



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: Annual and financial reports 2006-2007)

Members:

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

TRANSCRIPT OF EVIDENCE

CANBERRA

THURSDAY, 29 NOVEMBER 2007

**Secretary to the committee:
Mr H Finlay (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

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The committee met at 2.10 pm.

Appearances:

Berry, Mr Wayne MLA, Speaker, Legislative Assembly for the Australian Capital Territory

Legislative Assembly for the Australian Capital Territory Secretariat

Duncan, Mr Tom, Clerk

Duckworth, Mr Ian, Corporate Manager

Kiermaier, Mr Max, Deputy Clerk and Serjeant-at-Arms

Lutton, Mr Russell, Manager, Hansard and Communications

THE CHAIR: While Mr Mulcahy is on his way, since we have a quorum, let me just check that you people are familiar with the privilege statement and do not require me to read it.

Mr Speaker: No, we do not require you to read it.

THE CHAIR: And of course you know all the housekeeping issues. Mr Speaker, I understand that you would like to start with a statement.

Mr Speaker: Thank you for the opportunity to make an opening statement to your inquiry into the Legislative Assembly Secretariat's 2006-07 annual report.

The Assembly Secretariat provides procedural and business support for the Legislative Assembly and its committees. As detailed in the report, in the 2006-07 financial year there were a number of innovations, including:

- my tabling of a schedule of government responses to Assembly committee reports, allowing the Assembly, the media and the wider community to see how the government is responding to important committee work;
- bringing the Assembly's code of conduct into line with the ministerial code of conduct;
- finalisation of a memorandum of understanding with the Australian Federal Police;
- establishment of an internal audit committee and issuing the Clerk's financial instructions, two important corporate governance yardsticks;
- the successful six-month trial of the webcasting of Assembly proceedings, which has now led to the parliament webcasting; and
- enhancement of committee information on the Assembly website.

Although the Assembly received no budget supplementation for the 2006-07 financial year, the Assembly was able to successfully deliver services and still achieve a small surplus. In this calendar year, the Secretariat has enhanced its services to members,

following the decision by the Remuneration Tribunal to provide members with an allowance for mobile telephones and personal digital assistants, PDAs. In response to this decision, I decided not to decrease the discretionary office allocation, which will allow MLAs to have more capacity to meet the needs of their office. In addition, this calendar year the Secretariat has provided access to TransACT services on their TVs and access to Citrix remote computing services as well as enhanced security for those MLAs with laptops.

I think that, with the enhancements and innovations outlined above, together with other initiatives outlined in the annual report, we have been able to demonstrate that members and their staff have received some additional benefits. We would welcome any questions that the committee may have of us.

THE CHAIR: Thank you, Mr Speaker. In relation to your report, do you have any feedback on the webcasting and how many people are using that?

Mr Lutton: We are running monitoring software to provide feedback. The usage of it is not terrifically high. On sitting days, we are getting a couple of hundred—what we are measuring as unique visitors—a day on it. But I suppose, from our perspective, it is the most efficient way that we can come up with to make proceedings available.

THE CHAIR: When you say “unique”, do you mean one-time visitors?

Mr Lutton: If somebody logs on during a day several times, that is classified as one unique visitor.

MR MULCAHY: Do you have a split between outside government and within government?

Mr Lutton: We do. For the short time that we have been running it as a production system, I can provide the committee with the stats.

MR MULCAHY: Just off the top of your head, do you have a feel for what the ratio might be typically? Is it mostly government people?

Mr Lutton: Yes—a lot of interest within ACT government.

THE CHAIR: On page 6, in the overview, there is a mention that the Speaker is producing a regular list of outstanding reports that the government has not responded to. I was wondering if you have noticed an increase in the timeliness of reports delivered since you started reporting on them, Mr Speaker.

Mr Speaker: By “responded”, do you mean responses from the government?

THE CHAIR: Government responses, that is right.

Mr Speaker: I have been advised that it is really too soon to do that.

THE CHAIR: Is it a practice that is intended to continue?

Mr Speaker: Yes, we will monitor it.

THE CHAIR: Fellow members, you are welcome to ask questions.

MR MULCAHY: Mr Speaker, in regard to issues of governance, I note your interest and expertise in the Latimer House principles for funding for the Secretariat. In particular, I am interested in your views on funding for the Secretariat. Can you explain how the Latimer House principles apply to the question of funding for the Secretariat and how such a system might operate?

Mr Speaker: From my point of view, it has been extremely important to establish a clear separation between the Assembly and the executive in relation to funding arrangements. In the past, that has not been as clear as I would have liked. That is why I took the matter up with the executive with a view to appearing before budget cabinet. I have appeared before budget cabinet twice now. Whilst we could go further, we are at the stage of developing how we might do that. I sense that there is an acceptance that these principles are appropriate for application here in the territory, but it is new to the executive and new to us as a legislature. There is some refinement that I think is necessary. I know that there are continuing discussions between officers from the Secretariat and officers from Treasury. I look forward to further changes in the way that we deal with the funding for the Assembly.

MR MULCAHY: For the benefit of my colleagues, Mr Speaker, it might be helpful if you could just explain how these principles work and how they might operate in our environment.

Mr Speaker: I have a little statement here that might be useful. The Latimer House principles on the three branches of government were endorsed by the Commonwealth Heads of Government meeting in Nigeria in 2003. The principles were directed towards articulating an effective framework to particularly apply the separation of powers doctrine for parliament, the judiciary and the executive. These principles state that, in relation to budgets for a legislature, an all-party committee of members of parliament should review and administer parliament's budget, which should not be subject to amendment by the executive.

During discussions on the formulation of the 2007-08 budget, I raised this matter with the executive, both in correspondence and when I appeared before the budget estimates committee. Whilst the issue is not yet finalised, I have again flagged the matter in the context of the 2008-09 budget; and, as I mentioned earlier, officers of the Secretariat have had some discussions at officer level on the matter in recent weeks.

I will keep the Assembly informed as developments occur in relation to that, but it is my intention to further strengthen that separation to the extent mentioned in the Latimer House principles.

MR MULCAHY: In relation to that, can I ask: would you go as far as recommending reforms along these lines for the ACT? If so, how would you recommend that the territory government proceed to implement these principles?

Mr Speaker: I think it is extremely important to discuss these matters in detail and

refine it without the Assembly coming into unnecessary conflict with the executive. That is the basis of my approach with the executive on it. One can understand that there may be a time when the legislature has particular demands which might be in conflict with the budgetary position of the executive. One would not want to have a set of circumstances which led to an unseemly conflict over those issues.

I think we have to work up an understanding which ensures that the legislature can accommodate the circumstances that the Treasury might find itself in but at the same time ensure that government policy does not interfere with the funding of the legislature. What I am saying to you is that we are still working on it. There is some refinement to occur, but I think that we have made some good progress so far.

MR MULCAHY: I think that one of the elements is that there is merit in having a bipartisan approach from the Assembly to try and ensure that we get balance but also have a collective approach to the requests for funding.

Mr Speaker: That is true. The bipartisan approach would come by reference to the administration and procedures committee and, after that with my direct contact with the Treasurer and the budget cabinet.

THE CHAIR: Would that range of expenditure include salaries for staff?

Mr Speaker: That is something that is determined by the Chief Minister at this point. It is not something that I have contemplated directly but it is not something that could be ruled out, I would think. It is something that might develop from these discussions. Do any of my officers have anything to say on it?

Mr Duckworth: I agree entirely with what you said. Mr Speaker's comments are a very accurate assessment. Currently, the resources made available to non-executive members for staffing are set by the Chief Minister under the Legislative Assembly (Members' Staff) Act. Any change to that arrangement would require an examination of those legislative provisions. But I agree, too, that there are other parliamentary jurisdictions that adopt different models for the resourcing of the parliament. There is an opportunity to explore other models always.

