes gaining selection for national teams. But do you base your funding decisions on any other quantitative data? Have there been any cuts in this area of the program in the last budget?

Mr Barr: We obviously always have to address the issue of funding for elite sport versus community-based sport. There is a considerable amount of evidence that shows that the opportunity to showcase elite sport drives grassroots community participation in sport.

An example of that would be the massive increase in interest in AFL in Canberra and the number of juniors playing as a result of our investment in premiership matches at Manuka Oval. There is the partnership with the Kangaroos and the partnerships we look forward to having with the Melbourne Demons and the Western Bulldogs, as well as the Sydney Swans. Those will be the major teams playing in Canberra next season.

That has shown that that investment at the elite level of that particular sport has returned a dividend in grassroots participation. We see that also with the Raiders and the Brumbies and in our interests in cricket. Clearly some of the major sports that have television coverage generate greater grassroots interest in those sports.

Turning to the academy, we have an issue there which is familiar across many portfolios in the ACT. It is a question of quality versus quantity in the program we run. We previously sought to have about 250 athletes within the program. That meant that the individual assistance we are able to provide to each of those athletes is at a level below that of other state and territory sporting academies.

I was interested in looking at how we compared with Tasmania, which is a similar sized jurisdiction. They had a program more in the order of 150 athletes. The average levels of assistance they were able to provide to each of those athletes was considerably in advance of what we were providing in our academy.

I think we have to have a look at that going forward. I am particularly mindful, though, of the need for our academy to provide top-level assistance, particularly for those sports the ACT has traditionally excelled in. We want to provide the best possible opportunities for athletes in our program to achieve national selection to represent their country at the Olympics in 2008.

MR SMYTH: Are you absolutely sure there is no crossover with the AIS? How do you work with the AIS, who I assume are working with some of the same people?

Mr Barr: Indeed. With many of the sporting programs being in the same city, we seek to have a close working relationship with the institute, but they obviously have particular sports that they focus on in Canberra. Through our academy program we try to supplement, rather than go into direct competition with the AIS. I think it is important also to provide that avenue for talented local sportspeople to get their first opportunity through the ACT academy.

MR SMYTH: You mentioned 250 athletes in the academy. Are there still 250 athletes there?

Mr Barr: We are still working through with some of the sports around the number of squad members in each of the teams we are going through. But I think that, in the longer term, we will need to reduce the number of people in the academy so we are able to increase the level of assistance we provide to the athletes.

MR SMYTH: I will quote what you said in June. "We are still maintaining 250 athletes." How many will it go down to?

Mr Barr: It is difficult to say at this point because we have not finalised with the individual sports the number in each of the squads. I think there are a couple of sports that we are also going to have to have some further discussions with around whether they wish to continue in the program.

MR SMYTH: We are halfway through the financial year. When will that be

finalised?

Mr Barr: I am seeking to ensure that there is thorough consultation with those sports. I am sure you would be criticising me if I sought to make an arbitrary decision in advance of that consultation. We are working with each of the sports. Obviously, with a number of team sports we can look at the size of the squads in each of those sports.

MR SMYTH: Is there a target?

Mr Barr: I would not say there is an absolute target, but I am conscious of looking at how we equate with similar sized jurisdictions. There is the Tasmanian model, where they provide a significantly larger amount of per capita assistance to their athletes than we do. They have around 150 in their program.

MR SMYTH: Is that the target—150?

Mr Barr: Again, I am not going to be pinned to an absolute target, but I think we need to have some comparability with jurisdictions of similar size. My concern is to ensure that the quality of our programs is there and that we are able to provide our athletes with high-quality assistance. I think it is ambitious, given the current resources, to be expecting it to remain above 250 in the longer term.

MR SMYTH: When will you make that determination?

Mr Barr: They are annualised grants, so we will be looking to 2007 in terms of the numbers there.

MR SMYTH: When will the announcement be made, given that we are 31 days away from 2007?

Mr Barr: It is traditionally in January, but I will make an announcement in due course.

MR SMYTH: Turning to the staff of sport and recreation, there were 38 FTEs when we had this discussion in the June estimates. At that time you were unable to tell me how many staff there would be at the end of this financial year. Has that been determined yet?

Mr Barr: Not fully, but I understand that there are currently 35.

MR SMYTH: We have gone from 38 to 35. And the target for the year?

Mr Barr: It depends a little. There has been some reconfiguration, in that sportsgrounds management has been added into that group. One of the advantages of having sport and recreation back in is that it is now a one-stop shop. We do not have sportsgrounds being managed in a department separate from where sport and recreation were. We have sought to bring those two groups together.

MR SMYTH: There were 38 in sport and recreation. How many were there in sportsgrounds at the end of last financial year?

Mr Barr: I will have to take that on notice.

MR SMYTH: How many are there now?

Mr Barr: Again I will have to take that on notice.

MR SMYTH: Have we finalised the budget for sport and recreation for this financial year yet?

Mr Barr: In large part, yes.

MR SMYTH: We are five months into the financial year and only in large part have we finalised the budget. When will the budget be finalised for sport and recreation?

Mr Barr: As I have indicated, a number of the programs that are in operation are annual calendar year programs. We will finalise them in January, as we would normally.

MR SMYTH: You must know how many staff you are going to employ for the year. You must have that number.

Mr Barr: Again, it depends on whether you want an FTE count from 1 July to 30 June average. There are some people who may be in the area at the moment who will work in the area for six months. They might spend the other six months of the financial year in a different group within the department. You, of course, will seek to play some sort of FTE game like you have been known to do with police, and not seek to recognise that there would be changes across a financial year, depending on particular workloads and programs that might be run and the fact that a number of the programs are based on calendar years rather than financial years.

THE CHAIR: Did you not just say that that was not really the cause of this uncertainty; that it was because things had not been fully settled on the budget?

Mr Barr: There are some areas and some programs that run on a calendar year basis. What I am saying is that we have not made announcements.

THE CHAIR: That is nothing to do with the fact that the budget obviously is not settled, surely.

Mr Barr: When it cuts across two financial years, then yes; there are some points where you would need to settle at a later date on a final budget for a financial year as opposed to a calendar year.

THE CHAIR: Has this always been the problem?

Mr Barr: That is my understanding—that some of the grants programs are on a calendar year basis rather than on a financial year basis.

MR SMYTH: Five months into a financial year, you have not set the budget for the

money you were appropriated in August this year.

Mr Barr: Yes. We know the amount we have been appropriated for the programs and the grants programs we are running.

MR SMYTH: Is it possible to get a copy of that budget?

Mr Barr: It is in the budget papers.

MR SMYTH: One figure is in the budget papers.

Mr Barr: I am not providing you with copies of internal budget papers. Budget papers that are published are there for your perusal.

MR SMYTH: What areas, internally, have been reduced or cut?

Mr Barr: Which page of the annual report are you referring to?

MR SMYTH: I am referring to page 8, the Department of Economic Development. It says that there are difficulties and that these have to be managed. It says that each of the functions has been retained with a clear identity in the new arrangements. Is that true?

It also says that the risks in relation to potential loss of corporate memory and skill set have been well recognised and will be managed. You are telling me that you have not finalised your budget. Is that good management of the staff?

Mr Barr: No; I am not telling you that. I am telling you that there are some programs that operate on an annual year basis. I will be making announcements in January in relation to those.

MR SMYTH: For part of those programs that fall in this financial year, have those budgets been set?

Mr Barr: Indeed, yes.

