



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

(Reference: [Annual and financial reports 2012-2013](#))

**Members:**

**MR B SMYTH (Chair)**  
**MS M PORTER (Deputy Chair)**  
**DR C BOURKE**  
**MS N LAWDER**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**FRIDAY, 13 DECEMBER 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.

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## **Privilege statement**

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*Amended 20 May 2013*

## **The committee met at 2.00 pm.**

### Appearances:

Barr, Mr Andrew, Deputy Chief Minister, Treasurer, Minister for Economic Development, Minister for Sport and Recreation, Minister for Tourism and Events and Minister for Community Services

#### Chief Minister and Treasury Directorate

Nicol, Mr David, Under-Treasurer

McAuliffe, Mr Patrick, Director, Investment Branch, Investment and Economics Division

Doran, Ms Karen, Executive Director, Investment and Economics Division

#### Commerce and Works Directorate

Smithies, Ms Megan, Director-General

Thompson, Ms Kirsten, Director, Corporate and Governance

Divorty, Ms Jill, Executive Director, Shared Services

Major, Mr Peter, Senior Manager, ICT Security

Tomlins, Mr George, Acting Executive Director, Shared Services Procurement

McLean, Mr Allan, Acting Director, Strategic HR

Whale, Mr Andrew, Director, HR Services

Wickman, Ms Dani, Director, Territory Records

Salisbury, Mr Kim, Director, Revenue Management Division

#### ACTTAB Ltd

Curtis, Mr Tony, Chief Executive Officer

Quinlan, Mr Ted, Deputy Chair

Snowden, Ms Kayelene, Executive Manager, Finance and Business Services

#### ACT Government Procurement Board

Overton-Clarke, Ms Bronwen, Chair

#### ACT Insurance Authority

Fletcher, Mr John, General Manager

**THE CHAIR:** Minister, officials, good afternoon and welcome. I now formally declare open the public hearing of the Standing Committee on Public Accounts inquiry into 2012-13 annual reports. We would like to thank you for being here. I know how much you enjoy it, as do we.

Proceedings today will commence with an examination of the Chief Minister and Treasury Directorate and the Treasury Directorate for the period 1 July 2012 to 9 November 2012 and Treasury Directorate financial statements as they relate to the following matters: borrowings and fund management and insurance policy. Then we will move on to the Commerce and Works Directorate, ACTTAB, territory records, procurement and the ACT Insurance Authority.

Can I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement before you on the table.

Can you confirm for the record that you understand the privilege implications of the statement?

**Mr Barr:** Yes.

**THE CHAIR:** They all have done so, fantastic. Can I also remind witnesses that the proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast live. Before we proceed to questions from the committee, Treasurer, would you like to make an opening statement?

**Mr Barr:** No, thanks. We will proceed to questions.

**THE CHAIR:** Page 173 of the Chief Minister and Treasury Directorate annual report has a couple of references to the law firm King & Wood Malletsons for legal advice in regard to territory borrowings. Has that advice now been concluded?

**Mr McAuliffe:** We utilise King & Wood Malletsons, as I say, for legal advice for our issuance program. Essentially what that advice is around is a transaction-by-transaction basis if we are outside doing a review of the actual program. So if we go and issue bonds into the marketplace, there are a number of documents that need to be drawn up in relation to that bond issuance, a subscription agreement and pricing supplements, those sorts of things. So we use them basically on an as-needs basis through that process.

**THE CHAIR:** Why was it single select? Was that just because of the value?

**Mr McAuliffe:** It was basically around their expertise in that particular area back at the time when we did that.

**THE CHAIR:** And what findings were made or issues resolved as a result of this, in fact?

**Mr McAuliffe:** They have actually helped us facilitate the legal documents that go with our debt issuance. It is something that we have had, in agreement with the Government Solicitor's Office, because they do not actually have that particular area of expertise. They have agreed that we utilise external advice in this area.

**THE CHAIR:** Ms Porter has a supplementary.

**MS PORTER:** Yes, with regard to borrowings, minister. At page 52, there is a reference regarding borrowings. How prudent do you think borrowings are for the ACT economy? What are your decisions around those sorts of things, Treasurer?

**Mr Barr:** We are—

**THE CHAIR:** Sorry, let me clarify the question. Is the question: Treasurer, did you make prudent decisions?

**MS PORTER:** It is Friday afternoon. He is a bright man. He can work out my English.

**Mr Barr:** Sorry, I take the question to be in relation to the borrowings the government has undertaken. Are they prudent? In short, the government has undertaken a program of borrowings to fund our infrastructure priorities. The government has certainly determined that for the short and medium terms further economic stimulus to our economy through investment in productive infrastructure is important not only to continue the city's economic growth but also to provide opportunity for the private sector to continue to grow. So we have targeted our infrastructure program carefully and recognised that, at this time, future infrastructure works require us to borrow in order to finance them. It is a good time to borrow, given historically low interest rates. And we have been successful in achieving good outcomes when we have approached the market.

We are one of only two Australian jurisdictions with a AAA credit rating on a stable outlook—the ACT and Victoria. That credit rating was recently reaffirmed, indicating that our borrowing program is appropriate and is measured but, at the same time, is supporting economic activity in the economy.

**MS PORTER:** So why do you think it is that there are only two? In reference to ourselves, the territory has a AAA rating. What is different about us?

**Mr Barr:** Obviously there are a number of factors that the ratings agencies look at in making those determinations. It has certainly been clear from our discussions that the territory's taxation reforms, our track record of delivering on our budget outcomes, have certainly put us in a favourable position. We have low levels of debt compared with other jurisdictions. When you look at future revenue streams to the territory compared with some of the other jurisdictions that are experiencing difficulties—and they can include resource-rich economies like Western Australia or economies that face other challenges, South Australia and Tasmania in particular—the ACT is well placed. That is not to say that we are given a blank cheque or that there are not limits on the capacity that the territory has to borrow.

I think we are entering into a period of somewhat more maturity in the public debate around government debt. And it is amazing how debt crises left us behind in the month of September. The federal government is now encouraging states and territories to invest in infrastructure and look at a variety of ways to finance that.

**THE CHAIR:** Dr Bourke.

**DR BOURKE:** Minister, could you explain how the approval of the CTP insurer licences for GIO, AAMI and the Australian Pensioners Insurance Agency has changed the CTP market in the ACT?

**Mr Barr:** It is certainly a welcome addition of competition and innovation in terms of product offerings. We are pleased at this point with the entry of the Suncorp group and their various brands and various insurance products into the market. They have obviously committed in a significant way to engagement with this economy and with this community. The announcement of GIO as the major sponsor for Canberra Stadium is, I think, a further sign of that longer term commitment that they are making to the community and to this economy.

Obviously you see some fairly aggressive marketing already around discounts on CTP for drivers in particular categories, and we do look forward to further competition and innovation and further reform of the legal framework around CTP in the territory in the coming months and years.

**DR BOURKE:** Could you tell us a little more about what you mean by “innovative product offerings” and what is being offered, what could be offered or what is offered in other jurisdictions?

**Mr Barr:** I guess what you are seeing is bundling of the variety of insurance products, which is allowing multi-policy discounts, rewards for good driving behaviour, some pricing signals into the marketplace, to ensure better outcomes. We are also seeing innovation in the context of claims management, processing and working with the various parts of the industry who, if you like, pick up the pieces and rebuild both property and people in the aftermath of accidents and the like. Having another major player experienced in the industry and in a range of different segments of the market too helps keep everyone on their toes and leads to better outcomes for Canberrans.

**DR BOURKE:** Would further legislation help in this area?

**Mr Barr:** I think there is scope for further reform. No-fault schemes have particular attraction. Again, what we are interested in is a continuation of work with the Victorian and New South Wales governments in particular, recognising that there have been some delays in some decisions taken in New South Wales that have perhaps slowed that work a little. But still I think it leaves plenty of scope for the ACT to progress its thinking in this area.

**THE CHAIR:** Ms Lawder.

**MS LAWDER:** I have a question about the territory bank account. Some time ago, in 2011, the Chief Minister talked about changing the banking contract. In November of 2011, she said that the successful bank that wins that contract needs to offer socially responsible banking products like low interest loans. Can you tell me whether, as a result of the government’s new bank contract, the working poor now have access to low interest loans.

**Mr Barr:** We have worked with Westpac in relation to a number of different products. That work has involved the Community Services Directorate as well. There are a range of different product offerings. I am happy to provide the committee with some more details of the specifics of those, but that was one of the outcomes that we were pleased to be able to progress. We certainly note and acknowledge the very strong interest that Westpac have brought in terms of their corporate social responsibility and their charter, and the strong commitment from the top of the organisation. The conversations and opportunities I have had to discuss this with Gail Kelly and her senior management at a national level and here in the ACT have been very encouraging, and we look forward to further partnerships with Westpac on a range of innovative programs.

**MS LAWDER:** Are you able to tell me or take on notice how many people may have

qualified for such loans and what the interest rate was?

**Mr Barr:** Sure. We can provide some detail on that.

**MS LAWDER:** Thanks. And the maximum amount that can be borrowed?

**Mr Barr:** Yes. It varies under the different programs.

**THE CHAIR:** On page 21 of volume 1 of the Chief Minister and Treasury Directorate report, it says, in relation to strategic objective 8, investment returns meeting or exceeding the benchmark, that the benchmark was 3.2 and we achieved 4.9 per cent against the benchmark. What is driving that, and has that continued for the first half of this financial year?

**Mr McAuliffe:** In the territory bank account structure we have got three portfolios—basically straight cash funds, a cash enhanced fund and the fixed interest fund. The bulk of the money is in the cash enhanced fund. A lot of the strategy behind the cash enhanced fund is actually—there is a lot of exposure to credit. When we say “credit”, it is actually high rating credit, things like mortgage-backed securities and those sorts of things. A lot of those securitised products written post GFC were done at very high yields. That is what has driven most of the return there. Going forward, as markets realign and the credit spread has come in a bit, you probably will not see that extent, that sort of spread.

**THE CHAIR:** So the benchmark for this financial year is still 3.2 per cent?

**Mr McAuliffe:** The benchmark is a standard market benchmark, called the bank bill index; that is an independent benchmark.

**THE CHAIR:** What is the split between the three funds in terms of the amount in each?

**Mr McAuliffe:** In terms of the amounts?

**Mr Barr:** It is \$163 million in cash, \$815 million in cash enhanced, and \$238 in fixed interest.

**Mr McAuliffe:** That was in June. It is roughly the same at the moment. It has not changed too much.

**THE CHAIR:** Is it the intention to keep that sort of spread?

**Mr McAuliffe:** For the foreseeable future, yes. We will, obviously, keep an eye on how those things are going. But to the extent that the cash enhanced fund, whilst it has got that extra credit exposure, is not considered to have unduly excessive risk, you are probably getting a better return out of that. The cash fund is there really for any of our agencies that have invested and want something that is directly liquid, at call. It meets that sort of requirement.

**THE CHAIR:** And the progress so far this year?



**Mr McAuliffe:** In terms of returns?

**THE CHAIR:** Yes.

**Mr McAuliffe:** The cash enhanced fund year to date return—these are year to date numbers—is 1.51 per cent versus a benchmark of 1.13. The cash fund has the same benchmark; it is a return of 1.21 versus 1.13. The fixed interest fund is basically 89 versus 88—0.89 versus 0.88. That is a lot lower; interest rates have been increasing over the course of this financial year, so that brings it out of negative impact on your returns on fixed interest bonds.

**THE CHAIR:** What do you expect the negative impact to be?

**Mr McAuliffe:** If you look at that return compared to the shorter term cash investments, you can see the difference. That is the sort of drag that has come about year to date.