Mr Speaker: It can be argued that the resources available to members through staff salary allocations can restrict members' ability to hold the government to account. That is possibly something that we can develop as time passes.

MR MULCAHY: We might have explored this in another year, but can I take you to a couple of elements of the report, Mr Speaker? One item on page 11 says, under the heading "Instances of suspected fraud":

... there was one suspected instance of fraud reported.

A preliminary investigation was conducted ... and the matter was resolved administratively.

I wonder if you could inform us what the allegation was that was made, why the preliminary investigation failed to make any findings and what was the administrative

resolution to the problem.

Mr Speaker: I will ask Mr Duckworth to respond to that.

Mr Duckworth: I am happy to provide as much detail as I can, but I would preface my remarks by saying that this is a very small organisation and I would be concerned not to provide details that would enable an individual to be identified. Against that general introduction, I think that the suspected matter involved misuse of territory resources. The issues were addressed with the individual. I think it is fair to say that the matter was satisfactorily resolved.

MR MULCAHY: I am not sure that that helps to inform us much better. I am just wondering why—

Mr Duckworth: I am not trying to be evasive; I am trying to provide the response that reassures the committee that the matters that were alleged were resolved. There was no loss of public funds. The matters have led to tightening of internal procedures. But I am concerned that to provide any more explicit detail would perhaps unfairly identify—

MR MULCAHY: Do I get the impression that the case was not proven? You use “suspected” all the time.

Mr Duckworth: It is a difficult question to answer.

MR MULCAHY: Either it is fraud or it is not fraud, isn't it?

Mr Duckworth: The matters were resolved before matters could be proven.

MR MULCAHY: Is the person alleged to be the culprit still in employ?

Mr Duckworth: That is another difficult question.

MR MULCAHY: I do not want to embarrass anyone.

Mr Duckworth: I am very aware I am giving evidence to an Assembly committee.

MR MULCAHY: It is in the annual report so I feel a duty to ask the question.

Mr Duckworth: I have consulted with the Clerk. Before the matters were further investigated, the individual left employment.

MR MULCAHY: Okay. I take you to page 12 of the annual report. Under “Internal audit”, it states that the final report of the audit committee was not available at the end of the fiscal year. Is that report available yet? Has it been completed? Were there any major findings in the report that the committee needs to know about or should know about?

Mr Duckworth: That report was the first area of internal audit identified by the audit committee. It concerned the accounts payable function—payment of accounts within

the corporate office. There were findings related to a number of accounts that were paid without evidence of prior approval. When we looked at the sample and went through that, the view was that there was no suggestion that expenditure was being committed without blessing, but the documentation was not in all cases attached to the claim. That has led to some revised procedures being adopted. There were also a number of instances where accounts had been identified as not being certified as goods having been received. Again, in each case there was no suggestion that we had paid an invoice for goods that had not been received; it was more administrative tardiness or—

MR MULCAHY: A process issue.

Mr Duckworth: Processing. So that has been a very useful report. It certainly confirmed that there were no identified cases of incorrect payments or inappropriate payments. The report is finalised. We would be happy to provide a copy to the committee.

MR MULCAHY: No other major findings?

Mr Duckworth: No.

THE CHAIR: I want to go back to the survey of members on page 7. What areas indicated the greatest satisfaction with services and what areas were considered to still need improvement according to the findings of the survey?

Mr Duncan: I will have to go back and have a look at the results in more detail, but I think—this is rather embarrassing—that the one that had 100 per cent satisfaction was the office of the Clerk.

MR MULCAHY: Most appropriate.

Mr Duncan: As you know, the rest of the office is split up into five sections. I think the results for all the other sections—I will come back or forward the results to the committee—were at about 95 or 96 per cent satisfaction rate. So it was not a case of one particular section standing out as one where members were less than satisfied with their performance. It was just that some were really good and some were good but not quite as good as the others. I cannot really answer that question in terms of—there was not one specific area of the Secretariat services that was seen by members to be lacking or anything like that.

THE CHAIR: How do you usually respond to those surveys? Do you say, “Here’s an area that needs some work”? Do you look at it more closely?

Mr Duncan: The results of the survey are provided to managers—obviously with no names of members. So managers are apprised of the results, to see what members think of their services. The results of the survey are also provided to the Speaker. And the results of the survey are also provided to the members of the administration and procedures committee.

I have a performance agreement with each of the senior managers of the Secretariat. I

have two meetings every year—an end-of-year performance agreement meeting and a half-yearly performance agreement meeting. In that performance meeting, we discuss issues that might have been raised, how we might address those issues and how we might address some of the concerns that have been raised by the members. And members of the admin and procedures committee and the Speaker sometimes raise matters with me which are then progressed through the organisation and Secretariat.

The member survey is quite a useful process from that point of view, from my perspective and I think from the Speaker's. It enables us to identify which areas of the Secretariat services the members are concerned about.

MR MULCAHY: If I could take you, Mr Speaker or Mr Duncan, to pages 22 and 23 of the annual report, referring to the Hansard and Communications Office. It refers to a major security issue relating to access control rights that was promptly addressed. What exactly was the problem with access control rights, and has anybody accessed information which they were not supposed to? I am wondering how you addressed the problem. It is page 23, towards the top, the first paragraph, the last sentence:

The review identified only one major security issue—relating to access control rights—which was promptly addressed.

Mr Lutton: Russell Lutton, Manager, Hansard and Communications. Following the establishment of the Assembly's IT systems as a separate organisational unit—which gives our data much more privacy and security—we had a review done. That review endorsed that what we had set up was appropriate and secure. I believe there was an incident that occurred a couple of months ago that Mr Speaker dealt with. That issue was the major exposure that could occur.

MR MULCAHY: What was the nature of that security breach?

Mr Lutton: It related to the use of email; unauthorised use of email.

MR MULCAHY: Can you just explain a little more?

Mr Lutton: A staffer within the Assembly building had used email for an unauthorised purpose.

MR MULCAHY: Was that the issue I raised with you?

Mr Lutton: Yes, sir, it was.

MR MULCAHY: I know about that; thank you for that. Just a cost issue in relation to the public entrance—at pages 23 and 24—I am just wondering what the initial costs budgeted for the upgrade of the Assembly entrance were. I note that the amount paid for the public entry in 2006-07 listed on page 49 is \$333,881. There is also a footnote which refers to an amount of \$345,796 for progressive expenditure. It is unclear how much of this is in addition to the amount listed in the table. I have sympathised with Mr Duckworth about the challenges of getting people in building trades to do things at all, let alone on time and within budget. Nevertheless, I think it would be useful for the committee if you could tell us the total cost of the public entrance, including all

moneys spent in any financial year and any money that still might be outstanding.

Mr Speaker: I would ask Mr Duckworth to respond to that.

Mr Duckworth: I draw the attention of committee members to the table on page 49, which Mr Mulcahy referred to in his question. The combined cost of the first two rows of that table, if you like—\$333,881 plus the next line for architectural advice and services of \$33,368, in addition to \$40,000 paid in 2005-06—those three figures come to approximately \$407,000. That, effectively, represents the cost of the public entrance redesign, bearing in mind that the next row in that table outlines costs totalling \$267,000 for an upgrade of security. As members are probably aware, in some respects, those two projects happened in tandem. That was done quite deliberately because, in fact, there were elements of the entrance redesign that were crucial to our new security access procedure. But, equally, there were aspects of the security costs that could be quite clearly separated from the actual public entrance. I am talking about things like work done throughout the building. Both the projects were funded together. They were managed jointly, and, in some respects, it has been difficult to identify or to completely isolate some costs that could be seen as both a cost of redeveloping the public entrance and a cost of security. But those numbers in that table indicate the total costs.