MR SMYTH: Is it possible to get a copy of those budgets?

Mr Barr: You will get that in the annual report for 2006-07.

MR SMYTH: You said you were going to revive a number of ovals. Initially the indication was something like 20. Is that still likely to occur?

Mr Barr: Unfortunately, water restrictions are now in place. That would preclude, I think, any prudent commonsense approach to rejuvenating ovals where there is no water available to maintain them.

MR SMYTH: Will any ovals be rejuvenated this year?

Mr Barr: I think at this point, no. There is funding in the budget for the Harrison

neighbourhood oval to be established. We are obviously looking particularly in relation to the new school we are building at Harrison. I have asked the department to investigate means of using grey water from that school to, as we build the oval, drought-proof it into the future by ensuring it has a recyclable water supply that is separate from the arrangements at the moment that are affected by water restrictions.

MR SMYTH: What will happen to the money allocated for the rejuvenation of approximately 20 ovals? Is that being returned to Treasury, or is that being used for another purpose?

Mr Barr: No. That will remain within the budget.

MR SMYTH: Will it be used for other purposes or held for future use when the drought breaks?

Mr Barr: No decision has been made in relation to that.

MR SMYTH: Because you have not finalised your budget for the year.

Mr Barr: That would be one issue whereby—

MR SMYTH: Is it not amazingly poor economic management that you have not finalised your budget five months into the financial year?

Mr Barr: No. I think it is actually quite prudent management.

MR SMYTH: Oh; you do not budget, so you do not know.

Mr Barr: We will not spend half a million dollars rejuvenating ovals that are going to die for lack of water. We are not going to go through the painting grass green exercises that your government went through.

MR SMYTH: No; I am not talking about the ovals. I am talking about the total budget. You still have not finalised your total budget.

Mr Barr: There are aspects of the budget, particularly in relation to the restoration of sportsgrounds, that are contingent upon conditions somewhat beyond my control as minister in relation to how much rain we have and what levels of water restrictions there are.

MR SMYTH: I think you could consider we were in a drought when you made the announcement.

Mr Barr: Oh, really, Mr Smyth.

THE CHAIR: I am going to draw a halt to things. Dr Foskey has a question which may be out of the scope of this inquiry, but I will see how we go. You can consider this question.

DR FOSKEY: It is a question of interest. I could not see anything in the report about

the dragway, but a constituent drew to my attention a Sydney-based website for Reed Construction Data that advertises upcoming construction projects for tender. It lists the ACT dragway as a \$17 million job. Are you aware of this? Do you have any explanation for the advertised figure of \$17 million, given that the ACT government has said that it will cap its contribution at \$8 million? I am wondering about the status of this particular description of the project.

THE CHAIR: Does this come under your responsibility?

Mr Barr: It is my current responsibility but it was not at the time of the annual reports.

THE CHAIR: If you wish to respond to it, I am happy.

Mr Barr: No, Dr Foskey. I was not aware of that particular website, of that company or whoever is involved in that website.

Mr Zissler: We have no knowledge, but we will find it if we can.

DR FOSKEY: Could we talk further about that?

MR SMYTH: I have a final question. Have you or have you not signed off on 150 athletes for the academy of sport?

Mr Barr: No. That decision has not been taken at this point.

MR SMYTH: As at this moment in time, that decision has not been taken.

Mr Barr: It is my understanding that it has not been finalised; no.

MR SMYTH: Ms Marriage has 150 athletes being signed off, as we speak, as the target for the academy of sport this year.

Mr Barr: This calendar year?

MR SMYTH: For this budget.

Mr Barr: That is not a question which is in any way related to the annual reports.

MR SMYTH: Oh, well, you can choose to answer the question. It does say at page 8 of the report that—

Mr Barr: That has no reference at all to the annual reports.

MR SMYTH: You are not going to answer it. So you will not deny that it has been signed off on?

Mr Barr: I have just said that it has not been signed off on for this calendar year.

MR SMYTH: For this calendar year or for the next calendar year?

Mr Barr: For this calendar year

MR SMYTH: What about the next calendar year—2007?

Mr Barr: That is outside the realms of this hearing.

MR SMYTH: You can answer the question. What about 2007? So it has been signed off?

THE CHAIR: Mr Smyth, I think the minister said he had not.

Mr Barr: For the 2006 calendar year.

MR SMYTH: What about for 2007?

Mr Barr: That is again outside the remit of these hearings.

MR SMYTH: You are free to answer it. Have you signed off on 2007?

THE CHAIR: I think we will call a halt there. If he does not want to answer the question, he cannot be compelled to.

MR SMYTH: Actually he can. You, as chair, can force him to answer the question.

MS MacDONALD: He actually answered the question.

Mr Barr: The question is out of order in the context of these annual report hearings.

THE CHAIR: I accept that it is beyond the scope of the annual report.

Mr Barr: I am trying to stop him putting out a press release, of course, but that is his job.

MR SMYTH: You can stop me from putting out a press release now by saying, “No; it is not true.” You have the opportunity.

THE CHAIR: I have tried to be reasonably broad in scope, but I also accept that it is beyond the period which is under review. If the minister does not want to respond to a question that is beyond the year under review, then I think that is permitted. I will have to let it settle at that. We have the stadiums authority also that I would like to address in the limited time. We are cutting into the next area, which is industrial relations.

Minister, on page 8 of the report it states that the inaugural CEO of the stadiums authority, Mr Danny Harley, was replaced by Mr Neale Guthrie. It also states that membership subscriptions increased from 148 to 151 over 2005-06 and that Canberra Stadium’s catering contractor, Eurest—now known as All Leisure Hospitality—maintained its exclusive provision of services. What was the reason for Mr Harley’s departure as CEO?

Mr Barr: It was before my time as minister, but I understand he was pursuing career opportunities elsewhere.

THE CHAIR: How does the increase in membership subscriptions compare with previous years? Has anything been done to assist in improving the rate of uptake?

Mr Guthrie: The memberships in this financial year increased from the previous year; and they increased from the previous year. Club Stadium is a membership base for membership of Canberra Stadium. There are two corporate suites contained in the east stand. The figure of 151 represents pretty well the maximum membership of that club. It is a good result.

THE CHAIR: It is an increase and a greater rate, is it?

Mr Guthrie: Yes. There are only 137 seats out the front, so it is pretty well at its maximum.

THE CHAIR: Does Eurest perform its exclusive provision of catering services for Canberra Stadium in accordance with agreed KPIs or service level targets? If so, what are they? How did they perform against these targets in 2005-06?

Mr Guthrie: I will take the detail of that on notice. I know that they have always achieved their KPIs. They have just completed their fifth year of agreement. They have met all of their KPIs in every year. Their KPIs are linked to a performance bonus back to them for that.

THE CHAIR: You will provide that.

Mr Guthrie: I will provide the detail of KPIs on notice.

THE CHAIR: On page 13 of the report it states that the number of events held at Canberra Stadium was 22—two less than the budgeted number of 24—and that the net revenue from functions, conferences and memberships was \$221,000, which is below the budgeted figure of \$355,000. Can you explain why two less events were held than budgeted for? Can you explain why the net revenue from functions, conferences and memberships came in below budget?

Mr Guthrie: Again I would have to take it on notice. My predecessor would have made a forecast of events that he was going to bid for. It would then be dependent upon the success or otherwise of those bids. Obviously he was not successful in bidding for those events and that is why it came in at only 22.

