



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

TUESDAY, 17 DECEMBER 2013

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

By authority of the Legislative Assembly for the Australian Capital Territory

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WITNESSES

ACT Auditor-General's Office 187

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Amended 20 May 2013

The committee met at 2 pm.

Appearances:

ACT Auditor-General's Office

Cooper, Dr Maxine, Auditor-General

Sheville, Mr Bernie, Director, Financial Audits

Hughes, Dr David, Director, Performance Audits and Professional Services

Stanton, Mr Brett, Principal, Performance Audits

Sharma, Mr Ajay, Principal, Professional Services

Prentice, Mr Malcolm, Principal, Financial Audits

THE CHAIR: Good afternoon and welcome. I formally declare open the public hearing of the Standing Committee on Public Accounts inquiry into the 2012-13 annual reports. Madam Auditor-General, on behalf of the committee, I would like to thank you and your officials for appearing today. The proceedings this afternoon will focus on the ACT Auditor-General's annual report and will conclude at approximately 3 pm, depending on how many questions we have and how quick your answers are.

Can I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement that is before you on the table. Could you all confirm that you have read the statement and understand the implications? That would appear to be so.

Dr Cooper: Yes, understood, Mr Chairman.

THE CHAIR: Can I also remind witnesses that the proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast live. And I am sure there are as many people listening to this as there are watching the cricket at this stage. Before we proceed with questions, Auditor-General, do you have an opening statement?

Dr Cooper: Mr Chairman, yes, I do. 2012-13 was, from my perspective, another year of solid work in the audit office. We have successfully completed our financial audit program, our performance audit program and have also pursued some improvements within the office in terms of our corporate activities. Specifically, 68 financial audits and reviews of 28 statements of performance were presented to the Assembly and done prior to the election in October 2012, which meant that it was a shorter year and there were more demands.

With respect to the 68 financial audits, we issued a qualified audit report on the financial statements of the Environment and Sustainable Development Directorate. The directorate did not record the extension of time to bill fees in accordance with the standards. With respect to the 28 reports of factual findings on agencies' statements of performance, four were qualified. An accountability indicator of ACTION was overstated. The Environment and Sustainable Development Directorate and the Territory and Municipal Services Directorate did not measure one of their accountability indicators, and the Justice and Community Safety Directorate did not have sufficient records to enable the reported result for four of its accountability indicators to be independently verified.

We produced a report summarising the outcomes of the 2011-12 financial audits, and yesterday we tabled—which is an update of that, more current—the 2012-13 financial audits. In that one, we increased the number of financial audits to 74, compared with 60 the previous year, and undertook reviews of 30 statements of performance, compared to 28 in the previous year.

In 2012-13 no qualified audit reports of financial audits and no qualified reports of factual findings were issued on the statements of performance. However, we do encourage improvement in the reporting and resolving of some of the issues, particularly around weaknesses in controls over computer information systems, including their major revenue applications.

Back in 2012-13 we tabled seven performance audits, which is one more than we were able to table the previous year. That was due to a small amount of very much appreciated additional appropriation funding. The seven performance audits were in bushfire preparedness, national partnership agreement on homelessness, ACT government parking revenue operations, executive remunerations disclosed in ACTEW's corporate reports, care and protection system, grants of legal assistance, and the emergency department performance information.

Two of those audits—the emergency department one and the ACTEW one—were undertaken in response to the Assembly committee and members' representations. In 2012-13 we undertook a review of the audit office's corporate services, resulting in more effective governance, we anticipate.

Additionally, we received a satisfactory or better performance rating from all except one of the entities surveyed in relation to completed financial and performance audits. It is the only poor rating we have received out of many audits over many years. It was a problematic audit, and the entity involved provided material which was late and not complete. We have achieved a high rate of agency acceptance of audits' recommendations, including acceptance of 87 per cent of financial audit recommendations and 91 per cent of performance audit recommendations.

We have 42 staff who, through the staff survey, have indicated they are reasonably satisfied with working in the office. The response rate showed 69 per cent of staff expressing satisfaction. To assist us in our internal management, we have progressed planning and implementation, which we are very pleased about, of a new time recording system. This new system, which was implemented in July, will streamline our time recording processes, which previously relied upon manual administrative processes.

We reviewed and revised, during that financial year, 30 corporate policies and procedures.

In terms of our financial position, it remains sound. Consistent with the cost recovery nature of our operations, we expect to generate essentially a break-even operating result. Our budget is \$6.1 million in revenue, largely consisting of financial audit fees at \$3.4 million and the appropriation at \$2.5 million. Of course, the maths of that does not add up, and you will say, "Why is it shy of \$6.1 million?" It is because some of

the revenue we received in that year was due to some workers compensation issues. Therefore it is neither appropriation nor fees; it is our base.

I am sorry; we did not table the bushfires audit in the last financial year; we did it just after that financial year, in 2013. Mr Chair and committee members, we are open to questions, if you wish.

THE CHAIR: Thank you for that. Just to follow up on some of the things that you have just mentioned, with the ED review, I think you are on record as saying there would be a follow-up at some stage. Is that likely to occur and, if so, when?