The reason for those footnotes—I acknowledge that it does only create some confusion—is that the way that the Secretariat managed the funding for this particular project is that we were given money in our budget. There was an expectation that it would be committed before the end of the 2005-06 financial year. Because of the scale of the project for our small size, we worked very closely with people from Procurement Solutions in Treasury. They were, effectively, our procurement coordinators. Once we had signed contracts, we sent them all of the money that we had to keep it in safe hands—I do not mean that in the secure sense; I mean to get it off our books, effectively, because it had been committed to the project. The project was delayed in its commencement and it was delayed in its construction—

MR MULCAHY: Where were the funds remitted?

Mr Duckworth: They stayed within the territory, but they were banked by Procurement Solutions. They hold a lot of money in trust. So, what we were contending with in this particular annual report was showing the true total costs but not having people pick up last year's annual report and adding the two amounts together and getting a number much bigger than it really was. We have tried to show that some of the money in these tables, in fact, includes money that was paid the previous financial year.

MR MULCAHY: How did you stack up against budget on the project?

Mr Duckworth: We went over budget. The original budget we were given in 2005-06 had two original allocations of \$300,000 to the Assembly. At that time, the design solution that we had on the drawing board for that entrance was fundamentally simpler. The budget process for 2005-06 was a process that started in October-November and was not finalised until the following year. During the course of the budget development, we were, in fact, undergoing a security review. We were

flagging with our colleagues from Treasury that there was a likelihood of a much more significant security presence required. I think it is fair to say that, at the end of the day, we got the money for the original design, but, by that stage, we had a more complicated design. We had to then go back and, effectively, get the design redrafted to fit the budget.

MR MULCAHY: What was the final outlay versus the budget?

Mr Duckworth: For the public entrance, \$407,000.

MR MULCAHY: I know you changed the nature of it, but that was against a budget of what amount?

Mr Duckworth: Initially there was \$300,000, and then in the subsequent year, with Treasury's permission, we used some additional funding that had been set aside for other building improvements.

MR MULCAHY: So about 32 per cent above the original concept?

Mr Duckworth: Yes.

THE CHAIR: Can I just ask about feedback on the public entrance? The isolation of the attendant behind a glass or perspex window—I suppose it is bullet-proof glass actually—has there been any thought about adaptation, or have you decided to accept it?

Mr Speaker: I call on the Sergeant-at-Arms.

Mr Kiermaier: Max Kiermaier, Deputy Clerk and Sergeant-at-Arms. In answer to your question, Dr Foskey, the perspex, or the glass, at the front of the booth has actually been replaced in recent weeks with toughened glass with a large hole in it. We intend to place similar holes on the side panelling once we have our X-ray machine, but we are waiting to find out the actual precise siting of the X-ray machine so we can put the holes in the most appropriate places. The hole has certainly improved communication both ways.

THE CHAIR: When is the X-ray machine likely to arrive?

Mr Kiermaier: We are hoping to place the order this week. We have gone through a process of the usual sort of procurement exercise of identifying an appropriate machine, something that is appropriate to our needs. We have now actually done that. We have performed tests, so we have actually identified the machine we want. Now it is a matter of placing the order.

THE CHAIR: How much money do you think is involved in the cost of the machine?

Mr Kiermaier: We are looking at between \$50,000 and \$60,000.

THE CHAIR: Does that include installation?

Mr Kiermaier: Yes.

MR MULCAHY: Page 42 of the report refers to the performance of the Secretariat. I note that the figures presented are generally good results, indicating an efficient use of staff. Does the Secretariat have any specific performance targets for these figures or these areas? If so, can you share with us what those targets are?

Mr Duncan: Tom Duncan, Clerk of the Assembly. I will start this answer, but my corporate manager might jump in. Those figures on page 42 were part of a benchmarking project. If you go back to page 41, you will see that that was part of a benchmarking project that we agreed to be part of amongst other parliaments. To answer your question, I do not think at this stage we have identified any particular performance measures in relation to those. A lot of those statistics you could probably find in some of the appendices, but I do not think we have actually set specific targets on those performance indicators.

MR MULCAHY: Just a minor item of interest; page 43 of the annual report talks about HR performance. I am just wondering if you can explain how casual staff are engaged around the Assembly's sitting patterns?

Mr Duckworth: Basically, we have casual staff in two areas of the Secretariat now—they are our Hansard editors and our sessional attendants. As vacancies arise we often advertise, or we are sometimes approached by people who are interested in work who have experience in editing Hansard, for example. As vacancies arise, we assemble a team of people to do the work that arises. Obviously, around the sittings of the Assembly it is a more of a fixed number. We know that we need eight attendant staff on a sitting day.

MR MULCAHY: So the casuals are the attendants and editors in the Hansard staff, are they?

Mr Duckworth: Yes.

MR MULCAHY: Page 48 of the report talks about maintenance and refers to the poor state of the roof of the Assembly building and the interim repairs on the roof. I took a special interest, because on my first day in the Assembly I had an unscheduled shower with water pouring from the roof. Has the roof been assessed for more permanent repairs? If so, how much will it cost to repair the roof, and when will it happen?

Mr Duckworth: The first part of your question, Mr Mulcahy, I am able to answer. The February hailstorm, in fact, was a significant climatic event, I guess, which triggered quite considerable damage to the building. We have known for some years that leaks on the second floor are quite common. We had received, as I understand, over many years, a number of opinions suggesting that it had been examined and there was nothing more that really could be done. We took the view following the February event that we really had to have a more comprehensive examination of the roof. The last time it had been assessed was in 2002, and, at that point, it was, in broad terms, scheduled for replacement near 2020, bearing in mind the original roof is 1950s, 1960s. The March or April assessment identified significant deterioration. We have

undertaken quite a number of patching repairs, if you like, to the roof to attempt to limit the amount of leaking. I think that has largely been successful. There are still a couple of trouble spots. Certainly, for the chamber itself—which is a much more recent structure, having been constructed and completed in 1994—the leaks that you referred to in your question were identified and sealed.

Where we are at at the moment is we have had a roof that has been considerably patched. A full-scale replacement is something that we have identified as something that we will need to examine. We think that we will need to do that sooner than we previously thought, and we are currently obtaining an audit of the condition of the entire building. That report will include an assessment of the roof. The one thing that we do have going for us is that the roof is made of copper.

MR MULCAHY: You would get a good trade-in price. The current price is over \$6,000!

Mr Duckworth: We have spoken to a heritage architect, who is quite comfortable with the notion that if the roof was replaced with a non-copper roof, provided the look is retained, we should be right. That may well soften the blow for what will be an expensive and logistically challenging exercise.

MR MULCAHY: You might want to call Simsmetal in relation to that value of the current roof?

Mr Duckworth: Salvage rights would certainly be part of the equation.

THE CHAIR: I just want to have a few questions, please. In relation to the art collection—and we have three members of the relevant committee here—we spent quite a bit of time deciding on the postcard collection and the book. I am just wondering whether there has been any public response to that and whether we are looking at a further reprinting. I am just interested in some feedback on that. I do not know the answer to that.

Mr Duncan: Dr Foskey, unfortunately, the manager of that section is away at the moment. Would I be able to take that question on notice? I do not think there has been a huge demand for that particular publication, but I stress that that is anecdotal evidence, and I really should get some specific figures for you. I will come back to you on that. I know some members have utilised it as a gift; they have taken it out of their DOA and taken it away to give to visiting delegations or when they have been visiting other parliaments. But I need to take that question on notice to give you some more precise figures, I am afraid.

THE CHAIR: I am interested, also, in the education program and whether there has been an increase in the number of schools or other organisations participating in that, which I see as an extremely valuable program. I am sure the feedback and evaluation is always good, although you could tell me the contrary. Can you answer that without Mr Baudinette?

Mr Speaker: Off the top of my head, the feedback that we get from those contacts has always been pretty good. It has always been well received, and it has always been

my view that we continue and, where possible, grow the function. So far as exact figures are concerned, I cannot give you any. Have we got any figures?

Mr Duncan: I think you will find that there are figures on page 34 as to how many people visit the Assembly and the number of school groups that have come. Whether that is an increase or a decrease, I will have to take that part of the question on notice, Dr Foskey.

