



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL  
TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

(Reference: [Annual and financial reports 2011-2012](#))

**Members:**

**MR Z SESELJA (Chair)**  
**MS M PORTER (Deputy Chair)**  
**MR B SMYTH**  
**DR C BOURKE**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**TUESDAY, 2 APRIL 2013**

**Secretary to the committee:**  
**Dr A Cullen (Ph: 620 50142)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

## APPEARANCES

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*Amended 9 August 2011*

## **The committee met at 2.30 pm.**

Appearances:

ACT Auditor-General's Office

Cooper, Dr Maxine, Auditor-General

Sheville, Mr Bernie, Director, Financial Audit

Stanton, Mr Brett, Acting Director, Performance Audit and Corporate Services

Prentice, Mr Malcolm, Principal, Financial Audit

**THE CHAIR:** I declare open this public hearing of the Standing Committee on Public Accounts inquiry into the 2011-12 annual reports. On behalf of the committee I would like to thank the Auditor-General and officials for being with us today. The proceedings this afternoon will focus on the ACT Auditor-General's Office annual report and will conclude at approximately 3.30 pm.

Can I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the blue-coloured privilege statement that is before you on the table. Could you confirm for the record that you understand the privilege implications of this statement?

**Dr Cooper:** I do.

**Mr Sheville:** I do.

**Mr Prentice:** I do.

**Mr Stanton:** I do.

**THE CHAIR:** Thank you very much. Can I also remind witnesses that the proceedings are being recorded by Hansard for transcription purposes and are being webstreamed and broadcast live. Before we proceed to questions from the committee, Dr Cooper, would you like to make an opening statement?

**Dr Cooper:** I would. Thank you for that opportunity. The 2011-12 financial year was a year of what we considered consolidation and preparation—consolidation in that we were focusing on our core business of delivering audits, both financial and performance. We had a significant challenge, however, to deliver the six performance audits as the overall program had lagged pending the new Auditor-General. However, we did manage to deliver our target number of six.

With respect to preparation, we needed to plan how to manage our financial audit resources so that we could deliver the 2012-13 financial audits in an election year. Our performance audits were not affected by the election cycle. If I can I will just run through a quick summary.

**THE CHAIR:** Sure.

**Dr Cooper:** The audit office completed six performance audits in 2011-12. These audits were selected after a thorough topic selection and consultation process which

also included consulting, of course, with the public accounts committee and other Assembly members.

The performance audits tabled included management of food safety in the ACT, monitoring and minimising harm caused by problem gambling in the ACT, whole-of-government information and communication technology security management and services, early childhood schooling, development application and approval system for high density residential and commercial developments, and management of recycling estates and e-waste. Also in that year we commenced or continued working on, and have subsequently completed audits on, emergency department performance information, ACT public service recruitment practices, grants of legal assistance, and care and protection system. All of these audits, as I said, have been tabled.

In terms of financial audits, in 2011-12 the audit office held a whole-of-agency workshop in November 2011. That was the first time such a workshop had been held. As a result of that we developed a better practice in financial reporting document. We do hold an annual briefing for agencies, but this was something to focus on better practice.

The audit office completed its annual program of audits of financial statements and reviews of statements of performance. We completed 75 audits of financial statements and 30 reviews of statements of performance—so over 100 audits and assessments.

In 2011-12 79 per cent of the completed audits were within the required timetable. Those that were not were largely outside our control. The acceptance rate of financial audit recommendations, at 92 per cent, was slightly lower than our target of 95 per cent, but just above the rate for the prior year of 89 per cent. This indicates that the audit office recommendations seem sound and that agencies are willing to improve their operations.

Please note that I have just shared with you some figures that are a little bit different from what appears on page 1 and page 27. What happened was that we flipped them when we transcribed them. In all other parts of the report, except on pages 1 and 27, the figures are correct, and the figures that I have just given you are correct.

We also found, being good auditors, in preparing for today, that there is one other mistake, on page 22, in the third paragraph. The sentence reads:

The percentage of statements of performance rated as unsatisfactory increased from 7 percent in 2009-10 to 30 percent in 2009-10.

Clearly, what we mean by the second one is that it should be “2010-11”. So I am sorry; we did make a few mistakes. Sometime later, in checking our work, we have corrected them.

With representations, we do get quite a few of these. We respond to matters from the Assembly and the community. In that regard you can see that our audit of the emergency department performance information was certainly a responsive audit.