Dr Cooper: We look at that in the next forward program. There are competing priorities, as you would appreciate. We are not committed to doing a follow-up one in any particular time, but we are certainly factoring that into the forward program, which we will have with the PAC by June next year. So it is on our radar. We are also monitoring what the Health Directorate is doing. I believe it was by December this year that they were supposed to have upgraded the system. I have not checked on progress.

THE CHAIR: You mentioned that you had one agency that did not give you a satisfactory rating. Are we allowed to ask which agency it was?

Dr Cooper: Yes, you are. It was the University of Canberra.

THE CHAIR: Is that related, therefore, to some of the information in the financial audit?

Dr Cooper: Human relations are human relations. We view that if we get a poor performance rating, we bring it to your attention as part of our being held to account by you. We did have problems with that audit. The statements were late; they were incomplete. I can pass it over to Mr Sheville, if he wishes, if I miss something. Also, Mr Sheville and his team then analysed with them, after the issues, what we should do this year. What we have agreed is that things will be escalated from the officer level up to my level and the equivalent Bernie level at the university, so that if there is something that we need to resolve, we do it quickly. Last year that was our big lesson: it was not elevated quickly enough. If it had been, the more senior people could have resolved it.

Mr Sheville: Yes, it was the University of Canberra financial audit which gave us the poor rating. The way I look at it is that we have done about 120 audits or satisfaction surveys. We have only had one rating in the past three years that has been less than satisfactory. In my view, even after going back and having conversations with the senior executive at the university, the conditions on the ground were not conducive to an effective audit. We are now working with the university to address those issues. As Maxine has indicated, one of the things that we are doing is ensuring that issues are elevated. Last year, even though their financial statements were not ready and their work papers were not ready, we tried to work around those issues, and still tried to deliver in spite of the slow information. So we are working well with them on those.

We have also now included a more detailed timetable. It not only sets out the dates

that the audit office has to meet but the dates that the university has to meet as well. I believe we are progressing well in this year's audit, and I look forward to a much improved result in the current year.

THE CHAIR: As to the performance audits that you mentioned, how many will you do in this current financial year?

Dr Cooper: We are targeting seven. As I said, we do it twice in each year. The bushfire one, we have already tabled. We are looking to table the regulatory review of water and sewerage prices in maybe January, maybe February. We are looking at the management of funding for community services, and we are looking to table that on Friday. So we are looking to table it on the 20th. The one on speed cameras is probably going to be around the February mark. The one on development applications may be January-February, because a lot of this depends upon the feedback. We may have to spend weeks trying to resolve an issue. We have started work on the enlarged Cotter Dam, and we have got work going on about the capital metro. The dam and the metro light rail are both at the moment in their planning stages.

The other thing I would flag for the committee is that we have got some representations and, under the new PID legislation that has come in, we can address some of those through that legislation. But as a general approach, if it is raising significant issues, we are more likely to turn it into a small performance audit like we did with the ACTEW one last year. So we have got one in particular, if it goes in the direction it is looking like it will—and we are interrogating it now—it might turn into a performance audit more than being contained as a PID complaint-type nature. I hope that helps.

Dr Hughes: There is also a capital works audit that we will be reporting on in March. It is on monitoring the capital works program.

Dr Cooper: Yes. Thanks.

THE CHAIR: On page 8, the third last paragraph, the last sentence says that the office expects an increasing demand for performance audits in response to Assembly and community concerns on specific issues. How will you address that? Will you do more or will some of the proposed audits simply drop off or be pushed back?

Dr Cooper: It will be a priority approach. Yes, it will have to be within the current resources. For instance, what we always have to grapple with is that, if through the PID door something comes in and maybe it has been on our performance audit program, maybe it just gets moved into priority.

THE CHAIR: The next paragraph says that your performance audits are undertaken using a combination of in-house and external resources. Is there a split—three were done in house, four were done externally?

Dr Cooper: We do not have a formula to do that. But what we do is look at the type of audit it is and when we get it done externally, it is still done within the umbrella of a manager very much taking control of it and, if you like, making it an audit for the Assembly, not an internal audit. So we can give you the breakdown we did.

Mr Stanton.

Mr Stanton: In 2012-13, the recruitment practices audit and the parking operations audit were undertaken with the assistance of contractors. And as Dr Cooper said, an audit manager within the audit office takes responsibility for the audit, and the contractors are the arms and legs for the audit and fieldwork.

Dr Cooper: And the other thing we also do, not just for the total audit, is that we now generally get an expert from the subject matter to assist us. In fact, in that 2012-13 financial year, we actually had our own work quality-reviewed before we finalised the report just to really make sure that, from an auditing perspective and then from the subject matter perspective, we have not misrepresented anything.

THE CHAIR: Ms Porter.

MS PORTER: Dr Cooper, on page 10 of the Auditor-General's report, it mentions the Auditor-General's Amendment Bill 2013 being introduced in the Assembly in May. And I think you made reference to the non-government entities in your introductory remarks. What are the implications for the operation of your office in regard to that? Also, it mentions the collaborative audits with the commonwealth Auditor-General and other states and territory auditors-general. Again, what are the implications for the operation of your office?