**THE CHAIR:** What is the strategy into the future if there is a softening? Will you be seeking to shift the balance?

**Mr McAuliffe:** If need be, we will just keep the money shorter. At the moment, with the fixed interest only, as I said, there is only \$160 million-odd in it. That is really any money that is there for that longer term. If you look at the return over not the short term but a longer period, since inception, that fund has returned 6.2 per cent. The equivalent cash enhanced fund has returned 5.8 per cent. That is since inception, going back to the 2003-04 sort of period. So you can see that over time you get that longer return from that type of strategy.

**THE CHAIR:** Strategic indicator 2 below that talks about the target of about 30 per cent. Are we meeting that?

**Mr McAuliffe:** Yes. At the end of the year we only had about 10 per cent in shorter term. The reason for that is that when we have undertaken the borrowings over the last year or so, taking advantage of the low interest rate environment, we have locked in fixed interest rates.

**THE CHAIR:** Is that 10 per cent still consistent for the first half of this financial year?

**Mr McAuliffe:** Yes; we have not issued any new debt.

**THE CHAIR:** So it has not changed. Ms Porter.

**MS PORTER:** Treasurer, on page 57, it talks about the government's responsible investment policy. Could you or Mr McAuliffe explain that policy to us.

**Mr McAuliffe:** Since the policy was announced, there has been lot of work to fully implement the arrangements. Step one, the easy thing, was the prohibited investments that were provided for in the policy. That simply required instruction to our managers

to make sure that they amended their investment agreements, that they are not to hold those particular investments. That gets reported back to us monthly—confirmation that that is the case.

The next step in the process was that we looked at our share voting arrangements. One of the criticisms previously was that we were letting our managers do the voting. You could end up with situations where you are potentially getting two managers voting different ways. We thought, “Let’s redress that by getting the government to have its own share voting policy.” We went through a tender process to appoint a voting adviser. That is ISS, Institutional Shareholder Services. That was the first step. They provide voting advice to the industry. They have got different levels of policy where they analyse all voting items and make a recommendation. Then, depending on what your structure is, you can take that recommendation and follow it or vote against it.

In consultation with them, we have identified a share voting policy. It is called a sustainability policy. It has been developed by ISS really around investors that are signatories to the principles for responsible investment. Given that the territory is a signatory to the PRI, the starting point is that we think that is probably a good alignment. So we have taken the voting off our funds managers’ hands. That process is now up and running, and has been since 1 July. I guess the next step in that is that we are working with the vendor to finalise a website link so that anybody can go through our website at some point, follow a link and actually find the voting statistics online, real time—how many voting items there were and did we vote for this, against it or whatever. That is the next step there.

Another requirement of the policy was more transparency and disclosure around our holdings. As at 30 June this year on the website we have got a list of our directly held share investments as required by the policy. That was a once-off at 30 June, but we will probably work towards updating that more frequently over time.

The next step that we are in the process of finalising is about one of our investment strategies. We have a large exposure of our equities managed to an index, so basically passively managed. To do that, they have been invested through managed pool funds. When you have got investment in a pooled fund, you cannot actually control what is in that fund; you are buying units in a fund. To turn that around, we are going to have those moneys transferred into a separate account so that we have full control. We are currently in the final stages of a tender process to appoint a fund manager that can do the separate account. We need to do that because of establishing new fees and things like that.

Once they are in that separate account, we will look to apply the other elements of the policy—things like integration of environmental, social and governance risk, and the global norms, with things like labour rights and human rights. Working with the benchmark provider, which is MSCI, what we are going to do is get the benchmark constructed that integrates those issues. You might end up with a benchmark—I do not know; call it the ASX200—that has got 200 stocks in it. Applying this analysis, the constructed benchmark might have 195 stocks in it. So the prohibited investments have been knocked out, as have the high ESG risk type investments. That is the next stage, probably the final, and that will, hopefully, be implemented in early 2014.

**MS PORTER:** Thank you very much.

**THE CHAIR:** Dr Bourke.

**DR BOURKE:** I want to return to CTP insurance. In the recent inquiry conducted by the PETAMS committee into vulnerable road users, a number of witnesses offered the opinion that a strict liability scheme for vulnerable road users ought to be an objective of the ACT government. Could you reflect on what that might mean for CTP versus a no-fault scheme, which would seem to be another way to proceed.

**Mr Barr:** I might take that on notice.

**DR BOURKE:** Thank you.

**Mr Barr:** And reflect over a longer period than a few seconds.

**THE CHAIR:** Ms Lawder.

**MS LAWDER:** I have a quick question about superannuation and the CIE report, the ACT budget review for 2013-14. I just want to ask, Treasurer, whether the government's expectation on earnings has changed since the budget.

**Mr Barr:** No.

**MS LAWDER:** That is good. Have you made any provisions for the economic slowdown over the past five to six years in relation to projections?

**Mr McAuliffe:** The projection we put in place for the super portfolio is a long-term objective, so it is targeting five per cent plus CPI. It has been deliberately established that way over the long term. The way the budget has developed and the net operating balance is calculated, it absorbs a lot of the fluctuations around that return. We do recognise that there is a challenging environment in front of us, but even if we were to look to reduce that objective, it would be equally challenging in terms of the probabilities of even achieving lower returns at this current point in time. So the position at the moment is to stick with that longer term.

In the year to date, the portfolio has returned about eight per cent, so that is still going well. And that is on the back of last year, with 16 per cent. It was one per cent the year before that, and 10.4 and 10.7 in previous years. We note that sort of advice around that, but it is hard to pick it.

**Mr Nicol:** I think it is fair to say that the general talk in the market is that in relation to the returns of the last 20 or 30 years, returns will be lower in the next 20 or 30 years. But as Mr McAuliffe said, it is very hard to determine how much lower and if that will actually be the case. Over the last six to 12 months we have reviewed whether we should reconsider the five per cent target. We have concluded that at this stage it would be premature to do so. Again, reiterating Mr McAuliffe's points, it is a long-term target. And that is the emphasis: we are going to get significant volatility around that long-term target. At the moment our long-term actual return is around 4.6 real, which is pretty close to five. Our strategy is to monitor it, keep it under review and

make sure we set a target that is appropriate to the risk that is advisable for any government investment portfolio.

**THE CHAIR:** The top paragraph on page 26 talks about the relationship with SEROC. One of the suggestions was an examination of insurance pooling. Has anything proceeded with that?

**Mr Nicol:** I am not aware of anything happening, but perhaps we can take that on notice.

**Mr Barr:** We will take that on notice.

**Mr Nicol:** Unless Karen can add something.

**Ms Doran:** Yes, this was essentially a local council initiative which we participated in as part of our promotion of regional development of the ACT. The local councils will look at a range of mechanisms, I guess, where they can come together and benefit from those efficiencies of coming together. One of the things that they did explore was insurance pooling—pooling their insurance activities to gain the efficiencies of a larger underwriting pool for their benefits. We were really sitting in that meeting as an observer rather than as a participant.

**THE CHAIR:** Does the same, therefore, apply for shared procurement?

**Ms Doran:** I think it would be the same case, yes. I am not as familiar with that, but if it is through the same organisation, that is the nature of our involvement in that.

**THE CHAIR:** But any participation would be through you, or would it be through the procurement board?

**Mr Barr:** It would be through Commerce and Works on the procurement side.

**THE CHAIR:** If there are no final quick questions for this part of the hearing, Treasurer, thank you and thanks to the officials. As you know, we will forward you the transcript at the end of this hearing and seek answers to questions taken on notice by 13 January.

**Mr Barr:** Standard operating procedure.

**THE CHAIR:** The SOP. With that, we will move to Commerce and Works Directorate annual report.

### **Short adjournment.**

**THE CHAIR:** We will recommence. I read the introduction earlier. I will quickly go through the information for witnesses. Of course, there is parliamentary privilege. You have the privilege card before you. I would ask that you are all aware of the statements and implications?

**Ms Smithies:** Yes.

**THE CHAIR:** I think you have all been here before. Minister, would you like to make an opening statement?

**Mr Barr:** No, time is short, chair. We will go straight into the questions.

**THE CHAIR:** The annual report on page 47 looks at business continuity plans. What has happened with the review? What issues were identified and what has been done to rectify issues?

**Ms Smithies:** By the end of the year we had had all of our business continuity plans in place. We have been subsequently going through a rolling process of testing all of those business continuity plans for each of our units. I think pretty much all of the round has been completed. The other major part of work for us in relation to our business continuity plans still rests around our IT side of the organisation and, in particular, what we would do, for example, in disaster recovery. I am pretty confident that all of this has been covered off and covered off quite well within the organisation.

**THE CHAIR:** In terms of the review, what work was carried out once you received the review?

**Ms Smithies:** The review was actually, in line with all business continuity reviews, a review of each of the business units, of their risk registers, their continuity plans and their risk mitigation plans. Part of that was subsequently the scheduling of testing of the business continuity plans and the feedback into changing business processes and feedback into changing the business registers. Obviously, you set your business continuity plan, you set your risk registers and then you set your business continuity plans—measure and test and then improve processes.

**THE CHAIR:** The second sentence on the second paragraph says that testing of these plans is scheduled for September in 2013. Was all the testing of all the plans done?

**Ms Smithies:** They might not have all been done by September 2013, but they have all been done by now, yes.

**THE CHAIR:** And what deficiencies were found, if any, in that testing regime?

**Ms Smithies:** I will just call Kirsten Thompson, who is our manager of corporate services. She can talk to that point.

**Ms Thompson:** No major deficiencies were found. We trial different scenarios ranging from blowing up places to white powder incidents. The scenarios are different and, therefore, the testing and the changes to our continuity plans change with that. It can change from as simple as we do not have the appropriate contact numbers to pull people in, because we like to pull active people out; so we make sure alternates and substitutes are ready on the go as well. But also we make sure that we have got manual workarounds for when processes and automations go down. Nothing unusual has come up through those processes.

**THE CHAIR:** So the directorate now has continuity plans for every area in the

directorate?

**Ms Thompson:** Yes, correct.

**THE CHAIR:** They have all been tested and all found to be robust?

**Ms Thompson:** Correct. The business units all have endorsed continuity plans and they get tested twice a year. I cannot say at this point in time that all of them have had their second test, because it is an annual review. You cannot do them all at once. We are, as a new directorate, working on our top level Commerce and Works Directorate business continuity plans. But we are confident that the continuity plans that we have at the business unit level are appropriate.

**THE CHAIR:** You mentioned the top level business continuity plan. It says here that that is a draft. Is it still a draft plan or has it been finalised?

**Ms Thompson:** No, that has been finalised. We are utilising that current version now in practice.

**THE CHAIR:** And how will that be tested?

**Ms Thompson:** We have not had the test for that one yet. It will be a desktop scenario walk-through the first time around to make sure that the teams we put in place know their roles and responsibilities.

**THE CHAIR:** In regard to hacking, have there been any serious attempts at hacking and potentially have there been any breaches of the systems?

**Ms Thompson:** Are you talking about IT systems?

**THE CHAIR:** Any of the systems—IT, in particular.

**Ms Divorty:** I would call on Peter Major to answer that question.

**THE CHAIR:** Mr Major, how hack proof is the directorate?

**Mr Major:** Shared Services alone—I cannot speak of the directorate but I can speak at a whole-of-government level. There have been no successful attacks on internally hosted websites. There have been a number of successful spearfishing attacks on staff. It is social engineering. Apart from that, we have no other recorded attacks.

**DR BOURKE:** What is a spearfishing attack?

**MS PORTER:** Yes, what is a spearfishing attack?

**Mr Barr:** I knew that would get the question. Well done, Peter!

**Mr Major:** I had to get that one. Spearfishing—

**THE CHAIR:** It is why we invite him.

**Mr Major:** Spearfishing is a targeted attack using social engineering. They will send you an email that is very carefully crafted to try to make you do something you would not normally do. By doing it you put at risk the security network.

**Mr Barr:** “Click on this button and you’ll get yourself a new convention centre.” You know, that might tempt you.

**THE CHAIR:** Or you have won \$165 million from Nigeria.

**Mr Major:** Or you can buy your Viagra, click on your Fedex parcel or you may have a relation overseas who is going to give you \$500 million.