With respect to managing the audit office, in 2011-12 we prepared a new strategic

plan to take us from 2012 to 2015. It is an overarching plan. Also, we were very pleased in that year that our internal audit arrangements were strengthened by the appointment of a new independent chair, and the committee resumed its internal audit activities. It had been adversely affected by the loss of a staff member in the previous financial year and for about a year it went into abeyance.

We have 39 staff; 37.9 FTEs. The audit office revenue is \$6 million and it consists largely of financial audit fees of \$3.7 million and an appropriation of \$2.2 million. Consistent with the cost recovery nature of our operations, we expect to generate essentially a break-even operating result.

You may be aware that we did apply for an additional appropriation of \$383,000 and we have been successful to the tune of \$250,000 for 2012-13. That will allow us approximately one more performance audit.

Moving on from that year, our plans for 2012-13 are to deliver timely and quality audits and in so doing contain costs and seek efficiencies. That is certainly one of our drives this year. We propose to table the following audits which are underway: homelessness, bushfire preparation and preparedness, parking operations, and recently we have committed to doing another audit that was not on our forward program—governance and administrative arrangements for the regulatory review of water and sewerage prices. We will be commencing other audits. However, they will be determined as a result of our forward audit program which we are currently developing.

We will complete a major review of our corporate policies and procedures. We have around 30 of those, and that is a significant task. We will develop procedures to implement the new Public Interest Disclosure Act. We will continue to give a very strong emphasis to communication. And this one is quite significant for us: we will undertake a routine review of our 2009 performance audit system. We will implement a new time recording system. We are recruiting new staff. And we anticipate that we will have some work as a result of becoming an officer of the parliament and some amendments to our legislation.

Mr Chair, thank you for allowing me to make those introductory remarks.

**THE CHAIR:** Thank you, Dr Cooper, for that. I might start with an issue that is very topical at the moment, and that is in relation to ACTEW. You might talk us through just what the role of the Auditor-General's Office is when it comes to either the financial statements or the annual report of ACTEW, given that there has been publicity about some incorrect reporting by ACTEW. Are you able to talk us through what the role of the audit office is in looking at those reports?

**Dr Cooper:** Yes, Mr Seselja. First of all, we do not audit the annual report of ACTEW. We certainly do audit their financial statements. Mr Sheville leads that so he can outline what the details are.

**Mr Sheville:** In relation to the specific schedule that there has been an error in, we do not audit the line-by-line schedule that appears as a corrigendum to ACTEW's annual report or in ACTEW's annual report. That falls outside the scope of our audit. Our

audit is confined just to the financial statements of ACTEW. But given the interest in that area, I am aware that towards the back of ACTEW's financial statements there is a disclosure of a one-line item for management remuneration. I am seeking information from our auditors who do that audit under contract for us as to what work was done in that particular area, because if there is a problem with the front of the report, potentially there is an issue with that one disclosure in the financial statements. So I have asked them to come back to me on that.

**THE CHAIR:** When were you alerted to the fact that there was a potential error in these financial statements, given what has been reported?

**Mr Sheville:** When I became aware that there was a problem at the front of the financial statements, I thought, "I'm aware that there is some disclosure, even if it is a one-line item at the back of those accounts; we should have a look and see if there's been something missed there as well." I am just trying to close that off, if you like.

**Dr Cooper:** It is responding to what we see in the press.

**Mr Sheville:** Responding to what I am seeing in the press, essentially.

**THE CHAIR:** So in responding to that public information, have you now sought clarification from ACTEW as to whether or not that figure is still correct?

**Mr Sheville:** No. I will be seeking information from the auditors who do the audit under contract for us and I will ask them what information they have about the information that is disclosed in the financial statements. There is a one-line item that shows an amount of about \$1.8 million sitting at the back of ACTEW's financial statements. I just want to see what that figure is and see that it has been correctly reported.

**THE CHAIR:** What are your options if the auditor informs you that in fact that number is incorrect that has been signed off? Do you then issue a clarifying statement? How does it work?

**Mr Sheville:** There are a number of options that can be taken. The first thing we would do is write to the estimates committee and let them know that there has been an error, and to ACTEW saying that there is an error in their financial statements and get them to correct that in their annual report. That would be a potential option, in the same way as they corrected the front schedule. It probably would not affect the audit opinion because it is just a one-line item in a very large business. \$1.8 million is not a lot of money on ACTEW's financial statements. So I am not sure in how much depth the auditors will have looked into that particular disclosure.

**Dr Cooper:** Either way, Mr Seselja, we will let the committee know what we find. So if we find nothing, we will let you know; and if we do find something, we will also tell you.