Dr Cooper: I think this is quite significant for our office. I think for the first part, in terms of government-funded activities of non-government entities, conceptually what it does is that it allows us to walk beyond the door that is shut to us at the moment. So if there is funding going into a community entity or for a service, be it a cleaning service or something significant, or construction, we actually now have the power to get access to material within that entity and do an audit to see what its integrity is like in terms of how it is then serving the ACT community. So that one opens a door that is firmly closed at the moment.

On the other one, in terms of the collaborative audits, there are some audits that would lend themselves to having the jigsaw across the nation put together all at once. For instance, we tried to do this on homelessness, where we did it concurrently. Collaboratively, we will be allowed to explicitly share criteria, share information—of course, everything will have to be looked at in terms of the sensitivity of the information—to be able to share some common information that is currently problematic for us.

MS PORTER: You said you tried to do with it homelessness. So what—

Dr Cooper: Homelessness was done concurrently. So we all tried to do the audit in that arena, but we did not share any information. We did not collaborate on criteria. We had a general framework and then we said, "This is the general area. We'll now go and do that." And then, post the event, they are trying to put the picture together as to what is the message nationally. This other way will allow us to try to develop a framework before we do the audits.

MS PORTER: Can you give the committee some examples?

Dr Cooper: Yes. I would imagine some issues around social issues, how they are being handled across the nation, environmental issues. They do not stop at the border. So there will be quite a few, I think, that will come forward. The humorous one, if I may, is the one my colleague Brett was at. They did suggest that, really, a national issue of concern to everyone would be ports and we should actually do a performance audit on ports. That was not quite on our agenda. So it is sort of picking what matters to the nation as a whole to try to draw up the issues.

The other one they did think about for a while was obesity. There was a conversation around that. Mr Stanton.

Mr Stanton: That is right. After the homelessness audit, audit offices got together and discussed a possible audit on chronic disease management, and there was a lot of dialogue between the audit offices in relation to that particular topic. Unfortunately it did not go any further, but we are all still building our knowledge and understanding of each other and working practices and we will use that as a base in the future.

Dr Cooper: And in our conversations with different entities about what they think are some issues for the next year's forward program—and we have not looked into whether or not we agree with this—one issue that has been put forward for us to consider is education in Jervis Bay. At Jervis Bay you have got—and we might not do this across the nation, clearly—the commonwealth involved, you have got New South Wales and you have got the ACT. How well do those three entities in a shared space get the outcomes for that community there in terms of education? So that is one where we have said that we will consider it in the planning.

THE CHAIR: Dr Bourke.

DR BOURKE: On page 7, you talk about the review of the audit office's corporate services activities. How was the review conducted, and what improvements were recommended?

Dr Cooper: Mr Brett Stanton, when he was in the role of director, undertook the audit. He did it and then submitted it to the executive. So I would like to respond on the executive side. Mr Stanton, would you walk us through that?

Mr Stanton: Yes, sure. The review itself was conducted between about July and October last year. Six recommendations came out of the review. The most important one, I would suggest, is probably organisational. Within the audit office at that time we had our quality control, quality assurance area. We also had our corporate services area, which was office support, administrative support. Those two areas were brought together and brought within the direction of the Director of Performance Audit and what is now the Director of Performance Audit and Professional Support Services.

Other recommendations were made to improve some of our governance documents in relation to roles and responsibilities, business plans, operational plans and the like. One of the key issues was that within the Audit Office—we are a small audit office—we had and still do have a fairly small, now professional support team. And the breadth of responsibilities for a small audit office is much the same as for a large

directorate so far as reporting and accountability are concerned. Responsibility for those things tended to be put out to different members of the audit office in both the PA and the FA team. And this review sought to document what those roles were, how those activities were being undertaken, and tried to provide a framework for how that would be managed into the future.

Dr Cooper: And if I can add, when you are confronted with managing a small office, what happens in the professional area is that you will have peaks. It might be dealing with the enterprise agreement. It might be updating a policy. It might be dealing with the planning day. It might be doing the quality assurances. It is not the same task every day. And so, with some of these, the management decision you have to look at is whether or not you actually put on more staff in that area or you say to all your staff, “We are all going to be doing corporate activities at some stage.” Therefore, you factor it into their workload. And we have taken the option of saying we are not putting on more corporate staff because corporate staff may not be able to do performance audits or financial audits but we hope that, for some of the tasks, most financial auditors and performance auditors can do the corporate.

So it was about communicating roles and making sure everybody knew that, for instance, we had a bit of a conflict where somebody would go up and say, “Here, corporate, do my photocopying,” and the response was not all that gentle on one occasion. They are not there to do that. They are there to do some core things, not go and do all the corporate support that you might get in bigger agencies. Also, for instance, we have no HR support. So we do link that with Shared Services and get it through that way, but the organisation needed to know whom to go to as a sort of a portal to get some help. So we were really clarifying, within the culture of the office, how things could work better into the future through communication as well as actually defining roles and bringing together some groups.