**MS PORTER:** No.

**Mr Major:** I wish.

**MS PORTER:** The delete button is very, very handy when you get one of those.

**Mr Major:** I wish I had more like you, Ms Porter, on the network.

**THE CHAIR:** You said that the government’s hosted websites have not been breached. How many externally hosted websites are there and how many of those were breached?

**Mr Major:** We did a survey of 141 websites over the last 18 months. We recently had a breach that was caused by the Indonesian anonymous group. It lasted about three and a half minutes. It was on the ICRC website.

**THE CHAIR:** So that was not an attempt by the Indonesians at spying?

**Mr Major:** No, it was the anonymous group. It is not spying. It is a hacking group. They retaliated.

**Mr Barr:** Tap one phone somewhere and—

**Ms Smithies:** And the ICRC is gone.

**THE CHAIR:** The spearfishing effect. So that was detected and shut down. Why does the government have 141 websites hosted externally?

**Mr Major:** That is a business decision of the directorates outside of my control.

**THE CHAIR:** How many websites in total does the government have?

**Mr Major:** I can only give an approximate figure. It was about 300 last time I saw it. That number would need to be confirmed.

**THE CHAIR:** Ms Porter, you can go fishing now.

**MS PORTER:** Someone did take some money out of our credit account and spend it on boats, by the way, but that is a personal matter, just for everyone's warning.

**Mr Major:** Do not worry; I have been skimmed also.

**MS PORTER:** I do not think the question is for you, Mr Major, but I will ask it anyway: minister, on page 21 under future directions for Shared Services, it is talking about developing policy and a practical framework for the whole-of-government implementation of an electronic document management system. That is not Mr Major, is it?

**Ms Divorty:** What efficiencies can be achieved?

**MS PORTER:** With regard to this, and are their privacy concerns around sharing data?

**Ms Divorty:** Thank you. I will ask Dani Wickman from Territory Records Office to answer that.

**Ms Wickman:** Sorry, you were interested in privacy and efficiency?

**MS PORTER:** Yes, it is on page 21 of the annual report. It talks about developing a policy and practical framework for whole-of-government implementation of electronic document management systems. I was wondering what efficiencies can be achieved and also what concerns there may be about privacy in sharing data.

**Ms Wickman:** We are in the very early stages of exploring this idea. We are certainly not at the point of going to market to buy a system. And some of the things we do want to explore are what the efficiencies may well be. Anecdotally—and it seems common sense—a whole-of-government system of that type would provide efficiencies but we do not really know the quantum of those yet and what the cost-benefit analysis as a result might be. So I do not have a clear answer for you on the first part of that.

The privacy questions would certainly need to be very carefully thought through. And you can imagine scenarios where you would not want information about individuals known to one directorate to be revealed to another, for very good reasons. That would have to be developed as part of the business rules of the system. It is quite a way down the track. But certainly, they are issues that we are aware of and will be thinking through.

**MS PORTER:** So it is going to be quite complex, in fact. It sounds simple and a good idea on the surface, but to actually implement might be quite complex and throw up many challenges?

**Ms Wickman:** Indeed, yes.

**Ms Smithies:** These things can be scalable and they can be staged across a number of directorates to try to get a whole-of-government approach to records management in an ICT world or a policy world. Some of the obvious benefits are the immediate



sharing of information across directorates for the purposes of policy development, the more timely responses to legal requests or FOIs, the reduction in the work and refining of records. It certainly has potential to create and drive efficiencies and change business practices within the government and to use that as a bit of a springboard in terms of our services that we provide to the community as well.

**THE CHAIR:** As a supplementary to that, does the government not have a whole-of-government electronic document management system at this stage?

**Ms Wickman:** That is correct.

**THE CHAIR:** Minister, this has been on the books for now, I guess, almost a decade. Why have we not progressed to having a whole-of-government electronic document management system?

**Mr Barr:** There are a range of factors. Cost is one, and the appropriate system being available is another. It is not to say that there are not advances in relation to electronic document management systems within individual directorates. But there are a variety of different business needs across a government as diverse as the ACT.

**THE CHAIR:** So does that mean, from this initiative, that the government is working towards a whole-of-government document system?

**Mr Barr:** Certainly we are exploring that and looking forward to some proposals. There is innovation occurring in the marketplace at the moment. And there are a number of new technologies that exist now that did not exist a decade ago that might make this more cost effective.

**THE CHAIR:** And there will be new technologies a decade from now if you wait?

**Mr Barr:** Conceivably, yes. That is right. You can jump in at a certain point and potentially find yourself with a system that does not have a long shelf life. And that is a risk for particular procurement approaches on this question. If it were straightforward and there was one easy system that would fit the ACT government's diverse needs, then it would have been done some time ago. But it is not a straightforward issue.

**THE CHAIR:** When will the policy and practical framework be available?

**Ms Wickman:** We aim to have those done by the end of this financial year.

**THE CHAIR:** Dr Bourke.

**DR BOURKE:** Minister, what upgrades is the division considering making to its revenue systems? I am referring to page 25.

**Mr Barr:** Undoubtedly, investment in our revenue systems is an important thing. More than \$1 billion of revenue is collected annually by the Revenue Office. It is of significant importance to the territory's finances and the ongoing delivery of services. We certainly think there are opportunities to take advantage of new technologies in

order to streamline the customer experience as well so that ratepayers in the ACT have the opportunity to provide their payments to the territory in a variety of ways, and we are certainly looking at a number of options. Ms Smithies or Mr Salisbury might want to comment further.

**Mr Salisbury:** We have embarked on a process of examining our future needs for a territory revenue system. We have examined the capability of our current system and what we might need in the future to satisfy the needs of the territory. We have been through a process of doing our business specifications and also going out to the market through a request for expressions of interest to see what is available in the future for the revenue systems to use. So we are just part way through that process.

**DR BOURKE:** Minister, you talked about some innovative technologies. What are you alluding to?

**Mr Barr:** There are a number of possibilities around single ACT government accounts where all transactions with the government across the range of possible transactions can be accommodated within one central model. Clearly, there is a move towards application-based systems, and pretty much everyone now has a quite sophisticated minicomputer in their pocket by way of a smart phone. There are also some opportunities to work with our banking partners here to also facilitate some faster processing and more streamlined approaches, giving some innovation to consumers as well around capacity to, say, make weekly, fortnightly, monthly payments rather than larger, lump sum bills. There are a range of opportunities there in the context of our review of our concessions programs and arrangements.

We are certainly looking at consolidation of all of those functions within the Revenue Office so that there is one area of ACT government that is managing the collection of revenue and also the distribution of the various concession programs that we offer. So there is room for considerable innovation in this area. It will clearly be technology based, in line with the government's digital city agenda, and will present some opportunities for partnership with innovators in the ACT, particularly in the ICT space, to work with us to deliver on some new systems.

**THE CHAIR:** Is there a budget set aside for the project and for the acquisition?

**Ms Smithies:** We have got \$400,000 in this year's budget which we have been using in relation to the REOI and fact finding. Obviously, from that will come a business case.

**THE CHAIR:** So no estimation of what sort of budget at this stage?

**Mr Barr:** Not until the business case is developed.

**THE CHAIR:** Ms Porter, a supplementary.

**MS PORTER:** On the same page, in the same area, it talks about continuing to harmonise tax administration with other jurisdictions. Could you talk to us a little about that please, Mr Salisbury?

**Mr Salisbury:** Probably a decade ago each tax jurisdiction had very different tax laws, and there has been a program over the last decade or so for those laws to be harmonised so that a taxpayer working in multiple jurisdictions would understand the tax environment and it would be seamless between jurisdictions. There was a harmonisation process a number of years ago where the laws were rewritten so that we had harmonisation across the jurisdictions, but that is an ongoing process of ensuring that there is no slippage, that no particular jurisdiction goes on their own particular path. There are a series of committees that sit under the revenue commissioners that continue to examine harmonisation and work towards harmonisation. As decisions are made from courts, they flow through the various tax administrations to ensure we administer on a fairly uniform basis as well.

**THE CHAIR:** Ms Lawder.

**MS LAWDER:** On page 48, it mentions that there were three allegations of fraud during the period. Have those investigations been concluded at this point?

**Ms Smithies:** Two of the three have been concluded. And the third is still underway. In both of the two cases, I think the cases were dismissed.

**MS PORTER:** Sorry, I did not quite hear what you just said.

**Ms Smithies:** Two of the three have been concluded. In the third one, the review is still underway. And the two that have been concluded have been dismissed.

**THE CHAIR:** Without identifying anybody, what was the nature of the alleged fraud?

**Ms Smithies:** One was material theft and the other one was time theft.

**MS LAWDER:** And have there been any changes to policies, procedures or guidelines or perhaps even counselling of the people involved in the allegations, as a result?

**Ms Smithies:** No. I guess the best way to answer that is: having those cases dismissed, I think, means they were not founded; so there was nothing to change. But in saying that, the directorate is always very conscious of the control framework under which we work and the capacity for fraud and the capacity for risk. As we started off the conversation, our risk plans and our risk registers are all regularly reviewed, including in relation to fraud. And it is always a reasonably regular topic in relation to our internal audit as well. So we try to ensure that we have got our framework for risk and risk management and fraud management correct, and it is under constant review, as it really ought to be in order to keep the topic high on people's agenda, right down to our issues around training and training people on risk and risk awareness and their responsibilities under the Public Sector Management Act.

**MS LAWDER:** I am thinking also of the person or people who may have made the allegation. There could be personal reasons behind it. In terms of counselling or looking at the reasons why those allegations of fraud were made that were not then found to be the case—

**Ms Divorty:** They were not vexatious in nature, we did not think.

**Ms Smithies:** No.

**THE CHAIR:** If we could go back to page 25 and the revenue management, there is a reference there to compliance revenue per inspector and the increase reflecting more targeted activity in both payroll tax and land tax. What was the targeting of payroll tax, and how was that carried out?

**Mr Salisbury:** I guess in the compliance and investigation space you are presented with a range of possibilities and in that range of possibilities you really have to determine which cases you believe you will have the highest success in pursuing. So out of the suite of possible cases that you could investigate, you particularly look at the highest returns, I guess. For the least amount of effort, what would yield the best returns? So rather than doing everything that is on the agenda, you focus on those that have the highest return and where you believe you have the highest possibility of success.

**THE CHAIR:** How many payroll tax investigations were, therefore, undertaken?

**Mr Salisbury:** I cannot comment on how many payroll tax investigations were undertaken. I can provide information that there were 92 assessments undertaken as a result of our compliance activity in the compliance and payroll space.

**THE CHAIR:** Have all those been resolved? Have people paid their taxes as assessed, or have there been appeals against them?

**Mr Salisbury:** There would be a range of answers to that. Some would have been appealed; some would have been paid. That will just be the normal situation. Taxpayers will exercise their rights in that space.

**THE CHAIR:** But you do not know how many did, what the breakdown is?

**Mr Salisbury:** No, I do not have that.

**THE CHAIR:** Can you take that on notice?

**Mr Salisbury:** Yes.

**THE CHAIR:** Are any of the assessments currently being fought through the court system?

**Mr Salisbury:** We do have a number of payroll tax cases in the court system.

**THE CHAIR:** How many would that be?

**Mr Salisbury:** I will take that on notice.

**THE CHAIR:** Are any, having gone through the courts, being appealed or in the

ACAT?

**Mr Salisbury:** Sorry?

**THE CHAIR:** Are any in ACAT or in higher appeal courts?

**Mr Salisbury:** There would be, in both courts.

**THE CHAIR:** How many of those would there be?

**Mr Salisbury:** Could I take that on notice?

**THE CHAIR:** All right. We have discussed a couple of particular cases in previous hearings. Have they been resolved in the ACAT?

**Mr Salisbury:** I am not sure what you would be referring to exactly.

**THE CHAIR:** As a consequence of the changes to the payroll tax and the grouping provisions, there was at least one case that I understand went to court or went to the ACAT. Is that still in the ACAT or has it been resolved?