THE CHAIR: What are you doing to ensure you do not run into the budget shortfalls in future? Have you put any measures in place since that reporting period?

Mr Guthrie: I know that on the forecast for this financial year we are on budget. Our forecast is fine. We are talking about running a commercial operation, so we are dependent upon the success of our major hirers and the crowds that come to see the games at Canberra Stadium. We are also dependent upon how successful we are, or

otherwise, in selling the various inventory we have for sale.

I can report that we have sold all of our inventory again for the next calendar year; and I think we have 28 seats left for sale in Club Stadium. With those sorts of forecasts, I am feeling very confident that this financial year we will meet our budget.

THE CHAIR: On page 9 you have made reference to reductions in aggregate attendance at Brumbies games. You have put this down to increased ticket prices for home games. What was the reasoning in increasing the price for the Brumbies games?

Mr Barr: That was a decision the Brumbies made. It was their call. I think another factor worth putting on the record is that the crowds are somewhat contingent on the Brumbies' opponents. Historically, New South Wales and New Zealand teams have drawn larger crowds than Queensland and the South African teams.

With the introduction of the Western Force and an additional Australian team in the competition, that certainly helps, because Australian and New Zealand teams tend to draw larger crowds. But obviously our marquee event is the Brumbies/Waratahs game each year. That is nearly always sold out, unlike the Brumbies/Reds game, largely as a result of Queensland's poor performance in the super 12 and super 14 over a number of years.

THE CHAIR: What are you anticipating in attendances going forward? Are you expecting softening crowd numbers?

Mr Barr: For the coming 2007 season I think Easter Sunday is the Brumbies/Waratahs match. We are expecting a sell-out for that.

Mr Guthrie: The Crusaders are playing in April.

THE CHAIR: I am thinking more of the full year.

Mr Barr: Certainly those super 14 games, which are against traditional rivals, tend to bump up the overall crowds for rugby union. Rugby league has had an average lower crowd level than union. It depends a little bit on the performance of the raiders.

THE CHAIR: Have the CFMEU antics impacted, do you think?

Mr Barr: Certainly. Their sponsorship has led to more members of the CFMEU attending matches. Given their very large membership base in the territory, I am sure that will have a positive flow-through

THE CHAIR: And there are probably a lot of people who are not members not going.

Mr Barr: I do not think so. I am sure non-members of the CFMEU will enjoy their rugby league just as much, regardless of who is sponsoring the team.

MS MacDONALD: Referring to page 10, I note that there is a decision to increase the capacity of Canberra Stadium by 547 seats. Can you tell us what prompted the decision to increase the capacity?

Mr Barr: It was an approach from the Brumbies and the Raiders, who have asked for improved seating opportunities, particularly to meet their demands for premium seating. Following the discussion with both codes, we undertook to build 547 new seats on the east concourse. In fact, I am advised that all of those seats sold for Brumbies matches and the vast majority of them sold for Raiders matches as well. So we will continue to look at improvements at the venue. This is an example where we can, for a relatively small capital investment, deliver an improved product for spectators and also provide advantages and improved facilities for the teams, for our major tenants.

MS MacDONALD: What does that take the seating capacity in the stadium to?

Mr Barr: I am advised that it is 25,000.

MS MacDONALD: Obviously there is only a certain amount that can be put in the better spots. Typically people go and sit up at the ends of the goalposts?

Mr Barr: Schoolboys go to the end for a time; you can kick the footy around a bit there.

In relation to the question we took on notice about KPIs, I have been advised that they may be commercial-in-confidence so, whilst we can provide the information to the committee, we request that it not be published.

THE CHAIR: Okay. We can take that on board in the usual fashion. If there are no more questions on tourism, sport and recreation for the moment, in the remaining time we will now focus on the industrial relations area of CMD. I will lead off with a question in this area. Minister, in the annual report it states on page 33 of volume 1 that the Office of Industrial Relations “contributed to the States and Territories *Submission to the Inquiry of the Senate Employment, Workplace Relations and Education Committee into the Workplace Relations Amendment (Work Choices) Bill 2005 (Commonwealth)*”. What was the extent of the contribution that the Office of Industrial Relations made to this inquiry? Could you indicate what level of resources was dedicated to this activity and what the cost was of these resources estimated against the operations of that office?

Mr Barr: I understand that work occurred in large part prior to my time as minister. I will have to take the detail on notice. Are you seeking a breakdown of the number of hours contributed or—

THE CHAIR: I do not want a ridiculous level of detail; I am just trying to get some quantification of the resources that were applied. If you are able to access that, that would be helpful.

Mr Barr: Okay. I will take that on notice.

THE CHAIR: You may be able to answer this, because this is a broader question, but you may also wish to take it on notice: what possible benefit could arise for the ACT from this involvement, given our unique status in terms of industrial relations law?

Mr Barr: I would have thought that that exact unique status was why it was very important for the territory to participate in that Senate inquiry. I am sure you share my view, chair, on the importance of the Senate as a house of review, to look at legislation. It is very important that all evidence is brought forward. It would have been a great pity if that Senate inquiry had not been as extensive as it could have been. As with a number of inquiries into changes to industrial relations laws at the federal level, quite a few may well have been rushed through and would perhaps have seen the Senate abrogate its role as a genuine house of review. But that is perhaps a political debate for another day.

THE CHAIR: In terms of our relative benefit, if you like, in terms of impact, adverse or otherwise, you acknowledge that we are in a different position from a state of Australia; it might have had a much higher level of interest in terms of what these changes were—

Mr Barr: Except to say, obviously, that when Work Choices came into effect they had a direct impact on the ACT. That is our industrial relations system; we do not have a state-based industrial relations system like the six states. So it did have a direct impact on employees in the ACT.

THE CHAIR: On page 33 of volume 1 the report states that the Office of Industrial Relations monitored and reported on the four improvement targets developed in 2003-04 aimed at improving injury prevention and management in the ACT public sector. What was the result of this monitoring and reporting activity? Where does the ACT now sit in relation to these targets after the 2005-06 period?

Mr Barr: I will get Mr Harris to provide some information.

Mr Harris: The targets you refer to were areas where we effectively had some underperformance. We were trying to target underperformance and improve that performance. Mr McCabe can give you the statistical detail that underpins your question.

Mr McCabe: There were four targets that we set for the ACT public sector. The first target was to eliminate all further fatalities in relation to workplace injuries. We have maintained a fatality rate of zero for the ACT public sector since the beginning of the targets, which is extremely pleasing, of course. That is a level that was set for the ACT public sector over and above what was set in other jurisdictions, which set themselves a 20 per cent reduction. As we were already at zero, we set ourselves to maintain that zero target.

The second target was to reduce the average time taken for rehab intervention by 90 per cent. It was taking quite a long time to put in place rehab for public sector employees. That was very much a stretched target and we are on target to achieve that. We have almost halved that figure in the few years that the targets have been going.

THE CHAIR: Halved the previous figure now?

Mr McCabe: Sorry; I will restate that. We set ourselves the goal of a 90 per cent

reduction—

THE CHAIR: By 2012.

Mr McCabe: That's right. We have achieved about a 45 per cent reduction already. So we are well on target.

The third target was to reduce the incidence of workplace injuries by 40 per cent. The qualifier of that is that the target only counts injuries with more than five days off work, because that is a standard across all states so that we can have a comparable figure across all jurisdictions. We are not meeting that target. We have reduced overall injuries, but the injuries that take more than five days off work are not coming down as fast as other injuries.