DR BOURKE: Could you talk me through the technical and quality assurance officers, and what their role before this came together was, so that I can get a grasp of how that fits with the provision of corporate services, which you have already described.

Dr Cooper: It would be my pleasure to introduce Mr Sharma; he is my leader in this area. The role has not changed; it is just that now, in his integration into this unit, he has more flexibility in how he does some things.

Mr Sharma: Dr Bourke, as you would appreciate, under the standards—the accounting standards and auditing standards—and under the framework, there is a requirement for the audits we perform to comply with certain standards, to be of a high quality. Under that framework, basically we have a process for managing the quality control within the team but also have a process for independently assuring that the team has actually managed the quality control requirements. As part of my work, once the audit is to a certain stage we engage in a process of going through and performing quality control of the work.

Basically there are processes for undertaking quality assurance of financial audits as well as performance audits. In terms of the financial audit, basically, there are two processes. One is similar to a hot review, which is called the engagement quality

control review. This review happens as the audit is being undertaken. The second set of reviews is the cold review, which is basically a review that happens following the completion of the audit. That is the second type of review. Then there is another review in terms of the office complying with the quality control requirements. As the office, we ought to have leadership in terms of quality control. We also have to have processes in terms of assuring that the office itself has got mechanisms in terms of providing leadership in those broad areas. So we do a self-assessment of the office's quality control requirements as well. And there is a separate standard that has a set of guidelines in terms of what needs to be done in terms of compliance; that assessment happens as well.

The last assessment of the overall office that was performed was in 2009-10. We have also gone through a process of going through and updating that.

Dr Cooper: And if you are asking about resources, it is Ajay, and he is permanent part time. But Ajay also demonstrates some great leadership skills, and he is a principal. So with the very small corporate team—three people, I think it is—we put them under him so that they could have some strong leadership at a more senior level. So we are not talking a big group. In terms of the quality, it is three-quarters of a senior person, but he does other tasks as well.

DR BOURKE: Whilst you are considering improvements to the agency, I notice that on page 9 you mention some suggestions from agencies for improvements to your practices. What were they and what did you adopt?

Dr Cooper: Page 9?

DR BOURKE: The top sentence.

Dr Cooper: This is the feedback. They are with every audit. One of the ones which I think is a good one is the University of Canberra. They had some communication issues, they argued; we argued differently. But we are here to work together. We listened to them and we have put into place a different communication mechanism. On every single audit, we assess with them what did and did not work. Often it is around when we communicate and how we communicate. For the performance audits, that seems to be the big issue—but also for finance.

Mr Sheville: Occasionally on the financial audits you will get issues around communication, as happened with the university. But we will also receive feedback in relation to staff turnover. Agencies like to have the same audit team every year, because they will be familiar. Sometimes we cannot meet that requirement. Firstly, staff will leave. Secondly, there is a requirement to rotate staff periodically to reduce the risk of familiarity threat that can come with auditing the same agency. We do need to make sure we are injecting new team members on many of our audits, just to provide a fresh set of eyes each time.

Dr Cooper: So we look at our total process. There is a work plan for each audit. There is a communication plan. When we get feedback from any agency, we try and look at how it can work better. On the reverse side, for us, if, for instance, staff report issues around harassment behaviours, we will look into that, because that is a working

condition. And because of some issues we had during this particular year, we then have whole-of-staff awareness training and try and empower them as to how to get help. So it is both sides: it is on our side as well as theirs.

DR BOURKE: Thank you.

Dr Cooper: Pleasure.

THE CHAIR: Ms Lawder.

MS LAWDER: I have a question about the timeliness of your financial audits. It is on page 30. I know it says that sometimes it is out of the office's control if you are not getting information in a timely manner, but can you give us an idea of why eight financial audits—the eight that are mentioned—were not completed in the required time frame?

Mr Sheville: In most cases the late completion of an audit will be due to the agency not providing signed financial statements in the agreed time frame. Under the auditing standards, we are not allowed to issue an audit certificate until we have actually received a signed set of financial statements from the entity. At the planning stage we will agree a time by which they are going to give us the signed financial statements. On the basis of that undertaking, we will agree to provide them with an audit opinion, usually a couple of days after receiving the signed financial statements. We have had some instances, particularly with our land joint ventures, where we may not receive the signed financial statements for two months afterwards: we have completed the audit and we are just waiting. So we have not met the deadline, but we cannot actually issue the audit opinion. In most cases, it falls into that particular category.

In the past 12 months the university subsidiary audits were held up, were delayed. That was in part due to the time taken to resolve the issues that we identified on those audits, including late financial statements and resolving the accounting issues that we identified when we were out there. In those particular cases, rather than issue the audit opinion, we will give them an opportunity to fix their financial statements. In most cases, you are not talking about significant lengths of time. I do not think there were any cases last year where, as part of the Treasury whole-of-government time frame, there were delays experienced in that space. It is usually those one-off-type audits which were not subject to the whole-of-government Treasury timetable where we have experienced difficulties.

MS LAWDER: It also talks about the acceptance rate of audit recommendations, further down on page 30. In the past year it was 87 per cent, which is somewhat below your 95 per cent target and slightly below the 92 per cent in the previous year. What were some of the reasons?

