

Submission
No 4

INQUIRY INTO FOLLOW UP OF AUDITOR-GENERAL'S 2010 FINANCIAL AUDIT REPORTS

Organisation: Transport RTA
Name: Mr Michael Bushby
Position: Chief Executive
Telephone:
Date Received: 11/10/2011

Theme:

Summary



CE11/2795
Your ref: D11/06593

Mr Jonathan O'Dea MP
Chair
Legislative Assembly
Public Accounts Committee
Parliament House
6 Macquarie Street,
Sydney, NSW 2000.

Dear Mr O'Dea

Thank you for your letter requesting a submission outlining the Roads and Traffic Authority (RTA's) response to the Auditor General's Financial Audit repeat recommendations. The two repeat recommendations for the RTA relate to the RTA's pavement rebuilding rate, and skill hire practices. The RTA's comment on these two recommendations is detailed below:

Auditor General's Recommendation – Pavement Rebuild Rate:

I have previously recommended the Authority develop strategies to achieve its annual target of two per cent rebuilding of road pavements to ensure the long term sustainability of its roads.

RTA Response:

Pavement rebuilding funding needs to achieve a 2 per cent pavement rebuilding rate were identified as part of the RTA TAM process and submitted as part of the 2011/12 ERC process of the new government (along with other capital funding priorities across the transport sector).

The RTA's current strategic asset management planning process:

- Balances across multiple outcomes.
- Manages trade-offs across service outcomes, risks and asset performance.
- Includes and integrates both recurrent and capital maintenance.

Importantly, strategic asset planning needs to balance across all the RTA's service outcomes including:

- The road transport system supports reliable and efficient movement of people and goods.
- The condition and value of the road network meets acceptable standards.
- The safety of the road environment, vehicles and road user behaviour is maximised.
- Impacts on the natural, cultural and built environments are minimised.

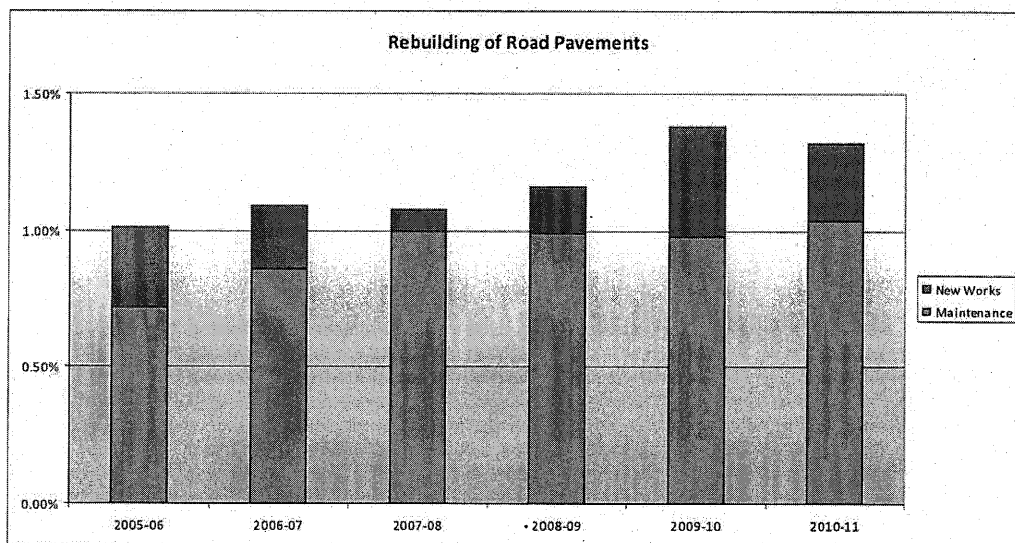
Roads and Traffic Authority

Across each of these objectives a risk based assessment process is undertaken for each asset class to assess needs based on current asset knowledge. Tension therefore exists with the desire to target rebuilding works within the limits of resources available. There is still a need to defer the desirable level of asphalt resurfacing, pavement rebuilding, seal widening, roadside drainage and bridge repainting works to fund bridge repairs, basic routine and periodic maintenance, support traffic management assets such as signals, signs and markings, and address rising corridor maintenance costs. Service levels in these areas would need to be severely reduced to further increase pavement rebuilding rates.

The RTA's Strategic Asset Maintenance Plan (SAMP) is consistent with the recommendations of the Auditor General's report, in that it focuses on the need to 'give higher priority to the (pavement) rebuilding program to achieve long-term sustainability at minimum whole of life cost', improves the condition of Sydney's roads, and ensures other risks are managed effectively. In response to the SAMP analysis and the Auditor General's report, the RTA progressively allocated an additional \$100 million per annum to road network maintenance over 2007-08 and 2008-09, primarily for pavement rebuilding and urban pavement resurfacing.

Since 2008-09 the ability for further financial transitioning of capital funds to maintenance for rebuilding within RTA's allocation has been constrained primarily due to commitments to match Commonwealth funds on major network development works.

In future the overall allocation of capital funding across the transport portfolio will become a responsibility of Transport for NSW.



Allocation of funding under the 2011-12 ERC was focused on meeting existing capital project commitments and election promises and additional capital funds for replacements of road assets (including pavement rebuilding) could only be provisionally allocated from 2014-15. Under available funding for the next three years, pavement rebuilding rates are likely to remain at current levels.

Auditor General's Recommendation – Skill Hire Practices:

I recommend the Authority review its application of skill hire practices to ensure it complies with its established policies, the Income Tax Act and other industrial relations matters.

RTA Response:

The RTA has a rigorous monitoring and approval process for the commencement and extension of skill hire employees. Each request for a skill hire employee and extension of skill hire contracts undergoes the following approval process:

- A business case must be prepared including the reason why a position cannot be filled by a directly engaged employee (either permanent or temporary), the source of funding, the relationship to frontline services, the reason for the vacancy and the risk if the position is not filled
- The business case must be approved by the relevant Director and General Manager HR Strategy
- Final approval by Transport for NSW is also required

The approval or extension will only be approved if the business case justifies appointment/extension and a number of business cases are not approved if:

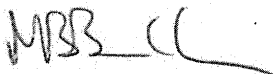
- There are no or merely tenuous links to frontline service delivery
- Sufficient effort has not been made to fill the position through other means.

The RTA can also confirm that current practices comply with RTA policies, the Income Tax Act and other industrial relations matters. Recent data suggests that actions taken to reduce skill hire numbers have been successful. As at 30 June 2011, there were 448 skill hire employees engaged across the RTA compared to 698 at 30 June 2010.

I would also like to note that the RTA was very satisfied by the professional and collaborative manner in which the audit process was carried out in the 2010/11 financial year. All contentious accounting issues were resolved early in the audit process. I note that the early close process assisted in identifying potential problem areas and ensuring the timely submission and accuracy of the RTA's financial statements.

For more information please contact Mr Dean Boland, Acting Group Financial Controller, on (02) 8588 5250 or Mr Stefan Murru Finance Manager, Reporting and Assets on (02) 8588 5265.

Yours sincerely



Michael Bushby
Chief Executive

11 OCT 2011