**Mr Salisbury:** We have a large payroll tax matter still in front of ACAT that has been in front of ACAT for quite some time.

**THE CHAIR:** Is there an expectation of resolution? What is the time frame?

**Mr Salisbury:** That is really with the tribunal.

**THE CHAIR:** It is with ACAT?

**Mr Salisbury:** Yes.

**THE CHAIR:** All right. If you could take those on notice, that would be fine. Ms Porter.

**MS PORTER:** On page 24, under “Key achievements”, it talks about \$10 million provided in duty concessions to homebuyers and just under \$20 million in first home owner grants. How do these measures make home ownership easier to achieve and what has been the uptake by the community for these initiatives?

**Mr Barr:** In 2012-13, so in the annual report period, there were 90 applications for the pensioner duty concession scheme. This scheme provides an eligible pensioner—that is, someone who is a Centrelink or DVA age pension recipient, a Centrelink disability support pensioner recipient who is 50 years of age or more or a DVA gold card holder for at least one year prior to the transaction—with a concession in relation to stamp duty. The full concession is available at or below the lower threshold, which is calculated using the 75th percentile of all sale prices for the last two full quarters of activity. So the duty payable below the lower threshold is \$20, and at 1 July of 2013 the stamp duty saving was up to \$20,080 on properties valued at \$560,000 or below. This concession then reduces on a sliding scale; at the upper threshold, the concession

ceases and the normal stamp duty arrangements are in place.

There is also a concession in relation to a vacant block. Again, the duty payable below that lower threshold is only \$20; that leads to a saving of \$7,710 on vacant blocks valued at \$290,000 or below. And again, there is a sliding scale up to the upper threshold. The thresholds for the current period we are in—1 July 2013 to 31 December—are for a house between \$580,000 and \$733,000 and for land between \$302,000 and \$349,700. They are quite generous thresholds when you look at the average prices for raw land and also for house and land packages.

To be eligible for the pensioner concession you must not own property other than your current home, which you would sell within 12 months of purchasing the new property; at least one of the eligible pensioners must live in the property for a continuous period of six months starting within one year of settlement or completion of construction; the ownership of the property being purchased must be in the same names as the property that is being sold; at least one of the applicants must be an eligible pensioner; and the concession is restricted to a single concession for each applicant. That is the pensioner scheme.

In relation to the first home owner grant scheme, this scheme has eligibility around lodging an application within one year of the completion of the eligible transaction; complying with the previous property ownership criteria; needing to reside in the home as a principal place of residence for a continuous period of at least 12 months; being an Australian citizen or permanent resident at the time of the application; and buying or building a new or substantially renovated home for which the contract was signed on or after 1 September 2013. The value of the first home owner grant was increased from \$7,000 to \$12,500 from 1 September. The residency requirement was increased from six to 12 months so as to very firmly target this scheme at first home buyers who are going to be living in the property that they are buying and are purchasing a new property.

The rationale for the change was to encourage the supply of new housing and to resist the situation where more money was going in on the demand side but there was not an increase on the supply side. All that that would result in is an increase in house prices; it would not actually advantage the first home buyer in the marketplace because, in very straightforward terms, you simply have more money chasing the same number of houses, which would lead to price inflation. That change has been important in order to provide the stimulus for new housing construction but also keep houses more affordable for first home buyers.

The data we have on the number of payments in the 2012-13 fiscal year is 3,037. That is an increase on the 2011-12 figure, of 2,775, and is also ahead of the 2010-11 figure of 2,816.

**MS PORTER:** Could I ask for some clarification around the one for persons over 50. Are there any restrictions on the type of home in that regard? With the first home owner grants, you talk about some restrictions on the type of home. Are there any restrictions on—

**Mr Barr:** The eligibility criteria for the pensioner concession are around what I have

outlined.

**MS PORTER:** So it does not matter if it is a new home or an existing home?

**Mr Barr:** Not for the stamp duty concession, no.

**MS PORTER:** No.

**Mr Barr:** Because there is not a grant associated with that.

**MS PORTER:** No; the stamp duty. So it does not really matter for—

**Mr Barr:** It is reducing—

**MS PORTER:** Just reducing the stamp duty—the purchase price on a home of a certain description.

**Mr Barr:** Because, as we all know, stamp duty is a significant disincentive to people moving.

**MS PORTER:** Yes. So it is to encourage older people to downsize?

**Mr Barr:** Absolutely. It is a real incentive around downsizing. This incentive, when combined with the overall reduction in stamp duty, is reducing that barrier to people wanting to make that decision to downsize. The evidence that we are hearing from the private sector, particularly in relation to new product in central Canberra locations—at the Kingston foreshore, at Nishi or with the projects that are underway in Campbell—is that the removal of stamp duty, targeted in particular areas here but then more broadly, is encouraging that downsizing market, and that there is very strong take-up in terms of purchases for people making that decision who want to stay in a similar area and maintain the lifestyle that they have, particularly transitioning from work into retirement, but do not wish to maintain large properties on large blocks.

**MS PORTER:** Thank you very much.

**THE CHAIR:** Dr Bourke.

**DR BOURKE:** Minister, on page 12 it refers to the hub. Could you tell me more about this hub innovation portal across CWD and some of the innovative ideas that have been suggested.

**Mr Barr:** Do you want to talk about the hub?

**Ms Divorty:** I would love to talk about the hub. The hub is an interactive portal, as you describe. It was originally conceived within Shared Services some 18 months ago. It was a way to assist government to achieve a one-government approach and to unite the ACT PS in a more collegiate and collaborative way. In some ways, it was born out of the Hawke review conversation that said that a collaborative workforce is a more productive workforce.

Our IT department came up with the idea of a portal which could have, for instance, topics, where staff can comment on those topics, or where there could be a free-form conversation about whatever bright ideas people wanted to talk about. It was launched within Shared Services and, at that time, Treasury, about 12 months ago. We did some hot topics, which were topics that were nominated by management that we wanted staff opinions on. We also gave a good opportunity for staff to have free-form discussion.

A lot of the original discussions were around health and wellbeing programs and about reducing red tape. They were all very productive conversations. Over time, it has probably emerged more into a very good conversation about a one-government approach to solving problems, whether they be IT or whether they be business systems. We have talked to the strategic board about the hub, as we call it. Megan has taken that conversation through to the strategic board; they have adopted the hub across government and have recently launched it as a hot topic challenge, which is currently underway.

**DR BOURKE:** How does that information get out to ACT public servants?

**Ms Divorty:** The information itself is freely displayed. All you have to do is go onto the portal and you can follow the conversation thread, if you like. You will see the hot topic challenge—which, at the moment, is around how we unite business systems and how we actually get information better used within government—and you can follow the threads of the ideas. You can see particular staff members; most people nominate who they are and where they are from. There is a possibility of anonymity, but it is very rarely used. So there is a very productive discussion going on across government about small ideas, big ideas and how things can be done better.

**DR BOURKE:** What about those who do not participate? Are you putting out a bulletin to let people know?

**Ms Divorty:** We do. We have a variety of communication channels. We use the whole-of-government publication message. We have currently got a screen saver. There are messages going through the strategic board. There are reports going through the strategic board. We have a whole range of champions and sponsors of this project. And as well as that, we have, if you like, individual directorates doing meaningful tasks themselves. The Health Directorate, for instance, did a cafe-style conversation where people could actually come and chat to someone. I believe another directorate has recently done an online chat with their director-general. There is broad take-up and very strong support for the hub—and for the idea behind the hub, which is a collegiate and collaborative workforce.

**DR BOURKE:** Are you getting any feedback from public servants about the value of the hub or are you just taking it from their participation?

**Ms Divorty:** Participation levels are very high. I think many ideas at the moment are modest, but we are hoping for the big audacious ideas as well, as people become more comfortable and more familiar with it. Certainly within Shared Services and CWD people are very comfortable with it. They understand that it is a forum for staff and that it is not a forum where they will be challenged by management. It is actually a



free-flowing conversation.

**DR BOURKE:** Thank you.

**THE CHAIR:** Ms Lawder.

**MS LAWDER:** On page 18 it talks about developing the active certification policy, aimed at improving the culture of work, health and safety on construction sites. Can you give an update on how that is going?

**Ms Divorcy:** I will call on George Tomlins from Shared Services Procurement.

**Mr Tomlins:** The active certification policy was introduced on 1 July with a bedding down process that went until 1 December. It is now in full implementation; it is active. Essentially, it is about a process of working with all of the industry players, the builders and the unions—working on site. All of the contracts issued since 1 July require a very rigorous audit by a team of professional auditors that we have assembled. Every 13 weeks the process goes through. Now that it is in operation, the first audit accrues notional points unless all of the issues raised in that audit are not fixed up. Those that are not fixed up incur real points; following after that, the points will be accrued just like your licence. In other words, if there is any problem on the construction site, people will accrue points. If they were to accrue 100 points over a two-year period, they would lose pre-qualification for a period of six months.

We have been working with the industry quite closely. There have been about 14 audits that we have already had. We have discussed those in detail with the industry and with the unions. The whole process has been effectively a two-stage process. There was a lot of concern and fear of the unknown. After the audit process, the auditors worked with industry to improve their safety systems substantially. The industry has now come on board quite strongly. A number of players have asked to be audited and have worked with us to improve their systems. We think that this government policy not only has been accepted right across the industry but is very effective in its implementation in terms of achieving the government's objectives of improving safety on work sites.

**MS LAWDER:** In that 1 July to 1 December period, how many audits were undertaken?

**Mr Tomlins:** There were about 14 audits taken. It may be 15.

**MS LAWDER:** Do you know how that compares to the number of construction procurement projects? Did every single one have an audit?

**Mr Tomlins:** It was probably more, strangely, than the number of contracts that we entered into, because some of the audits were actually done on contracts which had been issued before 1 July. The process being introduced on 1 July applies to contracts after 1 July, because we cannot retrospectively add impositions into contracts. But we did encourage agencies to work with builders and do audits, so agencies paid for some audits on projects where there was not a contract requirement for an audit. So it was more than contractually should have been done.

**MS LAWDER:** Was anyone excluded as a result of the audit?

**Mr Tomlins:** No.

**MS LAWDER:** Okay.

**MS PORTER:** Are you finished?

**MS LAWDER:** Just one more. What is the weighting that is allocated for work site safety in procurements in your weighted assessment criteria?

**Mr Tomlins:** The work health safety system works in the assessment of tenders. There is, essentially, a set of criteria. Normally we look at the capability of the contractors, the robustness and capability of the company, the price that they are offering and safety. All of those factors are weighted. With safety, the base weighting is 30 per cent. That can go above 30, for a number of reasons, particularly if it is a complicated and dangerous process—working at heights, working with dangerous materials et cetera. And it can come down to no lower than 20 per cent for a job that does not involve many safety problems, for example, a small toilet construction in a park.

When the tenders are assessed, we have quite a rigorous assessment process. There are about six pages of criteria that we go through and assess the safety documentation on. They look at all sorts of things, including the safety management plan—whether they have an AS4801 safety management plan—what their safe work method statements are, whether they have toolbox meetings, what the agendas of those toolbox meetings are, how often they propose them and what their sign-in arrangements are. So it goes into an enormous amount of detail. And then there is a rating for the tender. Then the active certification comes in. Essentially, we judge them not in accordance with our ideas of safety but in accordance with the safety plan that they have won the tender on. If somebody has won the tender saying that they are going to provide additional levels of safety, we will hold them to that.

**MS LAWDER:** Have there been any workplace safety incidents after these tenders have been let—companies that passed the audit? Do you understand my question?

**Mr Tomlins:** Yes. I do not know whether you would call them incidents, but one audit did find a number of issues, and the company closed out most of those on the same day. An issue in the government's policy is driving cultural change. It essentially says, "If we find a fault in your policy and you change it and rectify it, you get a reduction in points." And for the first audit, all points are reduced. That is working very effectively.