Dr Cooper: Bernie will answer that in detail but, just for the committee's benefit, when we talk of numbers—500 and something recommendations—it is a very large number.

Mr Sheville: There were 526 recommendations made, and 457 were agreed without reservation, which is a clear agreement. That leaves you with 87 per cent. Of the

13 per cent that we are talking about here, only three per cent are actually not agreed; about 5.8 per cent are partially agreed; there are a few agreed in principle; and there are a couple of “Noted” type responses, but they are very much on the edges.

Dr Cooper: Could you give an example, please, Bernie, of the couple—I can think of them—that they did not agree with. It was mainly around governance issues.

Mr Sheville: The single issue that comes to mind that we have had the most push back on has been the independence of internal audit functions in directorates. We have the view that a number of the internal audit managers are not freed from operational responsibilities. As a result of that, it becomes difficult for them, in our view, to report impartially in relation to those areas. For example, if your internal audit manager reports to the chief finance officer in relation to finance matters but reports to the internal audit committee in relation to other matters, we think it is difficult for that internal audit manager to, for example, start doing audits of the financial management of his own area, because he is not free from the influences of working to the chief financial officer.

There are a couple of different models along that theme. In most cases agencies have argued that they hear what we say but they do not think that actually separating that person into that role is worth the cost involved. So we have not made much headway in some areas. We have with some; some areas have changed their audit functions. But in some cases they make a decision, and that is obviously a decision that rests with the directorate, as to whether they want attend to that matter. We will keep reporting the issue, because that is our role. We see a weakness in their internal control structure, and we think it can be improved, so we will continue to report that.

Dr Cooper: And we make sure that the conversation is quite transparent. For instance, in the financial audits report that we tabled yesterday, just to give you a reference, if you go to Chief Minister and Treasury Directorate, pages 113 right through to 116, you will see that there is a very healthy conversation going on around the issue so that the Assembly members and the community are quite clear as to what we think and what they think. We try and do that. Which other directorates have that issue? Mal, can you remember?

Mr Prentice: Territory and Municipal Services is another example where we have had some conversations about internal audit.

Dr Cooper: Thanks, Mal. So there are two.

MS LAWDER: How does that three per cent of not agreed recommendations from this year compare to the previous year?

Mr Sheville: I have not worked out the numbers, but I do not think there would be a huge difference. We have just got those few recommendations. With the recommendations we have been making in relation to internal audit, that has been there for some time. There is just that small core of recommendations where we have not managed to change the agencies’ minds.

MS LAWDER: It is a recommendation from your audit, but is it something that may

be captured elsewhere in the guidelines or anything—that that is the structure that should be set up?

Mr Sheville: I do not believe so. We have decided this issue on the principle that for your internal audit manager to be independent, they need to be free from the operations that they could be reporting on.

Dr Cooper: This year, in yesterday's report, one of the issues that we have made progress on—and I will get Mr Sheville to talk in detail—is the recommendation that information on the financial results of the territory be improved by the provision of a management discussion and analysis report. That has been an issue—credit to Bernie and his team, if I may—that has been raised for quite some time, and now they have agreed. That sort of process will ultimately benefit, we hope, the community and yourselves in understanding what is going on with the numbers.

Mr Sheville: We had been including that particular recommendation in reports to the directorate for a number of years, and we did not make much headway. We thought that it was still a sound idea, so we keep persisting with the idea. This year—and this will happen from time to time to time—the directorate will reconsider the issue.

Dr Cooper: So that is in that small percentage, but we think it is worth pursuing.

MS LAWDER: Thank you.

THE CHAIR: On page 9, the last sentence of the second-last paragraph states:

The Office expects to continue to receive a high number of representations in the future, particularly given its role in public interest disclosures.

What is the context behind that statement, and why are you expecting to receive a high number of representations?

Dr Cooper: It is because of the new public interest disclosure legislation, because it broadens the scope of matters considered as public interest disclosure. We are also one of the offices that people can come to. Maybe I could hand this to my colleague David Hughes, who has been working on our guidelines, which are now on our website. The process—correct me if I am wrong, David, or if you want to talk to it—is that we refer it to an agency in the first instance. For instance, we have had one in Health referred back to us by the D-G because of circumstances that we now need to look at.

Dr Hughes: The general approach of the Public Interest Disclosure Act is that the agency concerned is the one to look into it. But in some cases an agency might decide that there are particular conflicts of interest or reasons why they would prefer an external body to look at it. The act, in particular, says it can then be referred to other agencies that have investigative powers. The Ombudsman or the Auditor-General would be examples of that. We expect that we will get a bit more of that, because it certainly is a way of providing an impartial, independent avenue for looking at some of those disclosures.

The Public Interest Disclosure Act has also, perhaps, created a bit more interest amongst people in referring matters to agencies, which may not be disclosures but representations about concerns. We are seeing a fairly reasonable level of activity in both representations, and also a few PIDs.

THE CHAIR: On page 50 of the annual report, you have got the table required—and well done there with the disclosures—and you have only had one disclosure in the financial year. Is that the one concerning the health department that you just mentioned?