**THE CHAIR:** To be fair, it is possible that that number is correct; it just depends on how the error came about and how it fed into other financial statements, presumably?

**Mr Sheville:** My concern is that if there is an error at the front of the report that has been sourced from the same system, perhaps the same error has been made. I just wanted to close that off.

**Dr Cooper:** But at the moment we will wait and get the facts and then we will share them with you.

**THE CHAIR:** Great. Ms Porter?

**MS PORTER:** Good afternoon, Dr Cooper and everyone else. I note on page 60, under the heading “Workplace relations”, the results of the 2012 staff survey. It indicates that 73 per cent of staff advised that they were satisfied with their jobs and 93 per cent indicated that their work made an important contribution to the audit office’s success. Could you give us a brief overview of the process of gathering that information and also the review process, referring specifically to the office consultative committee?

**Dr Cooper:** Certainly. We hired a consultant to undertake the staff survey for us. So we are at arm’s length from it. There are questions. The staff also looked at the questions before they were sent out to the staff. So it is highly consultative and quite independent of management. The analysis takes place. Before we even consider the analysis in any detail we have a consultative committee and we say to them, “This is what the staff survey has found, warts and accolades, the whole lot. Help us now with some advice, please, as to what you think the executive should do to respond to this.” So it is an extremely open process.

It is interesting, Ms Porter, inasmuch as, although we have 73 per cent satisfied and 93 per cent contributing, so clearly there are some things working well—and this year our turnaround was 20 per cent and in the previous year it was 30 per cent—we still have 50 per cent indicating they may leave in the next two years. So you ask yourself: what can we do? I do not think we can do very much because in our office we are a bit of an hourglass shape, with quite mature people, very few in the middle and then a whole lot of the younger generation coming through, and we are a small office. So I think the best thing we can do is, if you like, be inviting to come back to. So maybe staff go away for a bit more experience but then the office is inviting enough for them to come back to. The younger generation wants different experience, and although we could grapple with a whole lot of things, I think we have to accept it and plan accordingly.

**THE CHAIR:** Is there much of a common thread in terms of where some of those younger staff are going when they leave? Are they going to the National Audit Office? Are they going to completely different areas?

**Dr Cooper:** It is a total mixture; that is my understanding. Also, we can benefit from the other officers in the private sector. There is a bit of a flow. So we are looking at it much more broadly than just trying to retain. We do want to retain staff. We have had, for instance, retention bonuses for the past few years. They do not seem to have had a significant impact because we still have the turnover. So we are rethinking how we juggle all of that. We give our staff an enormous amount of training. They would get good jobs after being with us for a while because of the high level of training that we



give them. It is about half a million dollars a year in training, including their own time. So it is about \$80,000 to \$100,000, just cash out, for training programs, and we sponsor them in a whole range of their professional areas.

**MS PORTER:** Is there an average time that these young people might stay?

**Dr Cooper:** It really varies. Of course, the other thing you get, even with more experienced staff, which we have recently had, is a change in lifestyle. So they might want to travel to Queensland or somewhere else. I just think we are a fluid society and it is about how we actually invite people, and to have a high enough reputation to want to work for us. Recently in our two recruitment rounds we have had a significant number of people apply for the PA auditors roles. For the financial ones, there were over 60 people for one position. So there is interest out there.

**DR BOURKE:** What is the quantum of the retention bonus that you talked about?

**Dr Cooper:** We do not use it anymore. We would be looking at their potential skills base and all of that. I have not applied it in the recent year, so I cannot answer that, in my time.

**DR BOURKE:** What was it when it was active?

**Dr Cooper:** It would vary, anywhere from a couple of per cent up to five or maybe 10 per cent, depending on the person. What you can sometimes do is you will get a younger person join you and they will join you at a very low salary base, but within the year of being with you, they may enhance their skill base enormously so that they can actually jump to a more senior position and they will be given more accountability. So you try and match whatever the bonus is for retention with their performance. But this year, because of the climate and because of the staffing, I think retention bonuses are something that we need to park for a while. They did need them at other times in the audit office, but we are parking them.

**DR BOURKE:** Are you doing any independent exit interviews?

**Dr Cooper:** Yes, we do all of that. We do the annual staff survey. I think it is much more about career, the type of generation we have got. I think it is more than the audit office. I think it is more of a societal issue about how people want to work now. We have flexible working arrangements. In one of our new policies we look at working from home, although that is really problematic for the audit office, because mostly you are sitting in different agencies and auditing. So to work from home is a bit problematic. We do try and foster all of those kinds of incentives for people to work with us.