**MS LAWDER:** I presume—this may be one of the stupid questions—that an interstate company tendering would have to go through that same audit?

**Mr Tomlins:** Yes. The test is whether it is a government contract. If you win a government contract, you play the game.

**THE CHAIR:** Ms Porter has a supplementary.

**MS PORTER:** Yes, thank you. Firstly, I want to know—it is not the supplementary—what is this toolbox thing.

**Mr Tomlins:** Yes.

**MS PORTER:** Secondly, if a company does accrue that number of points and it actually then is not allowed to continue, is there some form of support, counselling or assistance provided to that company in order to get it back on track?

**Mr Tomlins:** Yes. Firstly, the toolbox talks are essentially, and I apologise for the jargon, briefings of the workers. Often, there will be a toolbox talk and an inspection of machinery at the start of the day. The toolbox talk will essentially say, for example, “We’re going to be driving poles for bridges today and there will be a range of safety issues because the piling machine might be near electrical machinery or whatever.” And there will be maybe a briefing on a particular safety issue, and there will be signatures recorded that the briefing was held and who was there in attendance. It is essentially a briefing on safety and other issues for the workers on the site.

And the next point—sorry?

**MS PORTER:** If a company accrues that number of points—

**Ms Divoraty:** Is disqualified.

**MS PORTER:** That is right.

**Mr Tomlins:** Education occurs. We have picked auditors who are extremely experienced, and we have briefed them on the fact that we want to work with the industry and educate the industry. I have been at meetings with the MBA where we have been complimented on the quality and the attitude of the auditors working with the industry. Education occurs on, I suppose, an audit-by-audit basis, and we work with the industry.

We made a decision last week that we would give our evaluation tool to a couple of the industry members who are struggling. We essentially said to them: “Your safety management plan isn’t up to scratch. These are the detailed issues, the six pages of issues, that we’re going to be examining. You need to be up to scratch on these things.” We work with them. We had a chat in the office and decided to ring up one company and essentially say to them, “We need to have a serious sit-down and chat with your safety manager to help him handle a few of these issues; otherwise you are going to be struggling.”

**MS PORTER:** Yes.

**Mr Tomlins:** It is a continuous process of improvement. It is driven by the government policy essentially that you accrue points but, if you close off, you can halve those points. That happens nowhere else in Australia that I am aware of.

**Ms Divorty:** If you were disqualified under that system, it would mean repetitive poor behaviour or a catastrophic event.

**Mr Tomlins:** Yes. This system has been operating in Queensland since 2005. In the first 12 months, a lot of people ran up half their points. They were called in and told to pull up their socks, and no-one actually ran out of the whole 100 points. Here there is an added incentive that if you close out the audit, you fix up all the issues, you can halve your points. So I am expecting that there will be much more cultural change at a faster pace. I think you will have to be really slow or obstreperous to lose your 100 points. But then you will not be able to come back in for six months.

**MS PORTER:** Thank you very much.

**THE CHAIR:** Minister, could we go to page 49 of the annual report, public interest disclosure. It notes that the directorate received one public interest disclosure, and it was being investigated. Has that investigation concluded?

**Ms Smithies:** We will get Al McLean to talk to this.

**Mr McLean:** I am the senior executive responsible for business integrity risk. That matter was raised anonymously; the evidence was gathered and considered and there was insufficient evidence to proceed.

**THE CHAIR:** Under the Public Interest Disclosure Act you are meant to detail in the annual report the type of disclosure received. There is no detail there. What was the nature of the complaint?

**Mr McLean:** It was theft of material, and that allegation was not proven.

**THE CHAIR:** Minister, you might want to read the statistics that are meant to be reported on each, as I suspect that is probably not compliant with the Chief Minister's directions. On a completely different matter, minister, does the government use RSA Security BSAFE tool kit and/or data protection manager, both based in Dual\_EC\_DRBG cryptographic key generators, to protect the government's sensitive data?

**MS LAWDER:** Quick: yes or no?

**Mr Barr:** Not the question I was expecting you to ask.

**THE CHAIR:** A quick answer; come on. It has woken everybody up; we have got smiles. All right; it was getting to be a long afternoon.

**Mr Barr:** Yes.

**THE CHAIR:** I think it is Mr Major; I see a hand.

**Ms Smithies:** You might have to repeat that.

**Mr Barr:** It sounds like a highly specialised question.

**THE CHAIR:** Mr Major is across it, I am sure.

**Mr Barr:** Do you know exactly what he is talking about, Peter?

**Mr Major:** I have a rough idea. You are talking about the keys used by the RSA that were actually compromised in that event 18 months ago and then used to break into Lockheed Martin and get into the US government? No; we do not use those.

**THE CHAIR:** Did you?

**Mr Major:** No; we never used the RSA keys at all. We use different types of tokens and cryptographic keys.

**THE CHAIR:** What do we use, if you are allowed to tell us? Or is it secret?

**Mr Major:** We use the AES standard 256-bit cryptographic keys.

**THE CHAIR:** So I do not have to be worried that our cryptographic keys have been compromised?

**Mr Major:** No. We have not used the RSA keys. And the main reason we did not use the RSA tokens was that they were too expensive.

**THE CHAIR:** Thank you for that answer. Ms Porter. Everybody is awake now.

**Mr Barr:** I am impressed with the question and the answer.

**THE CHAIR:** I do have to say that if there was a candy cane this afternoon and the 12 days of Christmas—

**Mr Barr:** The public service medal is on its way.

**THE CHAIR:** Mr Major is well on his way to his first candy cane for the afternoon. Ms Lawder.

**MS LAWDER:** I am done.

**THE CHAIR:** Recently, minister, the Fair Work Ombudsman released a report into the Ambulance Service and the keeping of leave credits. What role does Shared Services have in the maintenance of personnel records in that regard, and has anything changed as a consequence of the report?

**Mr Barr:** Mr Whale will join us.

**THE CHAIR:** Is this a bit of deja vu, given your former occupation?

**Mr Whale:** You might possibly think that. I could not comment. The role that Shared Services plays is that we receive information from all the directorates in regard to rosters, leave, any entitlements that staff take, and then we process that through the

payroll. In the case of the ACT ambulance leave issue, there were three basic issues. One was about the information that was coming through the very manual processes, going back many years, at ACT ambulance. Then there was a complex change in leave entitlement in 2009, in the enterprise agreement, and there was a programming error on our side in how that was entered into the payroll system. That led to some calculation errors. And then there was a pause on some of the processing while audit processes that had been agreed with the unions were undertaken, and that pause led to some exacerbation. So there were certainly actions taken by Shared Services that contributed to those issues that led to those leave overpayments.

**THE CHAIR:** And what is the process now?

**Mr Whale:** We have done a number of things. Again, these issues go back several years. So we have had several years to instigate improvements. The key improvement that has occurred has been that parts of JACS, including the ACT Ambulance Service, have introduced a more automated rostering system that has a level of automated integration with the payroll system. So that has done away with some of that manual processing and approvals. We have introduced more stringent reconciliations of the leave and the paperwork that comes across electronically or otherwise through those systems, to double-check that we have received everything and things have been processed. We are doing further work with our internal audit firms to ensure that requests, complaints, issues, anything that comes through, are tracked effectively so that there is an appropriate escalation of issues when they occur. Those three factors alone would have totally mitigated the risks that were evident in that ACTAS leave issue.

**THE CHAIR:** Does Shared Services print the payslips or are they printed at the agency level?

**Mr Whale:** The majority of ACT employees receive an electronic payslip. So we produce electronically—

**THE CHAIR:** Does Shared Services issue the payslips then?

**Mr Whale:** Yes, we email them out. Yes, we do produce the payslips. There are 4,000 or so that are physically mailed out and printed out through a mail house, but that is generated through us.

**THE CHAIR:** Are the Ambulance Service payslips printed or emailed?

**Mr Whale:** I have not got the breakdown but the vast majority of them would be emailed, if not all of them.

**THE CHAIR:** So this is all done through the chris21 system?

**Mr Whale:** Yes.

**THE CHAIR:** I can recall discussing issues with chris21 and implementation some time ago, and I remember assurances that it was all operational and there were no problems. How did it occur that it was able to slip through for such a long period?

**Mr Whale:** It goes back to those three issues I discussed earlier. There was the manual processing of the leave. Again, we are talking well into the mid-2000s.

**THE CHAIR:** But chris21 has been operational since when?

**Mr Whale:** About 2005, 2006. But the rostering and the manual leave processing was not a chris process. The information gets sent across to Shared Services to enter into chris. So there were issues with the accuracy of some of that information that was sent across at the time. As I said, also there was a programming error when they were grandfathering out some leave entitlements in the 2010 enterprise agreement. We needed to put a different calculation into the payroll system to compute that leave, and there was a programming error which occurred, which was a human error. And then the third issue was also human error, where there was a delay in processing due to a wait for audit process.

**THE CHAIR:** What will happen now? Who is responsible for the recovery of the overpayments? Is it the Ambulance Service, the ESA or Shared Services?

**Mr Whale:** It is sitting with JACS at this stage and the ESA. We assist in the process. The letters that go out for any overpayment are usually generated by us but in consultation with the directorate. There is pro forma standard stuff that we send out. This was not standard pro forma stuff, and it was done in consultation, and would be done again any time in the future for an issue such as this, in consultation with the directorate.

**THE CHAIR:** Can you guarantee the committee that all of the failings have been corrected and will not happen again?

**Mr Whale:** I am very confident that we have put processes in place that would mitigate the risks that led to these issues. I cannot speak on behalf of all actions of the directorate, but I am very confident that the processes that have been instigated in ACTAS to automate their leave and changes in processing of that leave have mitigated a lot of that risk on that side of the fence too.

**THE CHAIR:** How many payslips do you generate each fortnight?

**Mr Whale:** We pay approximately 19,500 employees each fortnight. And everybody gets a payslip.

**THE CHAIR:** And how many of those are still done manually?

**Mr Whale:** There are about 4,000 employees that receive a paper. It is generated the same way through our system, but then they file for those 4,000 to be sent to a mail house.

**THE CHAIR:** Perhaps I was not clear. You talked earlier about manual reconciliation. How much reconciliation of leave is still done manually?

**Mr Whale:** Across the service?

**THE CHAIR:** Across the service.

**Mr Whale:** Over about 60 per cent of leave is now done through the employee self-service module called HR21, which is a component of chris. That is a fully automated process. Where there are shift workers, there are a range of different rostering systems. There are about six or seven different rostering systems across the ACT, and they are at various stages of automation. There is some work we are doing with chris in which we are looking at the feasibility of greater integration down the track so that we will be much more fully automated potentially with some of these rostering systems.

As to the manual reconciliation, we receive mostly automated reports from those rostering systems, or data. What we would then do is run reconciliation reports to check the data that has come across against their entitlements, and we have a data quality team that does the reconciliations of those reports.

**THE CHAIR:** Has all of the data for the officers in the Ambulance Service now been corrected? And do they all now have access to accurate records of their leave entitlements?

**Mr Whale:** Yes. There are some officers who have indicated they are disputing the amount that we have said is owed. We have made at least four or five offers, and some of them have been taken up, to sit down and work with those officers as to any issues that they have with what we have recorded. And we have not just used leave forms; we have gone and looked at day books and rosters and even records from hospitals where we have been able to get them to show where ambulance officers have or have not been. The position JACS has taken has been that if there is any doubt about the leave, that doubt goes to the employee. But overall, I am aware of very few examples where people are questioning the amount that we are now saying they are entitled to.

**THE CHAIR:** Dr Bourke.

**DR BOURKE:** Minister, what are the teleworking initiatives you are working on? I am referring to page 12. Is it part of the whole-of-government digital network?

**Mr Barr:** Yes, it is.

**Ms Divorty:** Teleworking is something that we believe is going to be very attractive to the ACT PS for a number of reasons—both for employee benefits and employer benefits. For employees, obviously there is the ability to work more flexibly, either from home or from another location, and whether that is on a regular basis or an ad hoc basis will be up to the employee. For the employer, there will be not only some reduction overall in perhaps real estate costs, but actually a more committed workforce, we think, is possible through teleworking initiatives. Again, those employee benefits are very important.