THE CHAIR: Does that mean that those two objectives are basically the same? You have reduced the number of claims reaching five days time off work by 40 per cent and then reduced the average lost time rate by 40 per cent and you say that defines as more than five days?

Mr McCabe: They are slightly different. One is counting the period of time off work; the other counts claims with a certain period of time off work. It is a fine distinction, but they are very closely linked. We are not meeting either of those targets at the moment. As I said, we are reducing overall claims quite well, but the more complex claims are still there.

THE CHAIR: What is the problem, do you think?

Mr McCabe: It is very hard to say. I think all jurisdictions are having difficulty with that target. I guess we have probably got the low-hanging fruit, so to speak; we have got the easier claims out of the system initially and the more difficult claims will take a little bit longer to bite into. The signs are that we will get there. Psychological injuries in particular, which is one of the really big issues across all jurisdictions, are coming down substantially in the ACT.

THE CHAIR: Stress-related claims; they are falling, are they?

Mr McCabe: Absolutely. We are one of the few jurisdictions that are getting that reduction. So we are hoping that will flow through to other injury groups as time progresses.

Mr Harris: We have indeed reversed that trend. The trend line two years ago was this way and it is now that way, so we have had considerable success in that area. That is reflected in our premiums, which are coming down as well.

THE CHAIR: Minister, the report states on page 37 of volume 1 that the asbestos task force presented a major report to the ACT government which involved surveying over 500 homes and 250 non-residential premises and revamped also the asbestos website. Can you give us an idea of the breakdown of costs for these activities and how they compare to budget?

Mr Harris: The asbestos task force actually came in under budget. The vast bulk of the expense was in the year under report. There was a small residue carried over of a couple of hundred thousand dollars, I think, into this year for wind-down activity. In terms of the bulk of the work—I am happy to provide the exact numbers on notice because I do not have them with me—and the budget they were provided, they accomplished all of that work within budget.

THE CHAIR: The minister has kindly agreed to give us 10 more minutes of his time. I have a couple of questions on OH&S and WorkCover but, before we move on, does anyone have any more questions on IR?

DR FOSKEY: I have a few questions on IR, none on WorkCover. Page 33 refers to *Towards a sustainable community services sector in the ACT—report of the community sector taskforce*. However, I am not sure that there has been any public announcement of any progress. What progress has been made on establishing a mandatory portable long service leave scheme for the sector?

Mr Barr: The recommendation from the report did look at exploring the possibility of such a scheme. There are a number of issues more broadly about work force development that will be a focus of the new ACT Skills Commission. In fact, I am pleased to advise that consultation with the community sector to develop skill strategies is specifically included in the draft terms of reference for the skills commission. So there will be further consultation with the community sector about that, also looking at the long service leave scheme and around industrial relations advice.

A number of the other recommendations in the community sector task force report relate to matters within the Disability and Community Services portfolio held by Minister Gallagher. Work is progressing in those areas that relate to my direct responsibility as industrial relations minister and also partially through the training portfolio as part of the skills commission work. But that largely falls under the portfolio responsibilities of the Chief Minister.

DR FOSKEY: Could you just say again what you said regarding the portable long service leave scheme. Is that a work in progress?

Mr Barr: What I have said is that issues relating to work force development more broadly are to be a focus for the new skills commission and that there is a specific item in the terms of reference for the skills commission to work with the community sector on developing skill strategies.

DR FOSKEY: The long service leave scheme is not a priority at the moment?

Mr Barr: The recommendation of the community sector task force was to explore, so there is no commitment to such a scheme. It would be expensive in the first instance, so the government is going to progress through the recommendations of the community sector task force. As I have indicated, some sit within the Industrial Relations portfolio, and I am pursuing those, particularly in relation, as I have said, to issues around industrial relations advice in the community sector. Many of the recommendations, though, fall in the Disability and Community Services portfolio,

held by the Deputy Chief Minister. So there are three ministers now working on aspects of the task force report.

DR FOSKEY: Is anything set up to allow the government to maintain up-to-date data on employment arrangements in the sector so as to allow a comparison with equivalent public sector positions?

Mr Barr: I understand that in those sectors that contract directly with the government—where there are government contracts, where we effectively outsource the provision of certain services to the community sector—there is reporting around those aspects. There would have to be a proportion of work in the community sector that was undertaken by organisations completely outside the purview of the ACT government. If those organisations wish to report to us, we can have that information, but I do not think it is a direct requirement unless they would be in receipt of ACT government funding and then they would have to report against those. But that would vary from agency to agency, depending on the nature of the work being undertaken in the community sector.

DR FOSKEY: Is there going to be a full government response to that report, and do you know when?

Mr Barr: There will be a government response in due course. I am unable to put a time line on that at this point. As I say, work is progressing across three different ministers. Certainly the work of the skills commission is important, particularly in relation to that consultation with the community sector.

DR FOSKEY: Has any work been done to keep across the WorkChoices and welfare to work interface?

Mr Barr: Yes, that work is occurring within the industrial relations area, within my responsibilities, and I understand it is an issue of some concern to Minister Gallagher, as well through community services.

DR FOSKEY: How will you know if people with disabilities are being forced into poorly paid employment situations with poor or inadequate conditions, and are you doing anything to ensure that those people will have someone to advocate for them if they have to negotiate AWAs?

Mr Barr: Is this within the community sector or—

DR FOSKEY: Within the welfare to work provisions, really.

Mr Barr: For a large part I think that is a role that unions would see themselves performing.

DR FOSKEY: It is happening; I know it is happening.

Mr Barr: I do not know that the government has the capacity, other than through our established discrimination commissioners and those processes, to provide additional support. We would seek to ensure—

THE CHAIR: There would be jurisdictional issues, too, wouldn't there?

Mr Barr: Yes. I understand where you are coming from but I am not sure that there is the capacity within OIR to provide that level of support. Certainly it is important that that information and those advocacy services are available and I am sure that the union movement would see themselves as particularly passionate advocates in those fields.

THE CHAIR: Ms MacDonald has some questions. I am conscious that we have only about seven minutes to deal with the rest of IR and WorkCover, so I will hand over to her.

MS MacDONALD: Thank you. I will just keep it to one question. Minister, on page 35, under future directions, the second dot point lists "analysing the impact of the Commonwealth changes to the Workplace Relations Act 1996 on ACT legislation and developing amending legislation where required". I know Mr Mulcahy touched on WorkChoices at the beginning of the section on industrial relations, but I was wondering whether you or Ms Centenera could highlight and expand on what is planned to deal with those changes, especially in protecting the rights of workers.

Mr Barr: I am very pleased to advise the committee that the Office of Industrial Relations have been liaising regularly and meeting with officers from other states and territories to discuss a number of initiatives. These discussions have happened in addition to the discussions that occur in our semi-regular ministerial council. Following on from this work that is occurring across the country there are a number of initiatives that we have learned some more about that have been introduced or are being developed in other jurisdictions. They seek to address the worst of the injustices that have been created by the WorkChoices legislation.

I would like to highlight three or four areas where the ACT government intends to take further action to seek to protect people from the worst aspects of WorkChoices. Particularly we will be looking at how we can use child labour laws to protect those under the age of 18 from becoming victims of the WorkChoices legislation. It is worth noting that the laws are identified under the Workplace Relations Act as an area that will not be overridden by WorkChoices.