**DR BOURKE:** Who does the exit interviews for you?

**Dr Cooper:** Usually it is a staff member within—because otherwise it becomes a bit expensive.

**Mr Stanton:** We manage those surveys in-house. We have a template. Usually it is a director who will apply that survey to the exiting staff member.

**MS PORTER:** I can recall a few years ago doing an exit interview with a young person who worked in my office. I just mentioned that the period of time in my opinion had been quite short, and the person said that she had been with me for a long time. I think that perception of what is a long time and a short time is definitely changing in the workforce.

**Dr Cooper:** Absolutely. From our perspective, the problem we have is that auditing is, like many other things but particularly auditing, a skill base. So in their first year with us people will actually get a lot of training to use the systems. Also a performance audit takes at least nine months, so you would hope to have them there for that, because if they leave halfway through, sometimes you have to repeat the work.

**MS PORTER:** On page 64 it talks about undergraduate and postgraduate prizes for students at the University of Canberra to raise awareness of employment opportunities provided by the audit office. Are there many students who are coming through that program and do you think that is working?

**Dr Cooper:** We do get students through those programs. It is a mixture. It depends upon which particular year. For financials, you can pick your stream where you are getting them from much more easily than you can for performance. Performance has a wider remit in terms of a professional area.

**Mr Sheville:** The purpose of this particular sponsorship is to perhaps put the name of the audit office out there at the university. The reality is that none of the students we have given the prizes to have actually ended up in our organisation. The amounts involved are really not enough to do anything other than recognise the academic performance of an individual. In many cases it is that recognition which is more important than the money. We think that for a small amount of money it is useful to put our name out there in our local university to see whether someone might express an interest. The major problem with a small office like ours is that, unlike our competitors such as the ANAO or maybe the high profile government departments or some of the high profile private sector firms, our name is not as well known. It is just one way of doing it.

**Dr Cooper:** This is a tangential but related thing. It is interesting that we, for instance, in our performance area, have 1.4 people per performance audit that we produce. So we have about 10 people. The ANAO have 2.1 people per performance audit. So it makes me reflect that, clearly, I think we give value for money; it is about engendering, if you like, for each performance audit a bit of a high energy level, to get it done but without burning out people. It really is an intimate working relationship—trying to get performance that way, too.

**Mr Sheville:** I think the typical experience in the private sector firms, when I talk with colleagues in the private sector, is that the best they hope for from a graduate is to hang on to them for maybe three years. That is about how long it takes for them to complete their postgraduate qualifications, and after that they can be employed in so many different areas that it is very difficult to compete from that time forward.

**Dr Cooper:** There is a significant advantage to having a bit of a turnover—that is,

they bring new ways of looking at things and they really like to challenge and they fire up. We have had some fantastic discoveries through our new graduates challenging the establishment as to why we are doing certain things. They have been able to approach it in a very different way that has been highly constructive. So there is a downside but there is an upside too.

**DR BOURKE:** Dr Cooper, could you go into some more detail about your process for choosing audit topics?

**Dr Cooper:** Sure. We actually have criteria, and we can give those to you. It starts with how our staff are actually employed on a daily basis. We give portfolios to different staff. So what is happening across the territory is monitored. There will be somebody who has the portfolio responsibility for TAMS, Health, and they go to their internal audit committees. They are also charged with scanning issues associated with those portfolios. Then we will look at what are the key issues. We will look at what is appearing in the Assembly, the media, and we also look at our representations. Sometimes we will get one or two representations on a particular issue, but sometimes we will get a lot more than one or two, and it will raise concern for us.

These are my topics in terms of focus areas. I, particularly in my time as Auditor-General, want to make sure that every audit we do in terms of the program brings the greatest benefit for the community, it improves services and programs, assists the disadvantaged and vulnerable. It is also about, as you will see by the audits we have already done, developing the next generation, so that all kids get a “fair” go, advancing sustainable practices, and minimising waste. They are on top of what are considered normal performance audit criteria around significance and materiality. I can go through all of that, be it financial or be it impact. There is a whole suite of criteria that we apply. So we are scanning; we apply criteria.

Also, in our legislation, section 12(3) looks at environmental significance. So we are mindful of that in the legislation. We also look at risk to good management. For instance, if there has been a structural change across the government, there might be an area that we would look into because of the changes that have gone on. What we then do is look at the potential impact. One of those is: is it auditable? Some things you may not be able to audit; with others you may. Will it have the kind of impact that you would expect from the investment? Because each audit does take a couple of hundred thousand dollars, usually.