We are working on a range of initiatives. Some of those are as simple as HR policy that actually encourages teleworking as a benefit to employees. But through our ICT department, we are also working on a range of technology options that will enable



teleworking in a better way than historically has been the case. That includes activities such as monitor-to-monitor videoconferencing so that, in fact, a supervisor in an office can contact an employee at home just through their normal monitors and computers and actually have a face-to-face meeting, if you like, in a virtual way.

**DR BOURKE:** A bit like Skype?

**Ms Divorty:** Yes, similar to Skype but using the actgov network, if you like, so that you actually are talking monitor to monitor. For instance, I could talk to the minister or I could talk to Megan from our desks—

**Mr Barr:** I have a camera on my desktop. So I can dial them up.

**Ms Divorty:** Yes.

**DR BOURKE:** Presumably that is vastly more secure than Skype?

**Ms Divorty:** More reliable, certainly. It is connected through email addresses within the actgov environment so that it is just a click of a button to say, “I’d like to talk to Megan,” or, “I’d like to talk to Peter,” or whoever. That virtual, in-an-instant contact for teleworking employees, we think, is vital to avoid isolation at home, to avoid being left out of things that are happening in the workplace. So we have been concentrating on that monitor to monitor quite a bit, because we want to not only know that we can do a personal connection to the employee who might be at home but also a team connection to the person at home.

Directors-general at the moment have been trialling that aspect for us and, when they talk to each other on videoconferencing—

**Ms Smithies:** We are not at home, though.

**Ms Divorty:** No, with directors-general in their offices. So that is one of the technologies. It is very exciting technology; it really is. It is years of investment in our IT department that are now coming to fruition, because we have such a modern and contemporary technology platform that we can have this unified communications that can actually not only enable teleworking but enable more productive conversations in the office without the travel around town that is currently the practice.

Another one of those is single-number reach, which means that I can ring you on your extension, and if you are not there, it will go, “Follow me,” if you like. It will go to your mobile phone or it will go to your home phone or whatever it is that you have nominated. I can always talk to you, no matter where you are. You cannot get away from me.

Probably the other main arm is something that is called direct access. So we have quite often had Citrix tokens for employees who might have wanted to work outside the office or at home. And direct access actually gives you actgov connection without having to go through that Citrix network, just a more modern, contemporary arrangement. And some of those are now in trial. Some of those are being launched. But we think all of those are very powerful tools to enable teleworking. And we are

very excited, I think, about the possibility for the ACT PS and the flexibility that will give to the workforce.

**DR BOURKE:** Just coming back to the HR policy you alluded to before, what sorts of HR policy changes or modifications are you going to require?

**Ms Divorty:** Very minor changes, because, in fact, there is nothing to prevent teleworking at the moment. The ACT PS has always encouraged flexibility. All we are doing is actually trying to make a stronger statement that says we actively encourage it. There is a traditional part of the workforce that actually likes to have their employees in the office. And it is really fighting against that and saying, “No, it’s really okay for people not to be in the office, to be working in a virtual environment.” We are concentrating on deliverables rather than on you being in the office, to monitor whether you are performing more or not.

**THE CHAIR:** We may leave it there. We will suspend the hearings and return after the tea break for ACTTAB, procurement, territory records and the Insurance Authority. Standard operating rules apply. You will be provided with a *Hansard*. Please check it and make any corrections and suggestions you wish. Questions taken on notice shall be answered no later than Friday, 31 January 2014. Thank you very much.

#### **Meeting suspended from 3.43 to 4.01 pm.**

**THE CHAIR:** We will resume the hearings. We will now proceed to ACTTAB. I suspect Mr Quinlan knows all the procedures but I will just remind him that there is a privilege card in front of him and I have to confirm for the record that he understands the privilege implications of the statement.

**Mr Quinlan:** Yes, thank you.

**THE CHAIR:** Minister, would you like to make an opening statement?

**Mr Barr:** No. I think we will proceed with the questions.

**THE CHAIR:** Let us go to questions. Minister, what is happening with ACTTAB?

**Mr Barr:** It is going through a process in preparation to be sold.

**THE CHAIR:** And what has happened so far and what is the likely time frame?

**Mr Barr:** The government’s objective is to complete the sale in this financial year and we have begun a process in relation to that, following the consultation with industry, with staff and with the board. We will recruit a sales adviser. There are various probity measures and the like that will be gone through, and the approach to market will occur early in the new year.

**THE CHAIR:** Will there be any special terms or conditions put on the sale?

**Mr Barr:** As outlined in the resolution passed by the Assembly giving authorisation

to the sale.

**THE CHAIR:** And following that, what legislation has to be amended?

**Mr Barr:** Potential amendments to the Territory-owned Corporations Act. I will seek some further advice whether any other acts will need amendment, but certainly the TOC Act will.

**THE CHAIR:** Dr Bourke.

**DR BOURKE:** Minister, on page 4 of the report there is a reference to the study on future ownership options for ACTTAB. What did the report recommend?

**Mr Barr:** The process that we just outlined essentially, yes.

**DR BOURKE:** And when is the sale expected to be completed?

**Mr Barr:** By the end of this fiscal year is the target that we are working towards. Of course, the proviso I put on that is: a satisfactory response from the market in the first half of next year.

**DR BOURKE:** And what will be the impact of the sale on ACTTAB employees?

**Mr Barr:** We are very conscious of the need to ensure that employees receive their full entitlements, that those who wish to continue employment in the industry with the new owner are given every opportunity to do that. Mr Curtis may be able to comment further in relation to the detailed discussions that have been occurring within the agency in relation to a wide variety of preferences from staff in terms of those wishing to retire, those looking to continue working in the business and those who might be looking for alternative employment arrangements. I need to acknowledge Mr Curtis' leadership and that of the board in relation to managing what is a difficult process for the organisation. Tony, I invite you to make some comments on how that process is proceeding.

**Mr Curtis:** Certainly. At the moment we are in a situation where we have engaged an external consultant to conduct a number of processes to assist staff through the transition period and the sale. Essentially what has taken place to date is a survey has been conducted of all staff. I understand that, of the 110 to 120 people that we have got, including casuals, in the order of 87 or 88 people have responded to that. The final report will be available today.

But the preliminary indication is that the majority of the people employed are electing, if possible, to stay with the organisation under new ownership. In the order of 15 existing staff are seeking, if possible, to transition into a position in the ACT government. And of course, they are aware that they will have to undergo a merit process to do that.

I think, to summarise, there has been an information exercise underway for well over a month now. And that will be progressed further as we get some more certainty about what is going to unfold in the future.

**DR BOURKE:** And what about their entitlements?

**Mr Curtis:** There are entitlements under the EBA for all staff employed under the agreement. The majority are employed under the agreement but there are a number that are on common law contracts, and those contracts have certain entitlements built into them as well. So everybody is, I think, covered, for example, for redundancy provisions.

**DR BOURKE:** I meant the entitlements of those transferring to the new organisation such as long service leave, sick leave, all the things that employees worry about when they transfer to new ownership.

**Mr Curtis:** The current agreement expires in August of next year. So in all likelihood, the organisation will have been sold by the time that comes around and I guess that is a matter for the new owner.

**THE CHAIR:** Minister, you seem to indicate there might be conditions or a case in which you might not sell ACTTAB. What would those conditions or cases be?

**Mr Barr:** I am not going to speculate, but it is not for sale at any price. We will look at the range of offers that come forward as part of the process next year.

**THE CHAIR:** But what would be the implications of not selling it?

**Mr Barr:** The asset would remain on our books and we would have to revisit a range of issues that we have considered. Our approach going into this process is to seek to sell the asset. That is why we have gone down this path. It certainly sounds hypothetical to speculate on different outcomes at this point. But on the same point, I do not wish to signal to those prospective buyers that this entity is for sale at any price. We will seek to achieve the outcomes that the Assembly has requested of us in the sales process and seek to ensure the viability of the business in the long term and an outcome for the racing industry, for staff and for the broader community that is outlined in the Assembly resolution.

**MS LAWDER:** Just on the racing industry, with the proposed sale how will the government ensure appropriate funding for the local racing sector?

**Mr Barr:** We currently budget-fund the local racing sector. We decoupled racing industry funding from the ACTTAB dividend some years ago, as the declining dividend would not have supported the activities and aspirations of the ACT racing industry. So what we have undertaken to ensure in this process is that the racing industry is no worse off as a result of the asset sale.

**MS LAWDER:** In the sale will the government be looking at the maintenance of parity of prize money with interstate clubs?

**Mr Barr:** This is one of those questions that, if budget funding is to be increased for prize money purposes, then that is competing in the ACT budget mix with funding for homelessness services. So what would you prioritise?

**MS LAWDER:** I am not in government. So I do not have to answer your question, but—

**Mr Barr:** I am simply making the point.

**MS LAWDER:** And in the sale will you be looking to facilitate long-term self-reliance of the racing industry as a term of the sale?

**Mr Barr:** Nothing would please me more than not having to publicly subsidise the racing industry.

**THE CHAIR:** On page 64 of the annual report, under “C.2 Fraud Prevention”, it talks about two frauds against the corporation in previous years. They have been resolved. It then says:

ACTTAB continues to operate under the Corporations Fraud and Corruption Prevention Plan. A review of this plan will be conducted within the first quarter of the new financial year.

Has that review been conducted, and what was the outcome of the review?

**Mr Curtis:** Yes, there has been almost a total review of everything we do since these matters transpired, and a number of changes and control measures have been put in place to prevent any recurrence. So I would be more than confident that there would be no repeat of those two particular incidents that took place over the last 10 years.

**THE CHAIR:** Dr Bourke.

**DR BOURKE:** Minister, what difference would the sale make to punters in the ACT?

**Mr Barr:** I think the key question that we have had to grapple with in relation to our ownership of the business has been the need to invest in new technologies and the significant capital needs of the business. Perhaps to pick up on my earlier response to Ms Lawder in relation to competing in the ACT budget context with the desires of nine directorates and a range of other priorities, it has been very difficult to prioritise investment in various betting technologies ahead of Health, education, Community Services, municipal services, Justice and Community Safety, Commerce and Works, Economic Development et cetera.

I think one of the benefits that we will see in the ACT is an injection of capital into the business, the streamlining of business arrangements and, depending on the purchaser, the bringing of new products into this marketplace.

**DR BOURKE:** Could you also expand on the statement on page 5 of the report that the board believes it is imperative that an effective national regulatory regime is introduced to police advertising and the offering of incentives by providers?

**Mr Barr:** I might invite the board to respond.

**Mr Quinlan:** We believe that there should be national standards. There is a whole debate that you would obviously be aware of in relation to gambling, in relation to promotion of gambling during games, and the intrusion, if you like, of high levels of advertising into some sporting events. And there have been meetings, there have been ministerial meetings, there have been councils that we have attended, with a view to actually striking a balance between still being able to promote—while the business is legal, it should be able to operate and promote—itself in a reasonable manner and at the same time not promoting irresponsible gambling or, in fact, attracting people to gambling beyond their capacities. So there does need to be the weather eye kept on the promotion of the whole industry, including racing. But it is pokies and it is casinos and the whole lot.

**DR BOURKE:** Given that much of this business is conducted on the internet and could be done offshore, what is the capacity of the government to regulate it?

**Mr Barr:** In the context of broadcasting in this country, we certainly saw an intervention at a national level that I think had bipartisan support at the time in relation to a certain high-profile individual whose website and the like got, one might say, an excessive level of promotion. Some have gone so far as to say that the sporting events were simply ad breaks in between the main game, which was the promotion of said individual's business interests. There was a response to the broadcast, even in the free-to-air and pay television context, that there was some capacity for the national government to regulate or threaten to regulate and then achieve an outcome of self-regulation from the industry.