Mr Stanton: That is correct. Last year we received a disclosure in relation to the water and sewerage pricing process.

THE CHAIR: That is water and sewerage. There were none since 1 February when the new act came into place.

Mr Stanton: That is correct.

THE CHAIR: So, despite the expectation, in four months you had none?

Dr Cooper: That is right, but now we have got some in this current financial year.

THE CHAIR: But it has started. I received a public interest disclosure, or a letter about a public interest disclosure, that went to Mr Rattenbury, which he forwarded to you on 13 February. It is not included. Why would it not be included?

Dr Cooper: I do not think it was referred to us. Was it copied in?

Mr Stanton: I understand that we were copied into that, so it was not referred to us for action.

Dr Cooper: It was not referred.

THE CHAIR: If I could read from Mr Rattenbury's letter back to me. The minister says:

I can confirm that such an anonymous PID was received by Mr Rattenbury on or about 7 February 2013, in his capacity as a Minister, under paragraph 15(1)(b) of the Public Interest Disclosure Act 2012.

I can further confirm that on 13 February 2013 the anonymous PID was forwarded from this office to the attention of both Andrew Kefford, Commissioner for Public Administration, and Ms Maxine Cooper, Auditor-General.

If it was sent to you from somebody who had received it, why?

Dr Cooper: We would have dealt with it. If we are copied in and it has gone to Mr Kefford as the first point, it would be Mr Kefford—we have got the guidelines working all this out—who would be the main runner on it. Can I take that one, Mr Smyth, on notice? We will just go back and double-check the information that

came to us.

THE CHAIR: This says it was to the attention of both Mr Kefford and you. Have you got an arrangement on who gets primary running?

Dr Cooper: Yes, and with the Ombudsman too. We certainly do communicate, because it is public funds we are using when we deal with these. On that particular one, can I come back to you once I have gone and got the material? Can I take it on notice?

THE CHAIR: Yes. It is relating to the confidential taxpayer information regarding all ACT gaming machine operators being unlawfully provided to the ACT cabinet, if that makes it clearer.

Dr Cooper: Thank you for that.

THE CHAIR: How were the guidelines that you talked about determined?

Dr Cooper: Mr Kefford actually put out some whole-of-government guidelines for how the process worked. We have adopted those. In our guidelines, because of our independence and the way we work, we have finessed a few additional points—for instance, to tell the community that it might go to a performance audit. We have put those on the website. We try and blend in with the whole-of-government way of dealing with PIDs, because it is a process issue—it is not a policy issue—for communication. Where we have additional legislative possibilities, we put that in our guidelines.

Dr Hughes: Prior to releasing our guideline, we sent it to Andrew Kefford as commissioner. His office reviews it and he signs off on it as suitable to go out.

Dr Cooper: We were quite concerned about our independence. They are our guidelines, but he has actually endorsed them—so we did not get his approval.

THE CHAIR: All right. Again, if I can refer to your table on page 50, why would not this forwarding from Mr Rattenbury be listed under the number of disclosures referred by other agencies? And then why would you not have had the number of disclosures referred to other government agencies for investigation?

Dr Cooper: I will have to go back and take that—

THE CHAIR: Yes, if you could look at that. One of the—

Dr Cooper: Yes, I see your point—unless Mr Stanton has got a comment there?

Mr Stanton: I do recall the communication that came into our office. I do recall communication within the office and an understanding within our office that that was going to be investigated. I cannot recall whether that was going to be investigated by Mr Kefford or another agency. That was my understanding of it at the time. We took that interpretation to be that that was not referred to us for investigation, but just for our attention.

Dr Cooper: It gets complex for us, Mr Smyth, because a lot of people refer material to us not for part of the investigation but in case it could inform a PA in the PA program. We will definitely come back to you.

THE CHAIR: In this case, just to complete it, the letter continues:

Mr Rattenbury has subsequently received correspondence from Mr Gary Byles, Acting Director-General of Chief Minister and Treasury Directorate, which states in part:

“I can confirm that the matter has been attended to in accordance with the Public Interest Disclosure Act 2012”.

If it was Treasury and Chief Minister’s that was responsible for, in theory, leaking this material about the tax paid by the gaming machine operators to cabinet then they have investigated themselves. Would it not be far more appropriate for somebody like you to investigate that?

Dr Cooper: We are happy to do that when we look into the issue, but if it has not been referred back to us—can I come back to you on that specific issue?

THE CHAIR: All right.

Dr Cooper: Because we actually have one at the moment which is a very vexed issue, whereby people have gone through the Ombudsman, they have gone through the commissioner and they have gone through the agency. It is a seven-year-old thing. Clearly, these people are quite focused on this issue. I am meeting with the Ombudsman in January to try and see whether or not we should now have a look at this particular issue.

THE CHAIR: You will take that on notice. Ms Porter.

MS PORTER: Referring to page 31, Dr Cooper, the audit office surveyed agencies on the performance of the audit office, saying agencies’ comments were largely positive. There were some identified areas for improvement. We have not dealt with this one yet, have we?

Dr Cooper: I think we have.