We then put together a draft program and we give it to the public accounts committee. We ask the public accounts committee to then circulate that to see if other people have ideas on what they would consider a priority. We also talk to the head of each agency about what are some priorities. We then come up with a program, realising that we now will be able to do seven. Conceptually we try also to cover different agencies. It is roughly, I would say, over a three-year period. So with about 21 audits you get a pretty good coverage across all the different portfolios.

That is how we do it. Then we really start doing work. We do not commence the audit then. We will do background papers to try and figure out the criteria. So there is a whole lot of work before we even think about what the criteria for the audit are that I then sign off on, to then commence the audit that you people end up having presented

to you.

**DR BOURKE:** How do you balance completing your projected program with those unanticipated audits that arise, as well as factoring in the management of your resources?

**Dr Cooper:** It is the significance of the likely impact of the audit and the issues that it is looking at. Clearly, the emergency department was one that was of high importance to the community, to the Assembly, it affected money and it affected a lot of members of the community as well as being of interest to the community. So that one we gave priority to. It is really about balancing what is in front of us. More recently we have given priority to one for water and sewerage pricing. Because of issues that came to us through the financial audit process, we have picked up some issues that we want to make sure we look at. We consider that is something that the Assembly would probably want to know about.

**DR BOURKE:** In the performance audit program for 2012-13, and potential audits for 2013-14 and beyond, a potential audit is into the government grants program. What scope do you as Auditor-General have to go beyond the administration of grants into their effectiveness and how well non-government bodies are managing in applying their grants?

**Dr Cooper:** Dr Bourke, that is an excellent question. I think we can look forward to the amendments to our legislation. It is around following the dollar through: how far do you go? We mainly stop at the door, or we should do, unless we have their cooperation. For instance, when we did the audit of the hospitals, it was only through agreement that we were able to audit the Calvary hospital. If they had said no, we had no jurisdiction. But they gracefully opened their books to us.

In our new legislation, amendments 13C and D are quite interesting inasmuch as to follow the dollar in the ACT we can do it but we can only do it if the minister or the public accounts committee ask us to conduct a performance audit in that arena. We are going to have to get legal advice, but the way the legislative amendments are looking is that, unlike other jurisdictions, we actually have to, if you like, have the minister or the public accounts committee ask us to go in that direction. It is good that we now have the ability, if we are asked to do that, and then we can make a decision.

**DR BOURKE:** What is the contrast with other jurisdictions?

**Dr Cooper:** In other jurisdictions the Auditor-General just makes the decision. There can be nervousness around “the Auditor-General will go off and look at all these small grants”. I would say generally we will not because you would only pick issues of significance. You would not go off and do something or focus in this arena all the time.

**THE CHAIR:** At the moment, if asked, you can follow the money; is that right?

**Dr Cooper:** No.

**THE CHAIR:** You can't?

**Dr Cooper:** No, we can't.

**THE CHAIR:** Not even if asked by the minister or the public accounts committee?

**Dr Cooper:** Not unless the auditee agrees. For instance, with Calvary hospital, they agreed that we could do the same audit on them that we did on the Canberra Hospital. And there are good reasons why you would want to know, in terms of the public moneys.

**THE CHAIR:** What you would like to see is that ability to do it, and that would extend to other non-government organisations? The most obvious would probably be in the education sector.

**Dr Cooper:** I would imagine prudence would say that we would only ever apply this for really significant grants. It would not be worth the money for really small ones, unless, of course, you detected there was fraud or something going on. As I said, in order to action that, it is the minister or the public accounts committee that have to hit the trigger to start that.

**DR BOURKE:** And that does not happen in other jurisdictions; it is at the Auditor-General's discretion?

**Dr Cooper:** Yes.

**THE CHAIR:** On page 25 it states:

The Audit Office was unable to issue audit reports on the financial statements and reports of factual findings on the statements of performance of two new territory authorities ...

And you list those:

... (ACT Compulsory Third-Party Regulator and ACT Teacher Quality Institute) because these authorities did not prepare the financial statements ... required by the *Financial Management Act 1996*.

Is there a reason why those agencies did not provide those statements?

**Mr Sheville:** In relation to the ACT Compulsory Third-Party Regulator, I believe it was an oversight. It was just a plain and simple oversight. They did not realise that it was an authority that required a full set of financial statements and a statement of performance to be prepared. As an interim measure they did prepare a revenue and expense statement, which we did audit. It does not meet the requirements of the FMA but at least it went some way to having some of the transactions audited in that particular authority. With the ACT Teacher Quality Institute it was actually an error that it was ever made an authority. I believe that since then that has been rectified by having it taken off the list of authorities that need to be audited.