In relation to overseas-based websites and promotion through the internet, that is obviously more challenging for national governments and one can see in the future it being increasingly the way that particular products are marketed. And there will be very little that can be done.

**Mr Quinlan:** Marketed and regulated.

**Mr Barr:** Marketed and regulated, yes.

**Mr Curtis:** I think a good example, to illustrate what is going on and why it has impacted ACTTAB to the extent it has, is: if you had seen any of the advertising, particularly during the football season and more recently with the Melbourne Cup carnival, online bookmakers advertised to match a bet—I saw amounts advertised—up to \$500. In effect, it is a free bet for \$500. I was speaking to a colleague in Victoria during Melbourne Cup week who said that, from the advertisements that he had seen during that week across all the media, you were able to secure \$1,000 in free bets if you chose to. ACTTAB cannot compete with that under any circumstances.

I think, from a harm minimisation point of view, that is irresponsible marketing and advertising. And it may very well be prompting people to gamble that would not ordinarily gamble and certainly would not ordinarily gamble those amounts of money. From our perspective, and having sat in the chair as both a regulator and running a gambling organisation, I think that we probably need a national approach to regulate that form of advertising and harm minimisation initiatives.

**DR BOURKE:** And what about the possibility of gambling on sports at particular levels which have never been subject to gambling?

**Mr Curtis:** We participated in a forum, under the previous federal government, with then Sports Minister Arbib. Discussions certainly took place with the industry about limiting the nature of options that were offered on various sports. What I think has transpired since then is that there has been an agreement with sporting bodies to curtail the offering of certain propositions, for example in rugby league matches, through agreement with the peak body who also have integrity and product fee agreements with each of the betting organisations. For example, we have integrity and product fee agreements with the AFL, the National Rugby League, the ARU, the Professional Golfers Association, all the major sports. I think that is probably how the issue has been addressed so far, but it is only a first step because every state and territory has different rules.

**Mr Quinlan:** I think, Dr Bourke, you might have been referring to the betting on minor grades and minor leagues?

**DR BOURKE:** Or even junior sport.

**Mr Quinlan:** Yes, and it is more a regulation problem than ACTTAB's problem. It probably more falls within the realm of the gaming and racing authority. It actually came as a surprise, didn't it, that a minor side with gun players lost nine games on end or something and nobody noticed, and stuff like that. That is a whole issue that the nation and the world at large have to address.

**Mr Barr:** Yes, and then the exotic bets too, on certain incidents within a match—in cricket, who bowled a no-ball at a certain time and those sorts of things, yes.

**Mr Quinlan:** Yes, no-balls and all that stuff.

**MS LAWDER:** There was a study in 1998 recommending ACTTAB be sold. Mr Curtis just talked about the highly competitive environment. Treasurer, why has the government held onto ACTTAB for so long?

**Mr Barr:** There are a variety of reasons. The business was and still remains profitable, but I think we have reached a point now where it is appropriate to put it to the market.

**Mr Quinlan:** Mr Smyth might be able to inform you about the 1998 decision. I think you were in cabinet at the time, Mr Smyth.

**THE CHAIR:** I was not even in the Assembly, I suspect. I think it predates me.

**Mr Barr:** It certainly predates me by nearly a decade.

**THE CHAIR:** We came in in 1998 but I think it was before that.

**Mr Barr:** Nonetheless, in the time that I have had responsibility in this area it has become increasingly apparent that this was the path that we would need to pursue and, having gone through an appropriate process, we are now at the point that we are.

**THE CHAIR:** Just some follow-ups from last year's annual report hearing, is the mobile phone app now functional?

**Mr Curtis:** Yes. We have rolled out a new website recently and rather than have a specific mobile app, the site enables all forms of mobile technology. So it does not matter whether you are using an iPad or a mobile phone, you will be able to access that website and in effect have the same capability as you would with a mobile app. To demonstrate the effect of that, in the first five months of this year our turnover on sports is up 47 or 48 per cent, I think. It is off a small base compared to the parimutuel operation, but that equates to about an increase of \$3.5 million in turnover, which I think is largely attributed to the new website.

But I think it is important also to say that we have seen a decline in our racing turnover in the order of, as of last week, 8½ per cent year to date. That is approaching nearly \$6 million. So whilst parimutuel is in decline and sports is growing, one does not offset the other.

**THE CHAIR:** What was the cost of the website?

**Mr Curtis:** Have you got the exact figures?

**Ms Snowden:** The website cost \$395,000 in total.

**THE CHAIR:** And when was it due to start, and did it start on time?

**Ms Snowden:** It started on time. It started at the end of last year and it was completed by October 2013.

**THE CHAIR:** The keno coin toss product, what was the cost of that initiative?

**Mr Curtis:** To roll it out, I think it was somewhere in the order of \$25,000 to \$30,000. It, in effect, is just a variation of the game of keno with different graphics. It was not an expensive exercise.

**THE CHAIR:** Has that proven to generate more income?

**Mr Curtis:** Yes. Keno year to date is up almost 9 per cent. But again, we are talking off a very small base, small numbers. This year we have done approximately \$1.8 million in turnover, financial year to date.

**THE CHAIR:** And the self-wagering terminals, how have they worked?

**Mr Curtis:** They have been a very successful product. They have been rolled out in every retail facility, with the advantage, I guess, to clubs that they no longer have to provide a specific staff member to conduct the transactions, to the extent where I think we are doing about 30 per cent of our business through the self-service terminals in those venues.

**THE CHAIR:** And what was the cost of that initiative?



**Ms Snowden:** The cost of the self-serve terminals is split into two components, but the hardware cost was close to \$2.5 million.

**THE CHAIR:** And if it is up nine per cent what does that represent?

**Mr Curtis:** The total turnover? It is a bit hard. I do not have the breakdown here but I can take that on notice.

**Ms Snowden:** We will take that on notice.

**THE CHAIR:** Take that on notice. What did flexi bet cost to implement?

**Ms Snowden:** The flexi bet is just a software solution and we paid a one-off licence fee to Tabcorp for that, which was \$100,000.

**THE CHAIR:** And the final one is about the expanded customer loyalty incentive program. How much has that initiative contributed to increased patronage and revenue?

**Mr Curtis:** To be honest, I do not think it achieved a great deal and it has been scrapped. It is a difficult and expensive exercise to actually run it through 57 venues and the sort of management that would be involved in having to do that just did not justify the cost that would have had to have been outlaid.

**Mr Quinlan:** And the precise results cannot be measured because you are just promoting.

**THE CHAIR:** So how much was expended?

**Ms Snowden:** On the customer loyalty program? It was about \$35,000 when we initially kicked off with it.

**THE CHAIR:** And you have now scrapped that?

**Mr Curtis:** Yes.

**THE CHAIR:** Representatives of ACTTAB, thank you very much for your attendance this afternoon. A *Hansard* will be provided for any corrections or suggestions. Answers to any questions taken on notice are due on 31 January.

We will now move on to the procurement board. Probably everybody at the table has heard the riding instructions but I will just remind you that there is a privileges card in front of you and I would like you to indicate that you understand the implications of the privilege statement.

**Ms Smithies:** Yes.

**THE CHAIR:** And with that, minister, would you like to make a statement on behalf of the procurement board?

**Mr Barr:** No, we can go straight into questions.

**THE CHAIR:** Minister, on page 106, the percentage of single-select tenders is the second-highest in terms of percentage by value, but it only makes up 85 of the procurements. Why is that?

**Ms Smithies:** Sorry, what was that? I was seriously trying to think about the question.

**Mr Barr:** There are three single-select tenders. They are the ones you are referring to, and the value is \$194 million. You want to know what the projects were?

**THE CHAIR:** What were the projects, but it seems to have represented quite a large percentage of the total value.

**Mr Barr:** At 14 per cent as opposed to eight per cent of the number. Does anyone have that?

**Ms Smithies:** No, we would have to take that on notice.

**Mr Barr:** We will get the information in relation to what those three were.

**THE CHAIR:** There were 11 cases of variations and you may want to take that on notice. What were the reasons for these?

**Mr Barr:** Would you like one for each?

**THE CHAIR:** Yes.

**Mr Barr:** We will take that on notice.

**THE CHAIR:** Dr Bourke.

**DR BOURKE:** Minister, regarding the procurement board's role to "promote greater understanding of risks in procurements and encourage ongoing risk assessments throughout the life of projects", and I quote from page 102, what other initiatives have been undertaken to improve procurement and the management of capital works in the ACT government?

**Ms Divorty:** The procurement board's challenge is to provide scrutiny across a range of procurement proposals which are, generally speaking, complex and risky in nature. That is partly because of the dollar value and the fact that they are generally infrastructure projects. There are a range of goods and services projects that also come under the procurement board's scrutiny; they are, if you like, risky in a different way. Infrastructure projects obviously have a high degree of health and safety risks as well as complexity of project. With goods and services, it can actually be complex because of the number of tenderers or the industry interest levels that might be there.

Categorisation of tenderers, the categories that they fall under, the industry components that they represent—all of these are analysed by the Government

Procurement Board in terms of the risk levels. The Government Procurement Board spent a lot of time analysing the risk plans that have been developed by the agency and by Shared Services Procurement to ensure that they have actually taken a robust approach to risk management and that the mitigation of risk is appropriate.

**DR BOURKE:** On page 103, in the second paragraph, under the title “Performance”, it talks about “increased average value of the proposals”. What is causing that trend?

**Ms Divorty:** I am sorry; could you tell me exactly where you are referring to?

**DR BOURKE:** Page 103, volume 1.

**Ms Divorty:** In the outlook section?

**DR BOURKE:** Under “Performance”. It is the second paragraph, the second sentence.

**Ms Divorty:** In terms of what caused the increased value of proposals, I would have to take that on notice; I am sorry.

**DR BOURKE:** Okay. Finally, how does the board focus on safety in considering procurement plans?

**Ms Overton-Clarke:** In the last nine months, one of the ways that the board has done that is through the rigorous examination of the new government policy on workplace health and safety. One of the roles of the board is to monitor the extent to which each individual agency is putting it together. As Ms Divorty said, it is about risk planning in a way that clearly identifies meeting government policy. The new policy of having a pretty high weighting towards workplace health and safety has been one of the major roles of the board in the last nine months.

**DR BOURKE:** Thank you.

**THE CHAIR:** Ms Lawder?

**MS LAWDER:** On page 106 it talks about breakdown by risk. It is the third table on page 106. It says that 62 per cent of the procurements were classified as medium risk and 22 as high risk. Can you give an idea of what types of procurements are in the medium risk and what types are in the high risk categories?

**Ms Overton-Clarke:** Risk, of course, is about consequence and likelihood. As Ms Divorty outlined, it tends to be the high cost construction projects that are the ones that fall into the high category. There might be other reasons, such as the nature of the materials—workplace health and safety and asbestos. But in the construction field, the size of the project is usually what pushes it into the high risk area. There might be other complexities that arise. At the moment, with the health infrastructure project, the relocation of a number of wards and functions while keeping the hospital going clearly means that those sorts of projects become high risk. In terms of the low risk category, again it is around cost and the lack of a catastrophic outcome.

**MS LAWDER:** Thanks.

**THE CHAIR:** Is it possible to have a list of all the 37 projects that were considered by the board?

**Ms Smithies:** I do not see why not. Yes.

**THE CHAIR:** Any further questions, members?

**DR BOURKE:** Not from me.

**THE CHAIR:** No? All right; it is an early mark today. Merry Christmas.

**Mr Barr:** By three minutes.

**THE CHAIR:** Well, it is a 30 per cent reduction in the time, minister.

**Mr Barr:** Fair point.

**THE CHAIR:** The standard rules apply, and we will forward you a transcript. If you have any suggestions or corrections, that would be lovely. If there are any questions taken on notice, they should be answered by 31 January. With that, we will move to Territory Records.