We will be seeking to enhance access to the common law as a basis for bringing action in employment-related matters. We are looking to establish a workplace relations advocate. We are seeking to provide further protection from discrimination on the basis of making complaints about occupational health and safety or querying terms and conditions of employment, and also to ensure an appropriate right of entry regulation under occupational health and safety legislation. I see those as five key areas where the ACT government can seek to provide some protection—

THE CHAIR: Do you feel that your laws at the moment are inadequate in all those areas, minister?

Mr Barr: I certainly think there is the opportunity for the ACT government to progress further work in those areas in response to the commonwealth government's

changes.

THE CHAIR: We will move to WorkCover in the three minutes left. Minister, on page 4 of the annual report it states that ACT private sector compliance with key workplace indicators on safety and dangerous substances was 72 per cent in 2005-06. It also states that the three-yearly audit assessment and approval process for eight insurers, eight self-insurers and 17 rehabilitation providers was completed and that a client survey of 2,100 ACT businesses was conducted. How does this ACT private sector compliance figure compare with previous years?

Mr Barr: I will get Mr Janssen to provide that information for you.

Mr Janssen: This was the first reporting period where we have put in place a system of measuring compliance; as a consequence there aren't any earlier year figures, even though in the output estimates we did put a target of 80 per cent. That was a figure effectively plucked out of the air based on, I guess, anecdotal information. In subsequent years this will be baseline data on which we will be able to measure performance in terms of compliance on the eight items that we measure consistently in proactive prevention audits that are done.

THE CHAIR: Have you got key findings that have arisen from this client survey and, if so, what are they? If they are not there, when do you think they might be available?

Mr Janssen: All of the client survey data was published through our newsletter and is on our website. In terms of the headline findings, I guess there was a fairly consistent high level of satisfaction with interactions with WorkCover in relation to our direct interactions, correspondence and guidance materials. Areas were identified where we can fill some gaps in terms of information and knowledge of businesses. Again I do not have those details in front of me, but the full report of that and all the statistical analysis that was undertaken from the survey is on our website.

THE CHAIR: Who approves rehabilitation providers?

Mr Janssen: That is a ministerial function, although we have an audit and assessment process that is undertaken prior to that occurring and then a brief is provided to the Minister for Industrial Relations with a recommendation as to approval or otherwise.

THE CHAIR: Among the key ACT WorkCover challenges for the coming year, listed on page 5 of the annual report, is the integration of ACT WorkCover and the Office of Regulatory Services within JACS. How do you believe the transition will affect your statutory independence as OH&S commissioner, Mr Janssen?

Mr Janssen: It is a difficult one. What is clear is that the nature of the OH&S commissioner role that was established back in 2000 will probably need to be looked at in the context of being in an agency situation rather than having an agency directly reporting to the position as it was prior to 1 July this year. I think there will need to be a look at that, and I have recommended that in my quarterly report to the Assembly, which I am sure you have seen, simply because what had developed in that role in the context of having an agency and a direct appropriation for budget, and basically control over the work force, is not the circumstance now and it does need to be looked

at as to what governance arrangement would be appropriate in the future given the changed environment.

THE CHAIR: So in your mind those things haven't been settled yet?

Mr Janssen: No, they have not been settled and, as I understand it, there is some work under way to look at models that might be appropriate—

Mr Barr: There is a considerable amount of work being done on that. It is worth noting that WorkCover will form the largest part of the Office of Regulatory Services and so it is integral to its success as a new agency that those clear roles are defined and provide the necessary level of clarity for all places. Obviously the office sits within the JACS portfolio and yet there is a direct reporting line to me as industrial relations minister. We are undertaking a significant piece of work at this time to ensure that there is absolute clarity around those arrangements and I am very pleased that that work has been undertaken in a collaborative way. We will obviously be making announcements in the near future about that.

THE CHAIR: Minister, thank you for your time and that of your officers. I appreciate your making yourself available for a bit longer to give us more time for questioning. We will put the other matters on notice.

Meeting adjourned from 3.42 to 3.59 pm.

Appearances:

ACT Auditor-General's Office

Pham, Ms Tu, ACT Auditor-General

Nicholas, Mr Rod, Director, Performance Audits and Corporate Services

Sheville, Mr Bernie, Director, Financial Audits

THE CHAIR: The committee will resume its inquiry into annual and financial reports for 2005-06 with the annual report of the Auditor-General. Before we commence, I am required to read the following statement: the committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the resolution agreed by the Assembly on 7 March 2002 concerning the broadcasting of Assembly and committee proceedings.

Before the committee commences taking evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence given before it. Parliamentary privilege means special rights and immunities attach to parliament, its members and others, necessary to the discharge of functions of the Assembly without obstruction and without fear of prosecution.

While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly. I should add that any decision regarding publication of in camera evidence or confidential submissions will not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

In relation to questions on notice, please note that it is the responsibility of each witness to check the transcript and respond to the questions. Responses to questions taken on notice are required within five full working days of receipt of the proof transcript. Supplementary questions from members need to be provided to the committee's secretary within two full working days, or by close of business on Monday, 4 December 2006. Responses to supplementary questions are required within five full working days of receipt of the questions.

I welcome today the Auditor-General, Ms Tu Pham, and her officers. Before we go to questions, would you like to give us a comment or an overview on the agency's annual report?

Ms Pham: No, thank you. I am happy to take questions.

THE CHAIR: I will lead off, if I may. The annual report states on page 1 that the Auditor-General's Office successfully completed the annual program of 82 financial audits of the territory and its agencies. Could you give the committee the benefit of a comparison with programs for previous years? Also, I am interested in knowing what were the most significant deficiencies of the audits identified for improvement overall?

Ms Pham: We have two audit programs. One is the financial audit program and the other is the performance audit program. With regard to the financial audit program, this year we conducted and completed more financial audits than last year. I think we met the deadline for the majority of those financial audits. In terms of our performance audits, we met the target of, I think, seven audits, compared to eight as planned. We also achieved efficiency in relation to the timeliness of our audit reports, even if we were below our target. We certainly showed a trend of improvement. In 2005-06 we managed to complete most of our reports within 12 months. The average was about eight months, which was quite an improvement compared with previous years, when many performance audits were done within two years or even longer. That was achieved under very difficult circumstances in terms of staff turnover. We lost very experienced staff. I think everyone has tried very hard to achieve the programs that we set out to do.

THE CHAIR: What about my other question about the most significant deficiencies of the audits identified for improvement? Were there any themes or concerns across government?

Ms Pham: A key efficiency indicator in terms of financial audits is that, throughout the process, we make lots of recommendations to agencies and have these recommendations accepted and implemented by agencies. That is one of our key efficiency indicators. We also have indicators for agency satisfaction, where I think we achieved above our target, and efficiency in performance audits relating to timeliness and also our process for communicating with agencies regarding the results or outcomes of audits.

THE CHAIR: I am not talking about your performance. I am talking about things that you have identified across government. Are there any significant issues that you are seeing through those financial audits or performance audits? If there are no consistent themes of concern, fine.

Ms Pham: Do you mean efficiency in government departments?

THE CHAIR: Yes.

Ms Pham: We believe that an efficiency in government departments in terms of financial audits would be for them to improve their financial statements and the accuracy of information reported to the Assembly. As to efficiency in government departments in performance audits, sometimes it takes a while for these efficiencies to be seen. Some of the recommendations that come out of performance audits take quite a while for the government to implement and efficiencies to come out of them. Starting this financial year, we have put additional effort into coming back to government agencies for follow-up audits to ensure that the recommendations are implemented and all the intended efficiencies or improvements can be reported on. We will be in a better position formally and systematically to report back to the Assembly on how efficiency has been improved or has not improved as a result of our performance audits.