**THE CHAIR:** What was it that led to them—they were not meant to be made an authority?

**Dr Cooper:** That is correct.

**Mr Sheville:** It was not the intention when it was set up for it to be audited. So the management was unaware that they needed to do all of these things like prepare a set of financial statements or have a statement of performance. They did not prepare a set of statements at all, so we could not give an audit opinion on it as required by the Financial Management Act. Since then the issue has been resolved because the ACT Teacher Quality Institute is no longer required to have an audit, which is what the original intention for that entity was. In relation to the ACT Compulsory Third-Party Regulator, we now audit a full set of financial statements for that.

**THE CHAIR:** In relation to the Compulsory Third-Party Regulator, who brought it to their attention that they needed to comply with that piece of legislation?

**Mr Sheville:** It is going back now. I cannot recall the specifics. It is quite possible that we raised the issue, going down the list of authorities, but I would need to go back and check my information on that.

**DR BOURKE:** And that would be part of your role, would it not?

**Dr Cooper:** Yes. If we find out that there is an authority created, under the FMA we go through and check all of that.

**Mr Sheville:** It is most likely that that is how it did happen.

**MS PORTER:** Dr Cooper, at the bottom of page 66 it talks about Aboriginal and Torres Strait Islander reporting. It says that no staff member has advised that they are an Aboriginal or Torres Strait Islander. Are there any ways that you encourage, seek or even identify positions that could be filled by an Aboriginal or Torres Strait Islander person?

**Dr Cooper:** Your question poses a degree of confidentiality. The wording here was chosen extremely carefully. It does not mean we have not got one of those people in our workforce. It says:

No staff member has advised that they are an Aboriginal or a Torres Strait Islander.

There are some people who may be of a particular category but we do not ask them unless they tell us. So it gets a bit complicated but we certainly would be supportive, as we are—we would be one of the most diverse offices out there. Of course, in terms of Aboriginal or Torres Strait Islander people, we would embrace people to join us. In my time I think it is the first time that the office has explicitly targeted this particular group in our audits. For instance, when we did the early childhood schooling, we segmented out the impact on this particular cohort. There was another one that I cannot remember—one of the other PAs.

**Mr Stanton:** Care and protection system.

**Dr Cooper:** Care and protection—for both of those. Given my background, our first nation people are certainly at the forefront of my mind. But here the wording has been chosen carefully.

**MS PORTER:** I would not want you to disclose anything. I was just interested to know whether there is an active program within the office.

**Dr Cooper:** There is not an active program of encouraging Aboriginal and Torres Strait Islander people, but we certainly would embrace anyone who was from any culture who had the potential to work in our office.

**DR BOURKE:** You have 39 staff. Your capacity to have a significant impact on the ACT public service Aboriginal and Torres Strait Islander employment strategy, which has the goal of doubling the number of Aboriginal and Torres Strait Islander staff in the ACT public service by 2015, is reasonably low, although I do note that Indigenous, Aboriginal and Torres Strait Islander, accountants, do have a small group. You might be able to explore, as a result of your relationship-building exercises, the opportunity for those people to become aware that you are looking for people when next you seek to hire.

**Dr Cooper:** We would more than happily do that, but we might be of equal if not more value to them by continuing, wherever we can, to make our contribution to this particular cohort in our society by pointing out where things are not working and where there might be big issues. We are happy to do all of that, absolutely.

**DR BOURKE:** That takes me back to my previous set of questions around the non-government bodies and their management and application of grants. Have you had any representations from the community regarding non-government organisations' grants management and application?

**Mr Stanton:** Yes, we have; not in 2011-12, as I recall, but more recently, in 2012-13, we have had some representation from the community services sector. The representation is in the nature of systems and processes employed by a particular ACT government directorate in managing the funding agreement and contract. We took that information on board. We noted that it aligned with what we were thinking in relation to this audit of what was previously referred to as grants management, but now we are referring to it as community services funding arrangements—a slight change in the nomenclature of the audit but it is much the same thing, around the directorates' systems and practices for managing these service agreements, satisfying themselves that the recipients are achieving the financial and performance requirements and obligations on them. So we noted that the representations aligned with what we were thinking and we hope to undertake that audit at the earliest opportunity and make some findings and recommendations in relation to that, if necessary.

**THE CHAIR:** Page 10 of the annual report talks about some highlights. It says that several audits were not completed by the required timetable and that this was largely due to factors outside the control of the office. Are you able to talk us through what were some of those audits and what were some of the factors that led to them not being completed in the required time frame?