MS PORTER: We have dealt with that one? I apologise.

Dr Cooper: That is all right. We are happy to go over it again.

MS PORTER: No, that is fine.

Dr Cooper: No problem.

MS PORTER: On page 57, the agency reduced its staff turnover from a high rate of 36 per cent in 2008-09 to 14 per cent in 2012-13 despite, it says, limited promotion opportunities for employees and a high demand for audit professionals. How has that

result been achieved? I would like to reflect on that survey of staff satisfaction that you mentioned in your introductory remarks, when you said that 69 per cent of staff expressed satisfaction. Could you reflect on that figure—the 69 per cent—whilst answering this question.

Dr Cooper: So the first question is about—

MS PORTER: The improvement.

Dr Cooper: the improvement. I think this is a quirk of time. We can all do what we possibly can to make places preferred employment places, but in a small office, we actually have a lot of young people, we have a cohort of the more mature kind—us—and the middle group is extremely small. So their ability, within the same organisation, to get to the senior ranks is very limited. I think we just have to plan that people will come and go. We try to be the best workplace we possibly can. We have a lot of staff development. I forget the figure but it is a significant amount that we spend per person on development. We pay for their professional memberships as an incentive to stay. With people, for instance, who come from a non-English-speaking background, we try and help them in their communication skills with special classes. So we do try all of that. But I think in 2011-12 we just had a cohort who had reached a particular stage of development—we are a great training ground—and who left. I think we are probably going to have between a 15 and 20 per cent turnover as a general norm. I wish I could claim a magical solution for the reduction but I think it is probably a combination of things.

MS PORTER: You mentioned the heavy emphasis on staff development. How do you manage the demand for staff development, in managing a fairly small office?

Dr Cooper: I have a fantastic person who runs our learning and development program. He is actually sitting to my left here. What we do—all of my colleagues—is staff appraisals. Within that, we look at where we can help staff, and then there is a whole program. They all go in to Ajay, who then looks at what these are telling us. Is it communication? Is it technical skills? What is it? We then have a budget that we allocate to that and we give them the opportunities.

The other thing we do—and Mr Sheville could talk to this, or possibly Mal, who often runs it—is that, pre the financial audits, the entire financial audit group will go away for a week and they go over all the new standards, the processes and the communication. Mr Prentice, would you like to talk through that?

Mr Prentice: Yes. Because we do have a lot of junior people come into the office through our recruitment, mainly at the graduate level, we go through the electronic audit software that we use to do our financial audit program. It is very heavily case study based, so that we make it as practical as possible. We involve people at all levels in the training, from my level down to some of the newer audit seniors and audit managers, to get the experience passed across to our new staff.

That normally runs for four or maybe five days, depending on whether there are a lot of changes in accounting and audit standards. There have not been too many in recent years but there are some coming through now. It is really just to get the junior people

up and running as quickly as possible. We expose them to government accounting. It is a little different to what they probably studied at university, in looking at directorates' financial statements rather than company financial statements. We have statements of performance, which a lot of our junior people have never seen before. So we explain what they are about, how we audit them, the type of information that is in them. It is a fairly intensive week of training in the March-April period, when our interim audits kick off.

As the needs arise during the year, there might be the odd one day here, one day there, coaching, supervision—the 'soft skills' or people skills are what we focus on. Once our peak season is over, after the whole-of-government, which is the part of the year that we have just come out of now, we have had quite a lot of training just to reinforce what people have learned in their practical skills during the year, to get them ready to go again on the December year-end audits and also next year's audit program.

For a small organisation, I think we do quite a deal of training, having been at the ANAO and seen their training program. For the 40 staff that we have, I think a fair bit goes on. We also sponsor people to do the professional programs through the Institute of Chartered Accountants and also CPA Australia. Their fees are reimbursed to do those programs. So there is a lot of training external to the office that we also support people going to.

Dr Cooper: You shake your head at this, but one of the questions in the last survey is, "I foresee myself working at the audit office in two years." I ask you to reflect for a minute: what do you think we would hope for? Only around 31 per cent think they will be there in that time. I think they are work pattern things.

Mr Prentice: It is the reverse.

Dr Cooper: Sorry, the reverse, 40 per cent.

Mr Prentice: Yes, 40 per cent think they will be here in two years time—

Dr Cooper: But that is not much.

Mr Prentice: and 31 per cent will be gone.

Dr Cooper: So 40 per cent is a very small figure. I think it is part of the world we are in. Coming from one of my backgrounds, I hope that we recycle; that they will go out and maybe come back. David is a good example of that. He has come back, having been there many years ago.

MS PORTER: He is a recycled person.

Dr Hughes: Recycled, yes.

MS PORTER: You are reflecting on the culture of the total workplace at the moment, rather than your specific workplace; is that what you are saying?

Dr Cooper: That is right. With our turnover, we are talking to Kiribati; if they want,

they can do our training here. We link through ACAG. We try and have our tentacles out for a small office to be as attractive as we can so that when we do have the changeover, people might put their hand up to come to us.

DR BOURKE: How does that 40 per cent you have just talked about, of people who think they will be with you in two years time, compare with other agencies?