THE CHAIR: In previous appearances before the committee you have highlighted a

concern that some of the smaller agencies in particular struggle with their financial reporting because of their inability to recruit qualified financial people. I imagine that problem has not gone away, given the current economic climate. Is that still an issue that you are concerned about?

Ms Pham: We will report to the Assembly in December regarding the financial audits for 2005-06. Mr Sheville may like to explain that. We are certainly very concerned that the quality of financial statements has worsened. Timeliness in terms of the preparation of these statements also is not good.

Mr Sheville: Our reporting on the current year, which will be the report that will be tabled in December, will be showing that the number of financial reports that we rated on receipt—that is, before the audit process has been completed—as satisfactory or good fell significantly, going from 75 per cent for agencies coming up as satisfactory or good in 2004-05 to only 55 per cent in 2005-06. The number of unsatisfactory reports—the ones that we felt were particularly unsatisfactory—rose significantly, going from only around three per cent to about 22 per cent of what we received this year.

In particular, the smaller agencies struggled with the reporting requirements this year. There were a significant number of changes, particularly around disclosure, in relation to international reporting requirements and the like. As to the timeliness of reporting, only 45 per cent of agencies complied with the Treasury timetable for giving us the financial statements for auditing, compared with about 31 per cent in 2004-05. In short, we are seeing poorer reporting and later reporting in terms of the quality of information that we receive for audit and we have had to put processes in place to address that so that agencies still meet their annual reporting requirements. Clearly, there is scope for significantly improving some of those processes.

THE CHAIR: On those figures you have just presented, there has been a 700 per cent increase in unsatisfactory financial reporting by agencies. Doesn't that raise serious concerns about possible risk to the territory? Would that suggest heightened risk for the territory in terms of financial error in a reporting sense?

Mr Sheville: In most cases it was not to the numbers that are being reported because it mostly affects the smaller agencies. They tend not to have an impact on the whole-of-government financial results in any significant way anyway, so I do not think that there is a risk overall to the territory, but I think that there is a risk in terms of the capacity of individual agencies for timely reporting and producing satisfactory financial reports that meet all of the changing requirements of the accounting standards.

Ms Pham: The problems identified during a financial audit are normally fixed by agencies prior to the financial statement being signed off by the audit office, so a lot of these identified problems are actually resolved.

Mr Sheville: This assessment that we are providing is on the quality of the statements that we receive before we have actually completed the audit. What we then do is assist agencies to improve their reporting processes so that they have got something that, if you like, reaches a publication standard, hopefully, before we actually provide the

opinions in September and late August.

DR FOSKEY: It does not look as though that sticks in terms of your needing to do it over and over again. It is not as though you do it in an agency and then improvement is seen in a smooth line. Is that because you are dealing with different people every year in that agency? To what do you contribute that?

Mr Sheville: It is probably difficult to put your finger on it. I think that for many people in the smaller agencies the financial reporting is something they do once a year, whereas they can do their monthly reporting and they are looking after all the other things relating to the operations of the agency, but the financial reporting part of it only comes around once a year. I think that, because of that, in some cases their processes are not geared up to pick up all of the changes that have happened, so they rely on the audit office and they rely on central guidance from Treasury for advice in relation to those matters. It still nevertheless remains that ideally those sorts of issues would be dealt with before we get the statements.

THE CHAIR: Your outlook states that the transfer and integration of functions of departments is going to see a reduction in the number but not necessarily the complexity of financial audits and, similarly, that the creation of the Shared Services Centre will require significant audit attention, especially during its early establishment. I am referring to the commentary on page 10. In this context, do you see any potential concern that may arise as a result of these significant administrative changes, especially given, if you like, the elements that are being brought together? Obviously, there will be a dramatic increase in issues over their financial reporting. Do you see that as going to compound issues or improve the situation?

Mr Sheville: It is difficult to say. I believe there is scope for improving. The shared service will do the processing and preparation for many agencies' financial statements. If that is done well and the process is well managed, you could see across-the-board improvement in reporting. I think that in the early years it will be a work in progress in getting it to that level. We are not in a position to say which way it will go at this stage. Shared Services, I think, will be assuming responsibility for a lot of those functions in February next year. That is when we will be starting to look at our audit planning and have a look at their readiness for reporting and assessing those sorts of things in more detail. But it could potentially improve reporting in the longer term.

THE CHAIR: It all depends on the quality of the teams that are put together.

Mr Sheville: And the quality of the teams that they have producing that information. I understand that a number of the people in the Shared Services have been drawn from the agencies anyway, so there should be some level of understanding of the agencies that they are doing the accounting for.

THE CHAIR: Have they sought any advice from you in that process or guidance? I know that Treasury ultimately will be the one providing guidance, but has there been any interaction with your office to at least let you know the way in which they intend to proceed on these matters to see that your office is comfortable with the approaches?

Mr Sheville: I have met with some of the people that will be looking after the shared

services arrangements. We have been invited to sit on the audit committees, so we will be across what is happening out at Shared Services when that department proceeds to deliver those services.

THE CHAIR: On page 11, looking at the analysis of the performance, the annual report notes the percentage of performance audits completed within nine months in 2005-06 was 43, against a target of 95 per cent. Could you assist the committee in understanding why that target was not met? I am wondering what measures are going to be put in place to try to ensure that the target is met in future years.

Ms Pham: I will make a general comment and then pass it on to Mr Nicholas. The problem with achieving our target of 95 per cent for audits completed within nine months was the loss of staff during the year. Indeed, we had 10 staff leave our office. That meant a staff turnover of 30 per cent. Many of them were key performance auditors, senior performance auditors. That created issues for us. We needed to backfill with the right person for a particular audit. That definitely made the task even harder. Also, I think that the range of audit topics that we had during that financial year was quite complex and major audits. Often these major and complex audits are more time consuming than smaller ones.

We have tried for a number of years to address the issues and every year we put in place a number of initiatives, but I have to say that it is very difficult to find the right answer. It is still relating to the issue of not being able to get experienced staff to join our office. We have tried different ways of recruiting experienced staff. In the last round of advertisements for performance auditors and senior performance auditors we only got one suitable auditor at the graduate level. We did not have anyone suitable at the senior level. That, I think, will continue to be a problem. In terms of process, I believe we have the right process in place for performance audits and I do not think that there is much we can do to resolve the staff problem.

THE CHAIR: We have had this discussion since I have had the privilege of being chair of this committee. We have discussed it every year and I am getting a pretty clear view that, whilst there have been discussions about the budget and so on, the overriding problems that your organisation seems to face is that you are in an impossible position as to competing in the marketplace for highly sought after skilled people. Even if they are not all that skilled when you recruit them, by the time you have trained them they become very sought after items in the private sector, which is offering a remuneration that you probably could not compete with. So, unless the people have a lifelong dedication to public service, you are going to have problems. Do you have any way forward? Are you recruiting offshore or doing anything clever, or are you just having to weather this constant turnover of people while you are getting staff pirated by the accounting firms?