THE CHAIR: I am also interested to know how community organisations are informed about the program. I know we get a few U3A groups, but I am just wondering whether other groups are told and do not take it up or whether they do not hear about it at all, and whether schools return year after year. They are my questions.

Mr Duncan: I will take all those questions on notice, Dr Foskey. I can certainly say that from when I was in charge of parliamentary education some years ago, we did look at getting community groups in, and we actually ran a couple of after-hours sessions, in this room actually. Certainly, when we have invited community groups, they have been interested. But we have not run a regular series of programs. It may be something that we need to look at and whether we reinstitute that. When we did run it about four or five years ago, we got a fairly piecemeal response to it. It depends on their availability and their interest as well. Certainly, I know that the education office looks at that sort of thing from time to time when they are structuring their program for the following year. I will get back to you on the exact details of the questions you asked, Dr Foskey.

MS MacDONALD: I was going to talk about this later, but because I have staff away sick and I have new staff, I have only just become aware of the annual report. I never received a copy of the annual report for the Legislative Assembly. I understand that I am not the only one in the building to not have received copies of the Legislative Assembly's annual report before today. Did you want to take that up as an issue as to why that did not happen?

Mr Duncan: If I could answer that. All members were given a copy of the annual report when it was tabled this year.

MS MacDONALD: It was tabled when I was in India. It never came in my box of stuff. I know this because Mr Skinner came into my office to check, in my copy of the annual report, whether there was a typo that he was concerned about. It was then discovered that I did not have a copy, and I forgot to pursue it.

Mr Duncan: I point out that it is also available on the internet, albeit after it is tabled.

MS MacDONALD: That is great, but I do not have access to the internet in the committee room; otherwise I would have happily looked it up on the internet.

Mr Duncan: We will certainly look at that. I will chase it up.

THE CHAIR: Apparently in the ESD section there was an energy audit conducted during the year. What were the findings? I have a few follow-up questions that I might ask.

Mr Duckworth: I think you will recall that over the last few years we have made good use of the ANU's greensteps program. For the first two years, we engaged a student from that program. We focused on waste management. As a result, we have got some quite practical and sensible waste management arrangements occurring within the building. At this time last year we took a view that it was time to look at energy use. The report from the particular placement, I think it is fair to say, was a little disappointing and not as helpful as we might have hoped.

THE CHAIR: The report rather than its findings?

Mr Duckworth: It was not a helpful report in the sense that it was a little disjointed. It provided us with some useful background information. I can confirm that we are very well progressed in the engagement of a local consultancy who will be undertaking some detailed energy, water and waste measurements to assist us with the development, hopefully by 30 June, of a policy statement and an action plan for the Assembly.

I do not think any procurement process is easy, but certainly it has been a little more complicated because of the need to find people who can do what we want and to be clear on what we want. We are certainly confident that, by the middle of next year, we will have a number of quite valid, concise and comprehensive measurements of energy use and potential future improvements that we could make within the building. It is very satisfying to be at that stage.

THE CHAIR: Your office will supervise that project and institute and manage any plan that results?

Mr Duckworth: It is a collaborative effort. Mr Skinner, Manager, Strategy and Parliamentary Education, is probably the lead consultant, but Max Kiemaier, the Deputy Clerk, and I are also participating quite actively in that process. It has been done in quite a collaborative way.

THE CHAIR: Do you feel staffing is at sustainable levels in your areas? Where would you add staff if you could?

Mr Duncan: We would always welcome more staff. In a small organisation you are always struggling to meet the needs of members and the Secretariat staff. We service a wide variety of community groups, and outside people meet here as well. We did get an increase in the last budget for the Committee Office, which was welcome. From time to time we struggle in different areas of the Secretariat.

I would be reluctant to pinpoint one area. We are definitely working at capacity in all areas of the Secretariat. From time to time we may well, through the admin and procedure committee or the budget process, where peaks and troughs are identified, address that issue through the Speaker and suggest to him that we approach the executive to increase our staff.

I would be reluctant to single out one particular area from others because it does change to some extent with different configurations of the Assembly. For instance, if

the next Assembly produces a minority government, then that would put pressure on the Committee Office and may put pressure on Hansard, as we may end up sitting longer hours. It does move around. There might be some forms in the Financial Management Act that may put pressures on the Corporate Services office and so on. It is hard to answer that question; it depends on the circumstances.

Mr Duckworth: I would add that, as a small agency in the ACT public sector, it is quite evident that across the ACT public sector there is a net loss of staff to the commonwealth at the moment. This is quite apparent from talking to my colleagues and colleagues of staff here. We have the initial impediment of the federal parliament on the hill. For people with experience as committee secretaries and in parliamentary procedure and Hansard—the things we do as our core business are also done up there—it is hard to compete.

MR MULCAHY: I have a question probably for Mr Speaker but possibly for Mr Duncan. I draw your attention to page 60 of the report, appendix 2. The second last column refers to closure of questions agreed to. In 2006-07 it was 11. Am I right in interpreting that as 11 occasions on which the government has shut down debate on matters agreed to in that year?

Mr Duncan: I have not looked at all of those 11 closures, but I doubt very much whether it is an opposition or a crossbench member who moved the closure. I think you are correct in your assessment, but I draw your attention to 1989, 1990, 1999 when, under a coalition/majority government—

MR MULCAHY: I noticed that.

Mr Duncan: I put it to you that perhaps it is a trend that, when a party gets a majority of members, it might utilise that.

MR MULCAHY: This is for Mr Speaker. Given that these figures indicate that the government has shut down debate in the Assembly more times in a single year than the previous Liberal government did in the entire two-term period that they were in office and we have not reached these levels since the early days of self-government, are you concerned about this in terms of accountability of government?

Mr Berry: So far as the issue being dealt with in the chamber is concerned, all I have to be concerned about is that the standing orders are being complied with. In all cases, I have been satisfied that the standing orders have been complied with; otherwise I would have intervened. That is a matter for judgement by other people.

There is always an element of partisan politics around these issues. From a partisan politics point of view, I would be surprised if, on each occasion, there was not some utterance about transparency being undermined. It would be wise for me to stay out of making any particular comments about each of the issues. I will leave it there.

I have a discretion under the standing orders to reject a motion of closure. The general standard that guarantees accountability and a decent debate is that there ought to be at least a couple of speakers from the government, an opportunity for the crossbench and a couple of speakers from the opposition. I would reject a move for closure if that had

not been the case. I am saying that I am satisfied that there has been an opportunity for members to speak on the subject. Whether there has been an opportunity for them to speak for as long as they like is another question.

Those are the standards that I adhere to, except in the case where one side or the other does not express an interest in speaking. I cannot require members to speak. I would say the opportunity has always been there to speak. I value the standing order which gives me that discretion.

THE CHAIR: Thank you very much. That brings us to the end of the hearing. I thank you for giving us your time. I am sorry about the delay in starting. Thank you for your forbearance.

Meeting adjourned from to 3.03 to 3.17 pm.

Appearances:

Auditor-General's Office

Pham, Ms Tu, Auditor-General

Sheville, Mr Bernie, Director, Financial Audits

Prentice, Mr Malcolm, Senior Audit Manager

Lai, Mr Michael, Senior Audit Manager

THE CHAIR: Thank you very much for coming to this annual reports hearing of the public accounts committee. We normally read a privileges statement, but I know that you have heard it before. If you need reminding, please tell me and I will read it again. We are waiting for Mr Mulcahy, but would you like to make an opening statement, Ms Pham?

Ms Pham: Thank you. Our annual report provides a very comprehensive picture of the office's activities and performance during the year. I am quite happy to respond to any questions and issues raised by the committee.

THE CHAIR: Your report is extremely comprehensive, as one would expect from the Auditor-General. On page 3, you stated that the Shared Services Centre placed some pressure on the office. Could you indicate how that manifested itself?