**Dr Cooper:** Certainly. They are all financial audits. Mr Sheville can talk about it.

**Mr Sheville:** Page 161 of the annual report, in our statement of performance, provides a list of the major agencies' audits where we were unable to meet the timetable—the Economic Development Directorate, the Environment and Sustainable Development Directorate, Community Housing Canberra, Totalcare, the Canberra business development fund, and Crace and Forde joint ventures. These audits were delayed because the financial statements were not provided to the audit office on time. We are unable to give an audit opinion unless we actually receive the financial statements on time. So if they provide the financial statements late, the chances are that we may not meet the timetable that we have agreed with those particular entities.

The audits of the Canberra Institute of Technology, CIT Solutions, Woden East, the University of Canberra and the ACT Public Cemeteries Authority and the associated perpetual care trusts were delayed because their financial statements had errors and they needed to have time to correct them. So rather than issue potentially a qualified audit opinion on the financials, we give them the opportunity to correct them so that their annual reports at least contain the corrected financial statements.

For the Lyons estate redevelopment joint venture, we held that audit back. It was the only audit that we actually held back because we needed to complete the audit of two new directorates that had an earlier time frame. So we put that audit back and we dealt with the larger directorate audits.

**THE CHAIR:** Going back to those ones where they did not provide the financial statements on time, what were the reasons given? Were there adequate reasons as to why those financial statements were not provided to you on time?

**Mr Sheville:** In most cases we will not be told the reasons why they are late. We know they are late. For example, entities that are caught by the whole-of-government reporting timetable generally know when they have to provide them to us. In other cases, it could be a combination of resourcing issues. I know for many directorates these days they struggle because the budget process also impacts on their ability to prepare financial statements. I think we have a later budget these days, so you have the same people trying to deal with the budget that would be normally into financial statement preparation mode. They are the sorts of things that tend to cause problems. But we would not get the reasons. Typically we would let them know that they were late and it is for them to work through the reasons for that.

**Dr Cooper:** The team, early in the financial audit season, will actually develop a proposed plan for when things should arise. So it is all very well planned. If they miss a particular date, it has knock-on impacts on other audits because we move the team for a week here or two weeks there; then we move them somewhere else. So if an agency is delaying things, we do not have staff sitting around. Because we charge a fee for the financial audits, we will then move them somewhere else. So it can become quite complicated if they start missing these times in a significant way.

The other thing I will say in support of the team is that they will go all-out. They often work on weekends. There is a whole lot of things that happen. If agencies are delaying things a bit, they will try and help them to still make their time.



**THE CHAIR:** How late are we talking about? Are we talking about a few days, a few weeks or a few months?

**Dr Cooper:** It varies.

**Mr Sheville:** It varies. Sometimes a week or sometimes a few weeks.

**THE CHAIR:** So what is the range? We are talking about a number of agencies here; what was the range, roughly? What was the longest delay in getting financial statements?

**Mr Sheville:** In most cases we would get the statements within a couple of weeks of the timetable, but with the timetable for agencies that are caught by the whole-of-government timetable, we get the statements in late July. We have to complete the audit of about 55 agencies by 16 or 17 September. That is only about eight weeks. So if you are two weeks late, it has a big impact. There is a lot of effort that goes into trying to get agencies into a position so that they can give us their financial statements on time. We review their shell financial statements and we discuss any major issues. So we try and pin down the issues in the period leading up to the financial statements. But even so, sometimes, despite our best efforts, the agencies still struggle to provide us with their financial statements on time.

**THE CHAIR:** In these cases the financial audits still occur; they are just not done within the required time frame. Is that correct?

**Mr Sheville:** The audits were completed in time for them to meet their statutory reporting time frame. Where an annual report applied, they still had their annual report out on time. So there was no delay in terms of those agencies reporting publicly. But the statements were late relative to the time that they should have had them audited.

**Dr Cooper:** That is actually a workflow issue, as you would appreciate, because when they are late like this, you will see our office staff there for weeks, around the clock.

**Mr Prentice:** With the Economic Development Directorate and the Environment and Sustainable Development Directorate, those two directorates were only created on 17 May, under the government admin restructure. So it came as a bit of a surprise that they actually had to prepare financial statements. That led to a lot of the delay in putting them together. They were still trying to come to grips with what they actually had to report. So that was the major reason for those two. In terms of Crace and Forde, they were only a week late. That was due to the joint venture not having the information ready. With the other audits, Community Housing is one that is normally done in October. I think it was a week or two late. The biggest issue was with the creation of the two new directorates and trying to get them up to speed.