**Mr Barr:** I will resist the temptation for a five-minute opening statement.

**THE CHAIR:** Go for your life. Minister, would you like to make an opening statement?

**Mr Barr:** I will resist that temptation.

**THE CHAIR:** Minister, the centenary year is almost done. What has the government done during the centenary celebrations to enhance or allow greater access to the territory records, particularly the archives?

**Mr Barr:** The Chief Minister's office have put in place a range of measures on the open government website to provide access to a whole range of materials during the centenary year. In terms of the archiving process, I will ask Ms Wickman to provide some information.

**Ms Wickman:** In terms of access to records, our key initiative has been the guide to ACT government records, which has been published this year and was launched in October. That is a joint publication with the National Archives of Australia. It gives a survey of all of the government records available about the administration of the ACT. It includes ACT government archives and commonwealth records; there is also some material from the National Library and the Noel Butlin archives at ANU. It helps give an overview of the archival resources that are available for research on the history of the territory.

**THE CHAIR:** Most of the states and territories have an archive building where people can go and see some of the more spectacular and more interesting documents.

Are we at that stage yet?

**Ms Wickman:** No, we are not.

**THE CHAIR:** So another 100 years?

**Ms Wickman:** We think the arrangements we have at the moment are adequate. There is good storage for archival records in the record services repository at Mitchell. Directorates retain responsibility for managing their own records for as long as those records remain in existence and are required. We think that they are taking that responsibility seriously, that records are being protected. We provide a reading room at the Woden library that provides a central place for the public to access those records. They are brought in from wherever they are stored across government.

**THE CHAIR:** If you have a request, how long does it take to get a record?

**Ms Wickman:** It can take a couple of days, depending on where the records are. We are a small operation; we are certainly not the National Archives. We ask researchers to get in contact with us and make appointments for visits so that we can have material ready for them when they come in, rather than coming in on spec and being disappointed that the records are not on site.

**THE CHAIR:** Dr Bourke.

**DR BOURKE:** During this centenary year, has there been a good response from the community to this greater availability of access to records?

**Ms Wickman:** We think some of the interest was in the lead-up to the centenary year, largely for archival records, with people doing research that they wanted to have available publicly during this year. There has been some increase in use in the lead-up to the centenary. We think it might tail off a bit now that the centenary is winding up.

**DR BOURKE:** Speaking of that, will the access continue after the centenary year?

**Ms Wickman:** The guide is certainly available.

**DR BOURKE:** Perhaps you could tell us a bit of information about the areas that people are particularly interested in.

**Ms Wickman:** The strength of the ACT's archival collection is really around land records. We are a bit different from, say, again, the National Archives. Their bread and butter tends to be genealogy and records about individuals. Everyone knows about their service for World War I dossiers, for instance. Surprisingly enough for the level of government closest to the community, we have fewer records that are about individual people. They tend to be about the planning of the territory, the management of land and the environment and that type of thing. That is where our strengths lie.

**DR BOURKE:** Thank you.

**THE CHAIR:** Ms Lawder?

**MS LAWDER:** How much funding has the government committed to digitisation of the territory records?

**Ms Wickman:** We do not budget separately. We do a small amount of digitisation within our existing budget. The staff who are responsible for providing reference services to the public also spend some time scanning and making available online digital records.

**MS LAWDER:** What kind of comparison of digital and non-digital is there?

**Ms Wickman:** The vast amount is paper. There are very few digital records available in the ACT.

**MS LAWDER:** Do you believe that all ACT directorates are compliant with the Territory Records Act?

**Ms Wickman:** In a broad sense, yes, we do. We know that there are some problems from time to time, and we work closely with directorates on improving those. But we are happy with the level of commitment directorates have to record keeping.

**THE CHAIR:** Any further questions?

**DR BOURKE:** I am finished.

**THE CHAIR:** Minister, there is another two minutes back in your afternoon. Ms Wickman, thank you very much. Any questions taken on notice are due by 31 January. We will get you a transcript so you can read our five or six minutes of discussion and make use of it as you see fit. With that, we will move to the ACT Insurance Authority.

Mr Fletcher, I bring to your attention the privilege card. Could you indicate whether you are aware of the implications of the privilege statement.

**Mr Fletcher:** Yes; I am.

**THE CHAIR:** Minister, would you like to make an opening statement?

**Mr Barr:** No; I will decline again. I will give the committee the maximum time to ask questions.

**THE CHAIR:** Minister, on page 4 of the annual report it talks about the government's plan or strategy to protect the territory's budget from the financial impact of a catastrophic event. What has happened and how safe are we from a catastrophic event?

**Mr Fletcher:** I suppose the best example of that is the 2003 bushfire event. The way the authority is structured is that it holds a number of reinsurance policies with the insurance market. Each of those policies has an excess, which means that in different categories of loss, there is only a limited exposure.

We have a property policy, for example, that has a self-insured retention of \$7½ million, and the policy tops out at a limit of \$1 billion. That means that if, as in the 2003 bushfire, we had an event that is large scale and there is a large loss of property assets, for example, the territory only bears the cost of the first \$7½ million. So it transfers that risk above the \$7½ million to the private sector. And it does that across a range of policies. We do that with a property policy for our property assets; a medical negligence policy that protects us from very large or accumulated large losses in medical negligence; and a liability policy that does the same thing for general liability.

**THE CHAIR:** What has ACTEW's involvement been in the government's attempt to insure the trees at the arboretum?

**Mr Fletcher:** We have arranged the policy that is in place within TAMS for those assets.

**THE CHAIR:** What is the value of the trees of the arboretum?

**Mr Fletcher:** I would have to take that on notice.

**THE CHAIR:** How does one value?

**Mr Fletcher:** It is a replacement value, so it is a difficult calculation to come up with. It is a policy that is called a standing timber policy, and it is a product that is usually sold into the forestry industry.

**THE CHAIR:** Yes, for a commercial value rather than an aesthetic or a tourism value.

**Mr Fletcher:** Yes. We have a policy in place with someone in the market; we do not underwrite any of that policy. There is an agreed value; it has different elements to it that include removal of the trees after damage and then a replanting program.

**THE CHAIR:** Thank you. Dr Bourke.

**DR BOURKE:** There have been some customer satisfaction surveys. What has been the outcome, please? You refer to it on page 7.

**Mr Fletcher:** Sorry; I did not hear the end of your question.

**DR BOURKE:** Page 7 of the report refers to customer satisfaction surveys. What has been the outcome of those customer satisfaction surveys?

**Mr Fletcher:** The feedback that we get through that survey is very positive on an overall basis. The agencies that are our clients have high levels of satisfaction with what the authority is involved in. It is a very small survey. It is a SurveyMonkey set-up where we email our electronic survey to an agency. I think it runs for about 15 or so questions, so it is short and sweet. It focuses on the main areas that the authority is involved with—the risk management service we provide, how we deal with them in terms of the insurance cover that we provide them, and our financial management activities.

**DR BOURKE:** How many respondents were there to the survey?

**Mr Fletcher:** I would have to take that on notice. I do not know off the top of my head.

**DR BOURKE:** I am looking at the report that 94 per cent agreed or strongly agreed with the statement that they were satisfied. Was there one who was not satisfied or—

**Mr Fletcher:** Perhaps I can tell you about who we send it to. We try and target different people at different levels within the different agencies that we deal with. Obviously there is no point in sending a survey to someone who is not in regular contact with us in terms of being a customer. We send it to all the directors-general and all the heads of agencies to get a response from them, because we have regular contact with them through other services that we provide, such as providing reports about their claims profile and offering them the opportunity to be involved in a review of their agency. Then we look at different agencies and say, “Who are the key people within business units who we deal with?” TAMS is a good example. We will send a survey to the DG at TAMS; then we will look at all the different business units in TAMS and target up different people, all the way down to people who we may have just provided a consultancy-type service to in developing a risk management plan for a particular activity or project. So it is a fairly large sample of the people we deal with.

**DR BOURKE:** With a 94 per cent satisfaction rating, is there scope for improvement?

**Mr Fletcher:** The thing is that that is an overall scoring outcome within the survey itself. It does provide us with an indication of different areas that we might be able to try and target. A good example is, I suppose, our risk management activities. There is an opportunity for people to provide some sort of free text in terms of a response. They make suggestions to us or tell us about areas of emerging risk within their business that we can deal with either using an insurance approach in terms of insuring whatever the risk or the activity is or assisting them with particular projects or assisting them to improve risk management within their agency.

Another example is that there are some questions in there about the suitability of insurance cover. Some agencies in the past have expressed some concerns about claims that did not quite fit within our policy cover. We have been able to engage in discussion with them about what we might do to try and clarify what the cover is that is provided by the authority in terms of an exclusion or an inclusion. That discussion usually is targeted at how, if the agency wants that particular item to be included, we can try and write it into our cover.

**DR BOURKE:** Thank you.

**THE CHAIR:** Ms Lawder.

**MS LAWDER:** In the annual report, on page 5, it talks about an overall reduction in ordinary claims against budget, predominantly due to discounting and inflation rates and changes in the actuarial assumptions. And then it talks a bit about higher than



usual payments in 2012-13 and an assumed decrease in the number of medical malpractice claims et cetera. Can you talk a bit through why some of these assumptions were made? Why would you think there would be a reduced number of medical malpractice claims et cetera?

**Mr Fletcher:** One of the, I suppose, features of the authority's financial result for the year is a revaluation with a decrease in our claims liability. That has occurred because we have been in a position to rely on our recent experience of our claims profile and change some of the assumptions that our actuaries make about what the future costs of claims would be.

On page 69 of the report and financial statements there is a table of outstanding claims. And it details a shift in that ordinary claims liability from \$340 million at the top to \$310 million at the bottom of the page. And on the page after that, page 70, there is a brief description of the changes in assumptions used to arrive at that new value. So you can see that on page 70 there is a \$23 million decrease which is due to changes in assumptions and then there is a list, by dot point, of different areas that we cover where there have been some changes.

I suppose for about the last three to five years, but particularly the last three years, we have settled a lot of personal injury claims that are medical malpractice claims and liability claims. They have settled faster and below our reserve. And we are starting to develop the view that we can adjust down the number of ultimate claims that we are going to end up getting. That is a pretty big release—it is called a release—of the liability.

It was a decision that was taken on advice and in discussion with our actuaries, PWC, to arrive at that new number. It means that we are narrowing in on what our liability is based on our experience. The authority has only been in existence since 2000, which is a very short period, particularly when you deal with claims that are personal injury claims that are long-tail claims. They can take anything from six or seven years to resolve. That is what that dot point is about. It is about arriving at that.

**MS LAWDER:** That might answer my next question, which is also about a matter on page 5. I was going to ask you to explain the comment in the second para under "A4 Outlook". You state that, while the liability profile is exhibiting increasing signs of maturity, considerable volatility remains, with only limited claims experience from which to derive actuarial assumptions.

**Mr Fletcher:** That is correct. It is still volatile. It is susceptible to economic assumptions that change, like discount rates which drive investment returns. It is subject to error, even though the actuaries take that into account, in terms of the number of claims that are reported. There still is some volatility. It can be as simple as, in our medical indemnity area, where a large claim can be a claim that is \$5 million plus, if you have a blip—and the blip can be two or three claims—all of a sudden you have got \$15 million on the claims liability in one year.

When we look backwards at the liability profile, we are always trying to see where those claims are going to arrive at, trying to revalue them all the time to try to get a better understanding of what the final outcome can be. But that is where the volatility

can be. It is a very small portfolio.

**THE CHAIR:** We might end it there. Minister and officials, thank you for attending today. Answers taken to questions on notice are due with the committee secretariat no later than 31 January 2014. Members, for written supplementary questions relating to the hearings today, you have got three working days from when the proof transcript becomes available. And if the committee has got any supplementary questions, they will be forwarded and answers to those are due by Friday, 31 January as well. There will be a *Hansard* which you can review and offer suggestions should you so choose. Minister, thank you for your attendance today. There endeth the afternoon.

**The committee adjourned at 4.56 pm.**