Mr Sheville: This year, for the first time, Shared Services had a role in the reporting of agencies and was also responsible for a number of whole-of-government management systems and financial reporting systems that are used in the production of the financial reports. That required us to take an approach to our audits this year that was different from in the past. While the objectives of the audits had not changed, the reality was that auditing in the Shared Services environment meant that we had to realign our audit teams so that they aligned with those of the Shared Services Centre. Whereas previously an audit team would be assigned to do an audit of a particular agency, we had to share our audit teams—the staff on our audit teams—to cover off all the major systems such as payroll, payments and systems managed by the Shared Services environment during this year's audit.

THE CHAIR: Did that create time issues and logistic issues?

Mr Sheville: Mostly administrative, in working out the best and most efficient way to audit it in the first year—establishing contacts at all levels within the Shared Services environment. Shared Services as an organisation was also under a lot of scrutiny by other departments that were relying on Shared Services' systems to produce their financial reports this time round. As a result of that, we needed to establish a very good, close working relationship with the key staff in the Shared Services area.

Because we were all doing this for the first time, it required us to be a bit more aware of protocols, making sure the communication was clear and making sure about our audit teams. For example, if we were auditing a payroll system, previously we would audit a payroll system that might exist differently in each agency. This time we were able to conduct our testing in a way where we could do one lot of testing to cover all agencies. It was mostly organisational and making sure that we had the right people involved for the auditing out at the Shared Services Centre.

THE CHAIR: Do you think that, having established those procedures and having done it once, it will be easier from now on?

Mr Sheville: I think it will be easier each time. One advantage that should arise from having a Shared Services environment is that improvements to processes within Shared Services tend to have an effect on everyone who is sharing their services. We are hopeful that next time round will prove to be a lot easier. We have established the contacts, so we have learned all the lessons from this year. It should be a lot easier going forward; that is for sure.

THE CHAIR: I think you had a plan to do a performance audit on Shared Services. Is that right?

Ms Pham: Yes. At this stage, it is not in our program for next year. I am thinking of 2008.

THE CHAIR: Is it appropriate or possible for you to comment on whether having the Shared Services group operating across government is increasing efficiencies, accountabilities and other matters—just from your own experience. Don't answer if you do not think it is appropriate, but I would be interested.

Ms Pham: At this stage, without a detailed audit, we would not be able to answer as to whether or not it will improve efficiency and achieve the saving anticipated by the government. In terms of the arrangement and our involvement so far during the financial audit, we believe that it has been happening quite smoothly and did not create as many issues as we anticipated at the beginning of the audit process. As Bernie said, because we anticipated some issues we rearranged our audit arrangement to meet the need. In the process, we feel that Shared Services has been doing quite well.

THE CHAIR: On pages 4 and 11, you refer to staffing and changes to accounting procedure issues. We have talked, probably at every single annual report hearing, and at other times, about the staffing issues. I am wondering if there have been any changes or improvements from the measures that you implemented which were part of your plan to keep staff in the office rather than having them move on.

Ms Pham: Last financial year and for the first six months of this financial year, we still experienced significant staff issues and a high level of staff turnover. If I may, I would like to go back a bit to let you know what we did in previous years, particularly in the last 12 months, and the outcome of our strategy.

When we did the staff survey in 2006 and 2007, we had a very high level of staff who had overall satisfaction with their job. We are talking about 84 per cent of them saying that they are very happy with the job—actually, closer to 92 per cent if we include those who were neither unhappy nor happy. However, 20 per cent of them said they often think of leaving. That was quite consistent over a number of years. So in any year we have 20 per cent of our staff thinking of leaving even if they are totally happy with their jobs.

At exit interviews and during the survey, three key reasons were given for leaving. One is the lack of immediate and future career opportunity and the variety of work. The second is money. The third is new challenges. No staff indicated that the issue of management or other issues contributed to their desire to leave.

Given that these are their key reasons for leaving, we have taken a number of strategies. The first one is to try to provide better career opportunities by creating a number of acting manager positions to allow senior auditors the opportunity to take on more responsibility and have a better career path. We also increase the variety of work and expose them to performance audit work and also corporate work. We also improved our salary structure. In early years, we offered, say, \$35,000 for graduates. This year we offer \$40,000 to \$45,000 a year for graduate level. We have a very strong learning and development program which staff fully support and give very positive feedback about.

As for recruitment action, we now broaden our recruitment to national newspapers, websites, universities and professional association websites. I have written to all departments and offered secondment opportunities. We offer flexibility for other groups of workers like retired accountants. All that has been done. The level of interest has increased at the graduate level but not at the manager level in terms of applications to our office. So we now try to bring auditors in at the graduate level and then train them up.

Up to today, the success of our strategy is not evident. I am confident that in the next six months we will be in a position to fill vacancies and get a better capacity for our office. We are working on the assumption that the staff turnover will be around 20 per cent a year. We are hoping that we can reduce that to a more reasonable level of 15 per cent a year, but now we work on the assumption that 20 per cent is expected for a few years and that we will have to work against that assumption.

THE CHAIR: I invite my fellow members to ask any questions they have.

MR MULCAHY: Page 18 of your report indicates that the average period of completion of audits has fallen to six months in 2006-07—from, for example, 10 months in 2004-05, when nine audits were completed. Is it a target of audit to reduce the time taken to complete its audit? Related to that, do you place a time frame on the length of time each performance audit should take? I understand that there are complicated audits such as the Rhodium saga, but under normal circumstances. Are you able to give me a view on those two questions—is it a target of audit to reduce the time taken to complete the audit; and do you place an ideal time frame on the length of time that each performance audit should take?

Ms Pham: We do have a target to improve the timeliness of our performance audits. I feel that performance audits and recommendations are of more value if they are not out of date and still remain valid and relevant to the area that we audited. In the past, sometimes we took a year or up to two years to produce a performance audit report. By the time the recommendation came out, the department had already moved on and done different things.

So, yes, the target is six months. I must admit that it is a very ambitious target. In

recent months, indications tend to suggest that we might not be able to do that on a sustainable basis, because of the high staff turnover and the stop-and-start basis that we could not avoid with a high level of staff turnover. I would reconsider the timeliness and make it a more realistic time frame.

MR MULCAHY: That is likely to go out a little bit?

Ms Pham: Yes, I think it could be seven to eight months. However, it depends on the audit. For example, as I just said, when we do the planning for each performance audit we also plan the target time and how long it takes, depending on the complexity of the audit, the scope of the audit and even our level of expertise. We could plan for a four-month audit for a small single issue or up to 12 months for a larger audit like one we have just finished on two programs to deliver services to the aged that we presented to the Speaker today. It certainly took more than six months; it took about a year.

MR MULCAHY: On page 18, you have acknowledged some critical feedback that has been received in which “respondents expressed concern about the auditors’ understanding of the agency’s operations”. I was wondering if you could let the committee know what action has been taken to respond to the criticism and whether there is any link between reducing the time taken on each audit and the ability to fully comprehend an agency’s operation.

Ms Pham: We took the feedback from the department very seriously. The key issue, as you said, related to our staff’s understanding of the agency operation. I accept some of that criticism to the extent that, yes, some of our audit staff are still new because of the problem of staff turnover. We brought in new staff and it took them time to understand the operation of each of the government departments. And some of the areas that we audited are quite complex and require a lot of understanding. As part of our planning process, we try very hard to make sure that we have a good understanding of the agency. So that was a criticism where we tried to improve, but sometimes it is outside our control in the sense of our staff being new.

MR MULCAHY: If I could just interrupt there, it is not an issue where they just cannot get across it because of trying to achieve these compressed time objectives; it is really the fact that they are new to the game and just do not have the background in some cases?