**DR BOURKE:** So you worked with them to achieve that?

**Dr Cooper:** We try very hard to, but we have to draw the line sometimes. We are the auditors; we do not want to become part of their financial team. There is a fine line

where you say, “You’ve been getting this statement wrong so many times. You get it right before we audit it.” So there is that fine line, but we particularly do try and get everybody across the finish line because we assume what the Assembly wants to know is the truth, and the truth is that maybe they are managing everything right and they just have not documented it the way they ought to be, and declared things the way they should. Particularly with the smaller agencies, who do not have the financial capabilities that the larger agencies do, I have noticed my colleagues certainly trying to nurture them across the finish line.

**Mr Sheville:** Smaller agencies typically may have an office manager who does not have a strong accounting background, and they need a little bit more help to meet statutory reporting requirements. So they get a bit more help from us. Our teams are obviously around all of the agencies, so they become very familiar with these requirements. In that sense we are trying to get them to have the best possible set of statements within the limited time frames that they have. The smaller agencies really do struggle to meet their reporting requirements.

**Dr Cooper:** However, having said that, we will struggle to help everybody to achieve what is needed. But if the time increases and there is a particularly high demand on us, we will ask for additional fees.

**DR BOURKE:** Dr Cooper, what is your process for releasing audit reports to the media and the public in terms of advising stakeholders and making the report available to the public and issuing a media release?

**Dr Cooper:** That is another good question that we have been grappling with. I will talk about the performance audits first. The performance audit is the one I am assuming you are particularly focused on.

**DR BOURKE:** Yes.

**Dr Cooper:** We have the philosophy that the report should speak for itself. So we try and write a report that anyone can read and understand what the essence of the report is. We will issue a press release that alerts everybody that the report is there and we put it on our website. Then we will circulate it to some key stakeholders. As you know, the Assembly members get it, heads of agencies sometimes, depending on who is affected, will get it. We also tell external auditors-general, and we leave it at that, because most of the time it is picked up in the media and the discussion occurs.

We have been grappling with the whole issue at the moment about whether or not that is sufficient. The ANAO has our approach. But there is one Auditor-General that does a much smaller approach but does a lot of media. My concern with that approach is consistency in what is then reported. At least if it is all written down you have got the composite story there, not what might be reported just in the media or through press release or press statements.

**DR BOURKE:** Are you suggesting that is not the full picture?

**Dr Cooper:** Yes, I am. The media, of course, will be selective. So we have been grappling with that. The other thing, since you have raised this issue of the

community, that we have been grappling with is this: we put a call out to the Assembly members as to what should go in our forward program, as we do with the agencies. Should we put a call out to the broader community for what goes in the performance program? If we do that, there is a high probability that we will get a lot of complaints. We are not a complaints body. The Ombudsman is the complaints body.

We do a lot of environmental scanning through the committees, through the papers. You people give us information. So is our scanning sufficient to pick up issues that are of interest to the community without doing a major community call? We are still discussing that. We are about to, for our performance audits, review the 2009 processes and procedures that we have in place to say: can we do it differently and would that improve things? I am sorry to be vague but it is certainly a question that we have grappled with at both ends, as to whether we are doing it effectively and whether we should have a Twitter page or something else. The problem for us is that the moment you do something in that space, you have to resource it, and are we better off resourcing the performance audit processes that we currently do rather than taking a resource from that to manage communication—although communication is critical to us.

**DR BOURKE:** You also seem concerned about losing the depth of your reporting through that process—the capacity for light and shade?

**Dr Cooper:** I am. They might be a more weighty tome to get through, but mostly we try to cover everything so that any of the questions people have can be found in there. I am very obliging to the media or anyone if they were to phone the office and say, “Could you please tell me where to find this” or “What are you saying about that?” We will then refer to parts of the report.

**THE CHAIR:** There being no further questions, thank you very much for your time. Answers to questions taken on notice at this hearing—I do not think there were any—are due with the secretariat within two weeks of the proof transcript becoming available. Written supplementary questions from members should be provided to the secretariat within two working days of the proof transcript becoming available. If the committee has any supplementary questions following on from this hearing, they will be forwarded by correspondence. Answers to supplementary questions should be provided to the committee secretariat no later than two weeks from the date of receipt.

On behalf of the committee I would like to thank you, Dr Cooper, and officials for being here with us today. When available, the proof transcript will be forwarded to witnesses to provide an opportunity to check the transcript and suggest any corrections. I now formally declare the public hearing closed.

**The committee adjourned at 3.23 pm.**