Ms Pham: This year we have gone to different forums and advertised our office there. I am thinking of writing to chief executives and asking them about the option of having some staff exchanges, given that the restructuring of government departments allows for staff movement and the reduction of staff. That is one of the additional actions that we may try this year. We went to the university and tried to recruit students part time for training up from a very basic level, hopefully making them familiar with our work so that by the time they have graduated they would like to

work with us. Other than that, we do not have lots of bright ideas for retaining staff, but Mr Nicholas might like to add to that.

Mr Nicholas: I wish to touch on a couple of the points you raised, chair. We have had an improvement in the time that we are taking for our performance audits. I think that is a reflection of some of the effort that we have made in this area. What we report on in the end is not necessarily just audits that we have started and stopped within the one year. A couple of the audits that we reported on last year had been with us for a while. We have finished all of those and we are expecting a much better move in that area at the moment.

Ms Pham is correct in saying that we have lost a number of our staff and that has impacted on the way in which we can undertake the work and the continuity of the projects themselves. It causes us to have a bit of a reshuffle in terms of tasking for our particular jobs. One of the factors that affect the timeliness of the audit is the topic itself and, obviously, the scope of the audit. We could probably bring in a whole range of audits that were under three or four months in duration but they would not necessarily be particularly wide-ranging or high-impact tasks. We are aware that we need to meet the needs of the Assembly and the community and therefore we are targeting audits that may not necessarily be those that we can achieve in a very short time frame.

THE CHAIR: If I may interrupt you there, is it possible that you are being a bit ambitious with your targets? If you get a Rhodium, which obviously would have taken up lots of time and resources, you are not going to do it in a very short time frame.

Mr Nicholas: That is true, yes. As to whether we are being ambitious, I think that we are attempting to deliver the best program that we can to the Assembly. Some audits will be more difficult than others and more time consuming. One of the audits that we have on our program this year is a review of the provision of aged services to the community. I expect that that is not an audit that we can finalise within only a few months. On the other hand, we are doing other audits. You mentioned the Rhodium Asset Solutions audit. We threw a very large proportion of our resources into that audit—in fact, very senior resources—and were able to complete it within about three months from start to finish. We have options associated with that.

Ms Pham mentioned what we can do to try to reduce that time. One is to focus our audit very carefully, try to limit the scope of the audit. One is to reconsider the way in which we actually staff the audit. With Rhodium, for example, and one of the current audits we are running, we have taken staff off other tasks to assist in the high-priority ones. Of course, if we take them off one task, it means that that one will slow down to a degree. So we have to balance those factors.

In terms of the options for recruiting, one of the matters that Ms Pham mentioned was going to the universities and perhaps engaging some of the students on a part-time arrangement. We have done that quite successfully, I believe, this year. We have encouraged a couple of young ladies to join us on a one day a week basis as research assistants initially. I believe that that has been a very successful process and one that I think that we would like to follow up further.

We have encouraged these folk to learn more about the office and more about the ACT public sector and I believe that they were totally ignorant in many ways of both of those matters. I am pleased that both of the young folk that we have got would be happy to stay with us at least on that basis or perhaps on a slightly different basis next year. They are also providing feedback to their own friends and discussing the audit office, the types of activities that it is involved in et cetera, and thus spreading the good news, if you like. So we are perhaps anxious to try that a little bit further.

We are, as Ms Pham said, appearing in various forums. I have had the opportunity to speak to the young professionals network in the CPA in the ACT and give them a bit of a heads up on what the office is doing. We are trying to reach out in those areas, but you are right: it is difficult for us. In our latest recruitment activity, we were seeking to replace two of our senior auditors—the two auditors, unfortunately, who had our environmental auditing experience—both of whom have now left us. We got no one whom we would consider to be a successful replacement for those folk, so we have to look at alternative ways to reach that market. I am not quite sure yet. We will sit back and discuss our options. It may be that we need to go to recruitment agencies and suffer the costs associated with that, but they are also providing their resources to the whole range of other government departments and other agencies across the board that are seeking, essentially, the same staff. It is not proving to be a very easy process for us.

DR FOSKEY: First of all, my staff and I would like to congratulate you on a well-presented, informative and easy to access annual report, as you would like it to be and it should be. Well done! I do have a question about the issues that Mr Mulcahy has just asked you about. I believe that the table on page 11 shows improvement and that you are getting closer to meeting your targets. You have produced a quite large number of reports. That is a very positive thing, but I take on board what you have said about the difficulties with getting there in terms of staff and other things. I just think that, in the face of that, you have done very well. You say on the first page with regard to the financial audit process that most agencies have taken appropriate actions to address audit recommendations during the financial audit process. Do you get updates when agencies implement recommendations you have made?

Mr Sheville: It is part of our normal planning processes when we go in every year, unlike a performance audit in which we may have to put in an effort from time to time to see that the recommendations are being implemented. One of the first things we do when we update our risk assessments for the following year and do our financial audit planning is to see whether recommendations that were agreed to in the previous year have been addressed. That forms part of our normal cyclical reporting. We pick up on that every year.

DR FOSKEY: Are there any recommendations that have not been implemented that are of concern to your office—any that you have found in an inconsistent way?

Mr Sheville: There is always going to be a difference of opinion about an accounting treatment or where an agency does not agree with the office about the size of the risk. Where agencies have disagreed with the office, there is nothing that I can recall that would be so fundamental as to warrant further public reporting.

DR FOSKEY: On the second page you say that the Shared Services Centre will attract audit attention. Could you please outline when and how audits of the centre will take place and what specifically the office will be looking at?

Mr Sheville: At this stage, the Shared Services Centre planning has not even commenced, so we have not specified in any detail what we will do in relation to that. But the sort of thing I would imagine being a minimum requirement would be to assess the overall processes relating to the preparation of financial statements for agencies to see whether they provide reasonable assurances over the reporting, because agencies are going to be relying on that process significantly to be able to meet their own statutory reporting responsibilities. We will be looking to see what is actually being shared to make sure that there is a clear understanding between the agency and the Shared Services Centre about which control processes will still happen at the agency level and what the Shared Services Centre will do. We have to map out the respective responsibilities and who is performing which function. From there, we develop our testing strategies. I am hopeful that we will be able to combine testing to get some efficiencies out of that process. Hopefully, testing the shared services centrally will give us some clues about the degree of reliance we will be able to place on all of the agencies that are relying on that centre to produce financial results.

Ms Pham: On the performance side, we would like also—in one or two years time, once the Shared Services Centre has been well established—to come back and see whether or not the efficiency and the saving intended by the government was achieved. That was an important objective for shared services. We had in mind that in our program we would do that audit regarding the savings, if any, as intended by government policy.

DR FOSKEY: That is very important process, and one that the government might not be sufficiently disinterested to do. On page 7, you talk about the public interest disclosure legislation changes. You say:

Under the replaced Act, the Auditor-General's role will be restricted to disclosures about matters that relate to the *Financial Management Act 1996*.

How does this differ from the Auditor-General's current role, and have you made any representations to the ACT government about these changes?

Ms Pham: In the process of preparing the proposal for the PID Act, we were consulted. We were able to provide our advice and input into the process. The issue that we had under the old PID arrangements was that we would receive quite a number of PIDs on issues that we may not have a lot of expertise on—for example, employer-employee relationships, comments about management behaviour—or things that do not really relate to financial mismanagement or significant issues on finance. Under the old act, we are obliged to consider PIDs and make an appropriate decision. An improvement in the new act will give a clearer role concerning the financial side of it rather than including other management behaviour which may be more appropriately looked at by the Public Service Commission or Ombudsman, for example.