Dr Cooper: I have not compared it.

DR BOURKE: It might just be how people at that time in their life are.

Dr Cooper: Yes.

Dr Hughes: I must say that it is an organisation with staff who have very transportable skills. Someone with a CPA qualification in accountancy—

MS PORTER: Why I was shaking my head, Dr Cooper, was really about the amount of training, professional development and personal opportunities for professional development that you actually are affording your small staff, and the investment you are putting in. Given that you are always under financial stress, and having regard to the number of audits you can do—you have pointed out to us on numbers of occasions that it would be better if you had more resources—do you think the resources you are putting in at the moment in relation to all of this is paying off?

Dr Cooper: Absolutely. There are two views that I have. One is that if we did not invest in this, we would not get the quality work out of the office, and you expect, I hope, the highest standard of quality we can possibly give. So it is not just about their future; it is about next week, after we launch them out into all the agencies, they had better know what to do. So we have no option. But having given them those great skills, you then get up in the big helicopter of life and say, “Well, it’s an investment in society, like education in school,” and somehow or other, maybe when they become a CFO in another organisation, we will actually benefit because their financial statements will be a better quality because they have been through us; therefore, overall, maybe it will be a cheaper audit to do. You cannot quantify that, but that is how I survive thinking about, “We’ll train you up and we’ll have you for two years.” It is still good value, to reassure the Assembly regarding the work we do, Ms Porter.

THE CHAIR: Dr Bourke, a quick question, and perhaps a closer from Ms Lawder.

DR BOURKE: On page 22 you talk about greater use of outside contractors for performance audits. What probity controls and monitoring do you have for these outside contractors?

Dr Cooper: That is a good question. We actually have them managed by an internal manager. We also have their work quality assured, as Ajay outlined before. So we have got a few steps in process. We have also had an audit done looking at how we managed one of those audits, and they have suggested improvements, because it is a new area for us. We are about to review our performance audit policy and operational procedures in December, January and February. So we are going to integrate it in that. Yes, we have had a few learnings, but we have also quality controlled them all the

way, and we have had our own people hands-on. I do not believe you can give an audit to a contractor and then just put a cover on it. It just does not work. You have to go in and know everything, it has to get back on your system and you have to interrogate it. It is not like just ordering something from the shelf and putting it through, because we are accountable.

DR BOURKE: What were those recommended improvements?

Dr Cooper: Nothing major.

Mr Stanton: I do not believe there was anything specific. Two audits last year—the recruitment practices audit and the parking operations one—were both managed internally by different people within the audit office, and each one of those people brought their own skills and experience to managing the contract.

The recruitment practices one was the first one that we did, and that was one of the two performance audits that were quality assured last year through a review by our peers from the Queensland audit office. The Queensland audit office pointed out some ideas—I cannot recall anything specific—about how we might document the monitoring of the work of the contractors. One of the first things that we are going to do in our review of our performance audit methods and policies is to ensure that our management of contractors is adequately documented in that particular—

Dr Hughes: With respect to some specifics, looking at the ones we have done this financial year using contract audit firms, it is about making sure that we have the right documentation systems—that they are using the same system that we use. That is a very important one that has now been sorted out. That does mean that they are actually giving us documentation for the work they have done that goes straight into our Aspire system, which is our documentation system. That is a practical example of what we have got right. That just makes the whole process more efficient.

The other thing also answers the question before about how many. If we do, say, two of these a year, it allows us to get insights from how other people do work. We get a bit of a benchmark for our own efficiencies within the office, and also, over time, we develop that capacity to manage external contractors. Also, over time, we will establish essentially a large pool that is available to assist us. It is a good adjunct to be able to occasionally draw on some extra people externally just to help smooth over a timetable, especially in a small office. It is hard to have all the sequencing of audits whereby, as you are finishing off, you should be starting off a new one and so on. It is a useful adjunct to the staff within the office, I think.

Dr Cooper: It is a contestable space because some A-Gs would not do it. They would say, “We want our own internal staff.” I think you have to balance your control mechanisms with the resourcing you have got.

MS LAWDER: Could you give a brief outline of your progress against your strategic plan?

Dr Cooper: Not a brief one, but, essentially, we have three branch plans—performance, the professional area and the financial. We can send you copies of them.

They have a whole lot of actions that feed up into the corporate, because the corporate is rather broad and strategic. We do it through the work that we have just reported to you in our annual report, but we can show you how they all feed up, if ever you would like.

THE CHAIR: We will conclude there. Thank you for that offer. We will take you up on that. There are a number of things to highlight before we close. Questions taken on notice at this hearing are due with the committee secretariat no later than Friday, 31 January next year. Members, if there are any supplementary questions, you have three days to lodge those after the receipt of the proof transcript. If the committee has any supplementary questions, we will get those to you as quickly as we can, and we would like an answer for those by Friday, 31 January as well.

On behalf of the committee, Auditor-General, thank you and your officials for attending today. We will forward you the proof transcript when it is available, for any corrections or suggestions. With that, I formally declare the public hearing closed.

The committee adjourned at 3 pm.