Ms Pham: There were also some concerns raised by one or two departments about the time line and giving sufficient time for them to respond, especially when the audit involves a number of agencies. In particular, the Chief Minister’s Department is concerned that some of our recommendations require response within perhaps three weeks. They feel that, as a central agency, before they respond to a recommendation with input from other agencies, they need time to go out and consult all the other agencies before they come back and respond to us. Sometimes the concern is valid; sometimes they need to make a decision as the lead agency—whatever is the right thing to do—rather than spending another month consulting with everyone else. Some recommendations need consultation on; while some others I think they have to make their own judgement as to whether or not our recommendation can be accepted. CMD also are quite concerned that they may need cabinet approval before they can agree to certain recommendations. That again takes time.

My approach is that the government and cabinet have a different time frame to respond to the report and that the response to the recommendations of the report at the stage that we are asking the agency to respond is not a government response. Once the report is tabled, government can respond through the proper cabinet process.

MR MULCAHY: They are reluctant to give the agency view ahead of the government view when you present the draft in some cases, are they?

Ms Pham: We always provide—

MR MULCAHY: I am saying that some agencies are reluctant to provide you with a response on your draft before the government provides a formal response.

Ms Pham: That is right, yes.

MR MULCAHY: Is it just CMD that feels caught in this?

Ms Pham: Certainly for a particular report, that is the response from the chief executive, CMD. Also, when we did the audit on the regulation of ACT liquor licensing the secretary of JACS also did not respond to each of the recommendations, on the basis that they would not like to commit the department to the recommendation without government approval first.

MR MULCAHY: Let me take you to another issue. It has come up a few times. I am not saying that this is accurate, but it is an observation that has occurred. I cannot remember whether these have come in private or public hearings, but in relation to a few reports our committee has heard some dissatisfaction over the amount of attention paid by your office to evidence provided by stakeholders. The two that are particularly in my mind as to where that has been claimed are the FireLink report and Rhodium. Whether that is valid or not, time will tell.

I take it that you have noted that criticism. I am just wondering what weight, if any, you give to the opinions of some of these people. The two most celebrated instances are the former ESA commissioner, in the context of the FireLink audit, and, obviously, Ms Clark, in the context of the Rhodium inquiry. She gave evidence to this committee that she had had only one hour with you and felt that her written responses were not given any weight.

Ms Pham: The information submitted to the committee, in my view, was not accurate.

MR MULCAHY: In which instance?

Ms Pham: The comment that we did not give them sufficient time to respond or that for some reason procedural fairness was not given to them during the audit.

MS MacDONALD: Is that both FireLink and Ms Clark or just Ms Clark?

Ms Pham: Both. Let me quickly go through the evidence given to you by Deborah Clark. I have to say I am absolutely—certainly disappointed by learning that Ms Clark

said that we gave her one hour to respond.

MR MULCAHY: I think she said that there was only one hour given in time for her—that was allocated; not that she was given one hour to respond.

MS MacDONALD: With the interview.

MR MULCAHY: Yes—that the interview lasted only for an hour.

Ms Pham: I understand. But to put that in perspective, firstly, we wrote to her on 16 June advising her about the audit and advising her that we would seek her view and assistance on the audit. Again, on 6 July we wrote to her and provided her with a copy of the interim audit report and sought her response to that interim audit report. In that letter, I said to her that her comment would be welcome at any stage of the audit process, should she wish to make one. We also sent the proposed draft report out to her and provided about two weeks for a response to the report. We gave the opportunity not only for her to respond but—in this case, as she preferred the response to come from her husband on her behalf. We accommodated that too, to make sure that she had all the opportunity to put forward her views.

At the interview—I think the interview started at 3 o'clock and did not finish until at least half-past five or six. Indeed, my staff had to go down and put more money into the parking slot because the meeting went much longer than she had allowed for—than she expected. The meeting was like any meeting with any people affected by the report: I always give them all the time they need to respond to our findings and also invite them to make further submissions, give further information.

MS MacDONALD: So this was after the report was written? The draft report?

Ms Pham: The draft report. We had a meeting with her, and also with a number of company officers, like I said, so she had an opportunity to respond to—

MS MacDONALD: Where was the meeting? It was here in Canberra, was it?

Ms Pham: Here in Canberra. We also accommodated her need to pay for her airfare, and met not only Ms Clark but also her husband, because she needed support from her husband to appear before us. So I have to say that I did more than I ever expected from our office to make sure that she had procedural fairness. To say that we had a one hour meeting is totally not reflective of the truth.

MR MULCAHY: I am glad you have put the facts on the record, because I sympathise with you in the face of what appear to be false allegations. It is never pleasant for any of us in public positions. Just on the issue of her written submission that she claimed she sent to you, can you just tell us about that and why it was not considered?

Ms Pham: There is a submission from Ms Clark on this audit. We went through single sentences and single paragraphs to see whether the response could be incorporated in the report. I think we clearly stated in the report that at times evidence or information given to us was in conflict, and that is where we had to make a

judgement whether or not certain information could be incorporated. We decided in some cases not to include some information because it may be defamatory for the third party without adding any value to the report. So we went through the submission, and we are more than happy to table her submission. If, at some other time, the committee would like to, we will go through each paragraph and explain to you why—

THE CHAIR: Actually, Hamish is going to write you a letter asking you to do just that.

Ms Pham: Similarly with the FireLink situation, we provided sufficient time for the company to provide us with a response. Indeed, it provided us with a very detailed response for each single paragraph. We went to a lot of effort to incorporate their comments into the report.

MR MULCAHY: I was really pursuing whether you thought that sufficient weight had been given to Mr Dunn's perspective on this whole saga.

Ms Pham: Mr Dunn did not provide detailed information on the report. His response was very much in one or two emails and a letter, as I said, which were given equal weight.

MR MULCAHY: He sounds like he may not have availed himself of what you are saying—the opportunity to put his perspective on the record—to the extent it may have possibly been wise to do.

Mr Lai: My name is Michael Lai, senior audit manager. In response to your specific question, Mr Mulcahy, at the end of the report there is an attachment, there is the full detail of his letter. Unfortunately, because the report it relates to is for 2007—this year—we do not have a copy here, but I can refer back to when we had the hearing. We included that as an attachment. That has the full response from Mr Dunn.

MR MULCAHY: Sorry, just clarify the last thing you said?

Ms Pham: The full response is in the attachment of the report, so people have no doubt whatsoever about the former commissioner's views about the issues. One paragraph that we left out was due to a reference to or an allegation about a staff member which I did not think it appropriate to include.

MR MULCAHY: Is that your practice, though; if you find uncomfortable things when you do audits, you leave things like that out? Your role is to present—

Ms Pham: Unless we are auditing on these matters, we could not be confident that an allegation is actually correct.

MR MULCAHY: So you had not tested that allegation?

Ms Pham: No, no.

DR FOSKEY: I just think we are getting into territory that refers to one inquiry, and,

although we have not resolved to, there is a possibility that we will call you on the Rhodium inquiry when we have looked at a lot more of the evidence. Certainly, we are writing to you and asking you for the Clark statement and asking you whether you wanted to comment on the evidence that was presented.

Ms Pham: Certainly.

DR FOSKEY: We have not yet resolved to inquire into FireLink. We are not actually inquiring into that at the moment.

Ms Pham: Can I take the opportunity again to say that the company had every opportunity to provide a submission, to give information, if it wanted to do so.

MR MULCAHY: I do not think it was the company that I asked you about. My question was related to the former commissioner.

Ms Pham: And also Mr Dunn, yes.

MR MULCAHY: Can I ask you something about the cost of performance audits? Can you give an indication of what the typical cost is of a performance audit?

MS MacDONALD: Is there a typical cost for a performance audit?

MR MULCAHY: How long is a piece of string?

MS MacDONALD: Is there a typical cost, or is there just a median cost?