Mr Nicholas: The current process is a little confused in terms of who a person can appeal to with a disclosure. It is set up to initially go to the agency responsible and then, if that is not the most appropriate spot, to go to either the Auditor-General or the Ombudsman. As Ms Pham is saying, that leads to a range of disclosures coming to our office that are not necessarily ones that we feel we are in the best place to examine. From time to time, we have referred some disclosures back to the agencies or spoken with the individual who has made the disclosure about whether they first made contact through that process. Under the proposed bill, we deal mostly with matters that are financial and leave the non-financial aspects to predominantly the agency—to the Commissioner for Public Administration or to the Ombudsman’s office. I believe that will assist in clarity in terms of the processes that could be adopted under the Public Interest Disclosure Act—clarity for the individual who might wish to make a disclosure—and hopefully lead to some efficiencies in the way in which it is administered.

DR FOSKEY: So you are not concerned about the changes?

Mr Nicholas: No, I do not believe that we have any significant concerns. We were consulted in the process of reviewing the act. We have been reasonably confident that the issues that we raised were considered. There is a whole variety of this type of legislation around Australia.

DR FOSKEY: But they are different.

Mr Nicholas: They are all very different.

DR FOSKEY: I have heard that the ACT model is far from being the best.

Mr Nicholas: I would suggest that the current version is far from being the best.

DR FOSKEY: I think that people are concerned. Anyway, I will explore that elsewhere.

Mr Nicholas: I would hesitate to comment further.

DR FOSKEY: I just wanted to find out what you thought from where you stand.

Mr Nicholas: From our perspective, it will clarify matters.

DR FOSKEY: Still on the subject of PIDs, on page 37 it states that there were two PIDs submitted in 2005-06 and that neither was substantiated. Are you able to tell us about the general content of those and what was found, or is this a matter for a private briefing?

Mr Nicholas: Very briefly, one was in relation to some activities associated with the ACT Planning and Land Authority. There was considerable prior examination of that particular incident by the authority itself and by the Ombudsman. We were able to review it. From our information, we did not believe that there was any process that the ACT audit office could add that was in addition to that. The matters basically had already been handled. The other was a question of the use of resources, in particular a

motor vehicle, with one of the ACT government agencies. We referred that through to that particular agency and were satisfied that appropriate action was taken.

DR FOSKEY: On page 38 it says that you received 17 representations from members of the Legislative Assembly. There are 17 of us.

Mr Nicholas: Not just from the members of the Legislative Assembly.

DR FOSKEY: And members of the public. Did any of these representations result in your office undertaking an agreement to undertake some of these investigations, and what investigations were they if you did?

Ms Pham: We certainly have a list of the representations and the action we have taken so far with these. One in particular, regarding the sale of EpiCentre, we have now taken on board as a part of our performance audit program. With a few of the representations we took in a broader audit. For example, there was a representation concerning a tender process. We looked at this as a part of our audit. Some of them—there was one on a rural lease—we have in our program for next year. We do consider these representations and we take the matters into account in planning for our performance audit program. With some, we have already taken action to do an audit. With others, we still consider whether or not, given our limited resources and the timing, it will be done in the next year or two years.

Mr Nicholas: If I could just add to that, we give fairly serious consideration to each one of the representations and we review them as to basically what we believe is the most appropriate action on them. With some of them we are able to respond directly to the individual and do not undertake any reportable performance audit action. With some of them, as Ms Pham says, we acknowledge them and indicate that we will work them into our performance audit program. The mention of the rural leases is a good example. With others, on a couple of occasions we have responded directly to the member of the Legislative Assembly who has made the inquiry, after undertaking some research in our office and satisfying ourselves about the particular circumstances. Each one has led to some sort of work. Others are not relevant to the ACT. They might be matters associated with a commonwealth agency, for example; we will refer them back to the individual who corresponded with us and advise them accordingly. Occasionally there are matters that are just for our attention but not necessarily for our action. We give them some attention.

THE CHAIR: Can I just raise another issue in the few minutes we have left. It is to do with office performance. The annual report notes that report No 7 of 2005 into the 2004-05 financial audits included three qualified audit opinions for non-compliance with Australian accounting standards. It says on page 14:

This non-compliance resulted in the operating results of the Territory and the General Government Sector being significantly overstated.

Can you explain the implications of these non-compliance issues in a bit more detail? I know that to some extent we have canvassed this in the past. I am wondering where else you have seen such non-compliance in the financial statements of the territory in recent reporting periods.

Mr Sheville: The non-compliance with the accounting standards related to the accounting treatment used last year in relation to actuarial gains and losses in the superannuation liability. We had the view that the accounting treatment that was used in 2004-05 was not permitted by the Australian accounting standards. In 2005-06, that accounting treatment is now permitted under the international accounting standards. This year's presentation of the territory's financial results and the whole of government accounts uses the same method that we qualified on last year—

THE CHAIR: It is now validated?

Mr Sheville: But it does not receive a qualification in the current year because the rules governing the accounting for the gains and losses have effectively changed.

THE CHAIR: Has the ABS reached a final view on the treatment of projected averaging of superannuation gains and their treatment within the territory's accounts or is that still being settled?

Mr Sheville: I am not aware of any decision in respect of the treatment of average gains by the ABS. You are talking about GFS reporting?

THE CHAIR: Yes. I also asked where else you had seen such non-compliance in the financial statements of the territory in recent periods. Are there any other areas or is it purely this actuarial issue?

Mr Sheville: The major qualification that affected the numbers was the superannuation unit. The other qualifications related to Actew. I think Actew was qualified—

THE CHAIR: Is this the asset issue? Gifting of assets, was it?

Mr Sheville: Yes, gifted assets and directors' disclosures were one part of the qualification. The other one related to—

THE CHAIR: Did you say directors' disclosures?

Mr Sheville: Yes. We qualified the directors' disclosures for the directors in Actew's financial statements for last year. The directors' disclosures indicated that the treatment of contributed assets required by the accounting standards did not present a true and fair view of Actew's underlying operating result, so the auditing standards required us to issue a qualification in respect of that disclosure by the directors. The other part of the qualification in Actew's financial report was that they used unaudited information when accounting for TransACT. We are not TransACT auditors. The audit of TransACT occurs after we have finished the audit of Actew. Therefore we simply draw the reader's attention to the fact that at the time of the audit we were not in a position to form an opinion about the numbers they were bringing in in relation to TransACT.

THE CHAIR: Finally, you have said on page 15:

Seven unqualified audit opinions contained an ‘emphasis of matter’ paragraph ...

Can you explain that for the committee’s benefit, please?

Mr Sheville: Where the audit office wishes to draw the attention of the reader to certain aspects—in this case deficiencies in financial reporting or performance reporting—there is the option under the auditing standards to draw it to the attention of the reader.

THE CHAIR: Rather than qualifying the accounts?

Mr Sheville: Yes.

THE CHAIR: It is less severe, is it?

Mr Sheville: You have the option of not qualifying the accounts. You can draw attention to it. It is still reporting a deficiency in reporting, whether you call it a qualification or an emphasis of matter.

THE CHAIR: Is that effectively a softer qualification?

Mr Sheville: It is sometimes interpreted that way. I do not believe it makes any difference. I think an emphasis of matter pointing out that an agency has not measured a performance measure is the same as a qualification in respect of that particular performance measure.

THE CHAIR: That brings us to the conclusion. Thank you for your cooperation with the committee.

The committee adjourned at 4.46 pm.