Ms Pham: Costs of a performance audit vary and depend on the complexity and the time taken doing the audit. We have a budget for performance audits ranging from \$40,000 to \$200,000 for audits during the year. Overall, you can see the government funding or appropriation is about \$2 million, and that \$2 million is very much allocated to corporate services and also performance audit reports. So it costs our office around \$1.5 million per year for performance audit costs. If we produce, say, seven reports a year, that would work out roughly around \$100,000 per report on average. Other money went to other types of reports, like small investigations or follow-ups with representatives from various members of the community. We spend our performance audit capacity on that function as well.

MR MULCAHY: Is this plan of yours to try and achieve shorter times, is that likely to decrease the cost or not?

Ms Pham: Not really, because we put a bigger team on an audit to make it quicker and more timely.

MR MULCAHY: Do you ever consider the cost when you decide whether or not to go ahead with a performance audit, whether or not you should conduct it? Is cost a consideration?

Ms Pham: Cost is only one of about four or five factors that we consider. Usually, it is the last one, actually.

MR MULCAHY: What are the other key factors?

Ms Pham: The significance of the audit topic, the material impact on government activities and the capacity for the audit to improve the activity of the audited area. We look at the accountability and see whether or not the audit report would promote accountability. We look at our capacity and our expertise within the office to see whether we are capable to do the audit. We take into account the community interest in the audit. So we do have a system of about five main criteria to assess whether or not we conduct an audit. Cost is actually not the important one.

THE CHAIR: Do you then rank requests for audit? I was just wondering what happens. Do you reject proposals for audits?

Ms Pham: Yes. From time to time, a community member may bring to us a suggestion to do a certain audit. We usually look at the significance of the issues, our available resources to do so, and explain to them why we could not conduct that audit at the time that they have requested it, or we make a decision of whether we follow it up in our planning process and incorporate these requests into future performance audits. But, yes, we do go through the process and do some sort of priority ranking. We have actually eight criteria for selecting audits. I could table the list for the committee so you know on what basis we select our audits.

THE CHAIR: Have you ever rejected a request for audit by a member of the Legislative Assembly?

Ms Pham: If I could take one minute to look at the list of the presentations from members, I will explain whether the timing was not right or whether there were other priorities which came before their suggestions. There was a request from a member of the Legislative Assembly for an FOI audit. We agreed to do that FOI audit in our future program. So it will be, hopefully, next year. We have requests regarding Housing ACT, which we will start maybe next year or even this year.

Mr Lai: Later this year or early next year.

Ms Pham: Jacqui Burke, as you know, requested a number of audits into the hospital, and we did look at some of them and responded. We had a request from a member of the Assembly also on disability services in the ACT, which we also put in our program to start next financial year. So, most of the time, members' requests will be incorporated in our planning program, and, depending on the priority, we will start that audit some time in our future program.

MR STEFANIAK: I have six specific questions. At page 21, report No 7 of 2007 in relation to the sale of block H/48, Fyshwick—

MS MacDONALD: Hang on, what has that got to do with the annual report?

MR STEFANIAK: It is actually referred to in the annual report.

MS MacDONALD: Okay; sorry.

MR STEFANIAK: It is page 21, it refers to report No 7. In relation to that, it says at page 21 that, given that the ACT government agreed or agreed in principle with all of the recommendations in that report but the LDA disagreed with two of them, has the LDA now reviewed its response? If not, do you have any reason why?

Ms Pham: To us, it was not important if the LDA actually reviewed its response or not. Our job is to provide the report to the Assembly, and it is up to the Assembly very much to hold the government accountable in taking action to address any deficiency identified in any audit report. We are very pleased that the government actually agreed to our recommendations regarding the LDA approach. I am not so sure that we would like to spend time in coming back to see how the LDA would review its process to respond to an audit report. Certainly, the response reflected the view of the board and the CEO at the time.

MR STEFANIAK: Following on over to page 22, you refer to financial audits in report No 8. What action has your office taken or does it propose to take to follow up on the audit findings for this assignment? You actually refer in the first paragraph on page 22 to the fact that there was scope for significantly improving financial reporting processes in the territory. You rated only 55 per cent of financial reports received in 2005-06 as satisfactory or good compared with 75 per cent the previous year. You said there were significant issues with the timeliness of the provision of the financial reports. What follow-up action have you done there?

Ms Pham: We do a follow-up every year as part of our financial audit program. This year when we started our financial audits, we revisited all of last year's financial audits and worked out how many financial audit recommendations had been implemented by the agencies, how many had been partly implemented, and how many were outstanding. Any new findings of deficiency this year, we add into the list. Our follow-up of agencies' implementation of our audit recommendations and findings from the financial audit program is very systematic and robust. I think Bernie can explain more, but we will table next week in the Assembly a summary of our outcome of the financial audit program. For each agency, we will list the number of recommendations already addressed or outstanding. We include information about timeliness and quality of financial audits and a number of other pieces of information in the report to be tabled next week.

MR STEFANIAK: Has there been an improvement? Fifty-five per cent down from 75 per cent is not good, is it?

Mr Sheville: The quality of financial reports rated good or satisfactory fell from 75 to 63 per cent in the current year. It is not as good. We had a similar result with the quality of the statements of performance. It very much continues to be an issue. That is the quality of financial reports that we receive for audit. We think that, by the time the audit process is finished and the changes have been made, as a natural process the quality of the statements has reasonably improved.

MR MULCAHY: So you are having to make adjustments along the way? You are making adjustments in the audit process, as happens in the private sector?

Mr Sheville: Yes, and suggestions to improve these statements throughout the whole audit process. That is right.

Ms Pham: That process is very time consuming for us. We expected much better quality financial statements to be provided to us. The trend in recent years has been that smaller agencies actually rely on the audit process to correct their statements and help them with the correct disclosure or correct accounting treatment. We have identified that it is an issue for us. It really does take a lot of the time of the audit team. We have said that again in this report to the committee this year.

MR STEFANIAK: Page 23 deals with collection of fees and fines. What action has your office taken or does it propose to take to follow up on JACS failure to respond to the auditor recommendations? Most agencies accepted them. However, probably the most important agency in terms of collecting fees and fines—JACS—did not provide specific comments on each recommendation. Again, what action are you taking? Has something happened since the report to alleviate your concerns?

Ms Pham: I mentioned before you arrived, Mr Stefaniak, that the chief executive of JACS, while agreeing with the direction of our report, feels reluctant to agree to the recommendations without government agreement. She did not feel that she should commit her department to agreeing to the recommendation. She also mentioned potential funding implications of agreeing to audit recommendations. We would prefer the chief executive to respond to our recommendations. We feel that it is very important for chief executives to indicate whether or not they are committed to addressing the deficiencies found in our audit.

MR STEFANIAK: And they still have not?

Ms Pham: I do not think we have any control over that matter.

MR STEFANIAK: Would you chase them up again? We get a fair amount of money in fees and fines. Surely that is a reasonable part of government revenue and you would want to make sure that the processes are in place to actually collect it. I would ask you to follow up on that again.

Ms Pham: Yes. I certainly will do that.

MR STEFANIAK: Thank you. Liquor licences are dealt with on pages 23 and 24. I have just a quick question there. I note that halfway down you say:

The report made seven recommendations ... JACS largely accepted the basis of those recommendations ... noted they would complement its own review of the core services of the Office of Regulatory Services.

Does your office intend to review JACS review of core services of the Office of Regulatory Services to ensure that the audit recommendations are embraced? If you do, will the Auditor-General's Office issue a report on that review?

Ms Pham: Not at this stage. It is not in our program to come back and review the department's review.

MR STEFANIAK: Fine. I have just a couple of others. On page 29, you talk about other activities. The report states:

The Office looks for opportunities to contribute to improving the performance of ACT public sector agencies, through means other than ‘traditional’ performance audit ... To this end, the Office organised and delivered information seminars during the year.

That sounds like a great idea. How many agencies were represented at audit office information seminars during 2006-07? What was the nature of feedback provided by those agencies?

Ms Pham: These seminars are often well attended. I believe that we have from 50 to 65 people attending at any seminar. They cover a wide range of agencies.

MR STEFANIAK: Would that include people from most of the agencies?

Ms Pham: Yes. We encourage agencies to attend and they respond very positively. We do collect feedback and all of them believe that they learn quite a lot about the performance process and audit process and feel much more confident in dealing with us.

MR STEFANIAK: Do you have any agencies that are serial offenders in not attending or do they all tend to send someone along and participate?

Ms Pham: I believe they all send people along.

MR STEFANIAK: That is positive. My final question refers to pages 98 to 100, audit fees. Can you tell us why there were substantial increases in audit fees at some points during the past four years for the following agencies? There are five of them. Firstly, CIT increased from \$65,500 in 2004-05 to \$120,000 in 2005-06. Secondly, the workers compensation supplementation fund increased from \$6,200 in 2003-04 to \$14,950 in 2004-05 and maintained in 2005-06.

There are two in relation to ECOWISE. ECOWISE Environmental Pty Ltd increased from \$50,000 in 2004-05 to \$133,000 in 2005-06, and ECOWISE Environmental (Victoria) Pty Ltd increased from \$61,000 in 2004-05 to \$103,000 in 2005-06. The fifth one, of course, is Rhodium Asset Solutions Ltd. It increased from \$50,400 in 2004-05 to \$160,000 in 2005-06. Finally, ActewAGL Joint Venture increased from \$119,500 in 2002-03 to \$189,719 by 2005-06. If you can respond now, do. If not, take it on notice.

Mr Sheville: I will try and remember each of the agencies.

Ms Pham: Start with Actew and ECOWISE first. They are more up-to-date.

Mr Sheville: The ActewAGL Joint Venture audit has risen from \$119,500 to \$189,719. The main increase in that audit is the increase in the costs that we are paying our contractor to perform those audits. We regularly market test every two to three years on those particular audits. That is the price of getting that audit done now.

With the recent changes to auditing requirements it is not something I can see coming down.

MR STEFANIAK: What about the other ones?

Mr Sheville: In relation to Rhodium, it went from \$50,400 to \$160,000 in the space of one year as a result of the core financial records at Rhodium. The first year, 2004-05, was only a part-year audit. They did not have to cover a full 12 months in the first year. Also, in 2005-06, we reported major breakdowns in basic accounting systems and control. As a result, a lot more evidence needed to be collected to be able to form an opinion. The audit is outsourced to a private sector firm.

ECOWISE Environmental started out as a \$16,500 audit and it has turned into a \$133,000 audit in 2005-06. It is even more expensive now—a lot more expensive. The primary reason for the increase has been that it has acquired a lot of subsidiaries. Their acquiring of a lot of subsidiaries has meant that the size of the audit task has become larger. With a lot of the subsidiaries that they have acquired, the systems do not necessarily link in with the systems of the parent entity. It is quite a detailed audit process. Also, particularly in recent years, we had similar issues in relation to poor accounting, poor quality systems of control and weak governance structures within the organisation. They are being addressed now, but those problems still persisted into the current year, this year.

The CIT audit—it comes to me now—related to work we need to do in relation to the first-time implementation of CHRIS 21, the whole-of-government human resource information system. Unfortunately, at that time, because the CIT works on a calendar year basis, they were first cab off the rank. That system still had many, many issues in it at the time we did that particular audit. That was a year increase that we had with that particular one.

The other one, the workers compensation supplementation fund, the difference between the 2003-04 and 2004-05 audit fees was because we assessed that we needed to involve an actuary in the assessment of some of the liabilities. They use an actuary to calculate their long service leave liabilities, so we engaged our own actuary to be able to perform the work. I think I might have covered them.

MR STEFANIAK: Thank you very much for that.

THE CHAIR: My question follows on from that. How do you establish the cost? Do you enter into a contract with the department which is the subject of audit or the person who asked you to do the audit so that people know what they are up for when the audit begins or do you present a bill at the end?

Ms Pham: For the financial audit, we advise them, well before we start the audit, of the estimated audit fee, based on the time taken for auditing their financial statement last year and taking into account any major development restructure or any issue that could increase the cost of the audit. The departments are advised at the planning stage what the likely cost of the audit fee will be. We provide sufficient information for them, if they need to, to justify that fee.

Mr Sheville: For each audit we do a detailed assessment based on last year's final cost records, updated for new developments and for each cost, to make sure that the fees we charge are reasonable, compared to the cost of each audit. Strictly speaking, there is no contract between us and the department. As we are generally a cost-recovery operation, we cannot accept the commercial risk in relation to the charging of fees for our audit. At the end of the day, we need to charge sufficient fees to actually cover our costs. Unlike a commercial arrangement where they may build in an allowance within their fees—a surplus or a profit, if you like—we generally try to recover the cost of actually doing the work. You will get some variations from year to year.

Thirty per cent of our work is outsourced. For that particular work, we pay the market rate, which is established through the procurement processes in relation to audits. Every two to three years we go through a process of tendering and seeing what price we can get for the audits. We pass those costs on to the agencies.

Ms Pham: Our office operates on a similar basis to any audit accounting firm in the private sector. We have a time and cost system whereby each staff member will report their time against an audit task so that at the end of the year we would know exactly how many hours the audit team has spent to audit the financial statement. That is how we base our cost and our fees.

THE CHAIR: Generally the estimations are close to the final figure?

Mr Sheville: In practice, there will be variations. Our practice has been not to chase them every time we incur more costs, nor has it been to discount whenever we get slightly lower costs. The reason for that is that, administratively, it is quite burdensome once the agencies have got the fees at a reasonable rate. Unless we see signs that the audit is now a different audit from the one that we were doing before and there needs to be a permanent increase or decrease, we generally stick very much to our original fees wherever possible. There would be very few occasions where we get significant variances at the end of the day. Our major variances have tended to be in relation to work that we have outsourced.

THE CHAIR: Thank you for the report on ESD. Does the cost limit the take-up of green energy in ACT government departments? I believe the government has mandated that all government departments have 23 per cent green energy. Are you aware of that? I do not think there are any that have voluntarily decided to take a higher proportion. The question is: would it be a cost deterrent?

Ms Pham: As part of our office consumption of fuel and other resources, over time we can trace it and see whether there is an improvement in the energy consumption. In terms of government-wide or department-wide, I do not know that we can play any role at this stage.

THE CHAIR: Do you have to run up a specific mileage on your vehicles? In the Chief Minister's Department, I think 800 vehicles are required to run a certain number of miles. We hear stories about people heading off to Brisbane for the weekend to get the miles up.

MR MULCAHY: That is to do with the fringe benefits tax.

THE CHAIR: There are a number of government vehicles that come under that category.

MR MULCAHY: If I might, Dr Foskey appears to be concerned that, in the case of people who have a vehicle packaged within their remuneration where there may be a fringe benefit cost, those people sometimes need to go to extremes to move themselves into the lower tax bracket for fringe benefits tax.

Ms Pham: It sounds like it does not provide incentives for people to save fuel because of the tax arrangements. Our office has three cars. I know that our staff use the three cars throughout the day for visiting departments for audit, especially the ones outside the city.

MR MULCAHY: It is the people who have it built into their salary.

THE CHAIR: That does not apply to you apparently.

Ms Pham: I know that I pay more than I should because I do not travel at the level which is required to get the benefit.

Mr Sheville: The current fringe benefit tax rorts in the commonwealth tax legislation actually encourage you to use your car more. The limit might be 25,000. I think that is the threshold. When you enter into a salary packaged arrangement with your employer, if you say that you are going to travel more than 25,000 kilometres to avail yourself of the lower fringe benefits tax rate being applied to your package, then you have an in-built incentive to make sure that you drive at least 25,000 kilometres. It works counter to using cars less.

THE CHAIR: Thanks for explaining that to me. Thanks for coming. It is always good to see you. We will no doubt see you again.

The committee adjourned at 4.20 pm.