

**Submission
No 6**

FOLLOW UP OF THE AUDITOR GENERAL'S 2012 FINANCIAL AUDIT REPORT

Organisation: Audit Office of NSW
Name: Mr Peter Achterstraat
Position: Auditor-General
Date Received: 25/07/2013

Mr Jonathan O'Dea MP
Chair
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

25 July 2013

ATTENTION: Mr John Miller

Dear Mr O'Dea

Follow up of 2012 Financial Audit Reports - PAC submissions

I have reviewed the submissions provided by the Agencies that were contained in your email of 5 July 2013.

Please find attached my comments on the progress reported in relation to the relevant recommendations in my original reports.

I am happy to provide any further assistance the Committee may need in completing its examination.

Yours sincerely



Peter Achterstraat
Auditor-General

Attachments

Submission 1: Financial Audit – Wentworth Park Sporting Complex Trust

	Recommendations	Status	Our comments
1	<p>Wentworth Park Sporting Complex Trust – Unresolved Loan Repayment (Vol 9 – 2011 – Repeat issue) The Trust endeavour to agree with Greyhound Racing NSW the treatment of monies provided to it in 1985-87 by the former Racecourse Development Fund.</p>	<p>The matter remains unresolved. The Trust has received correspondence from Mr Paul Toole MP, Parliamentary Secretary to the Deputy Premier on 2 May 2013 stating that the Deputy Premier is aware of this issue and is currently in discussions with Greyhound Racing NSW with the view to resolving this matter.</p>	<p>I note that the Trust has made various attempts in recent years to resolve this matter. I recommend the Trust continue its efforts to obtain agreement with Greyhound Racing NSW on the treatment of monies provided to it in 1985-87 by the former Racecourse Development Fund.</p>

Submission 2: Financial Audit – Department of Finance and Services

	Recommendations	Status	Our comments
1	<p>The Department resolve the Government Property Register limitations so that it becomes a complete and reliable record of all NSW Government property assets.</p>	<p>The Department of Finance and Services is continuing to address the Government Property Register limitations.</p>	<p>The Department's recorded actions to improve the Government Property Register are in accordance with my understanding of initiatives to resolve limitations.</p> <p>Responsibility for the Register is now with Government Property NSW.</p>

Submission 3: Financial Audit – Department of Premier and Cabinet

	Recommendations	Status	Our comments
	All agencies should:		
1	Define their recovery requirements and ensure these are reflected in disaster recovery plans for financial systems	Completed	
2	Ensure disaster recovery plans are tested periodically.	Completed	
3	Revise their information security management framework to align with Premier's Memorandum M2012-15 Digital Information Security Policy.	In Progress	
4	Enhance agency compliance with information security procedures and guidelines to focus on appropriate user access requirements including segregation of duties and security configurations.	In Progress	
5	Consider information security requirements during new system implementations and business process changes.	In Progress	I have reviewed the responses and actions taken to the recommendations from Volume 1 2013 Auditor-General's Financial Audit Report. These actions appear to be appropriate and reasonable given the recommendations. I will validate the actions of the Department in the 2014 year.

Submission 4: Financial Audit – NSW Ministry of Health

Recommendations	Status	Our comments
<p>1 Local Health districts and the Sydney Children's Hospitals Network should:</p> <ul style="list-style-type: none"> a. Finalise review of all special purpose accounts to confirm the nature and intended use by 28 February 2013 b. Record the actual intended use of each account in a central repository c. Analyse and understand why some special purpose accounts had nil or few transactions during 2011-12 d. Provide the Ministry of Health with a report, in a format to be specified, on the results of review by 31 March 2013, signed by the Chief Executive e. Arrange appropriate approvals to move funds from special purpose accounts to the Public Contributions Trust fund, to help the delivery of health services, by 30 June 2013. 	<ul style="list-style-type: none"> a. Completed The local health districts and the Sydney Children's Hospitals Network have told the Ministry of Health the outcomes from their review. b. Completed The local health districts and the Sydney Children's Hospitals Network have established a central repository of information related to the nature and intended use of the vast majority of funds. c. Completed The local health districts and the Sydney Children's Hospitals Network have provided advice to the Ministry of Health regarding actions they can take to consolidate funds. d. Completed The local health districts and the Sydney Children's Hospitals Network have provided advice to the Ministry of Health regarding actions they can take to consolidate funds. e. On track Further work is required to determine the transfers between accounts while still satisfying donor imposed restrictions. This is scheduled for completion by 31 December 2013. 	<ul style="list-style-type: none"> a. From a small sample of local health districts my office has reviewed so far, it appears management has completed its review of all special purpose accounts. The Audit Office will review the remaining local health districts in the coming months. b. From a small sample of local health districts my office has reviewed so far, it appears management has established a central repository of information related to the nature and intended use of the vast majority of funds. The Audit Office will review the remaining local health districts in the coming months. c. From a small sample of local health districts my office has reviewed so far, it appears management has analysed dormant accounts to ensure the proper use of these funds. The Audit Office will review the remaining local health districts in the coming months. d. At the time of preparing this response, the Audit Office had not seen the advice from all the local health districts and the Sydney Children's Hospitals Network to the Ministry of Health. The Audit Office will seek copies of all relevant correspondence and review it in the coming months. e. From discussions with Ministry of Health staff, they have told my office that due process needs to be followed before transferring funds. This may involve getting legal advice and/or liaison with the Public Trustee. While recognising the importance of complying with the law and donor imposed conditions, it is important the process for transferring funds be established and operating by 31 December 2013. The Audit Office will complete a comprehensive review of this area during August-October and will report the findings in Volume Ten of the 2013 Auditor-General's Report to Parliament, which will be tabled in Parliament in December 2013.

	Recommendations	Status	Our comments
2	<p>a. The Ministry of Health and health entities must further improve how they record, reconcile and confirm intra-health transactions and balances with each other. They should reconcile and agree intra-health balances every quarter.</p>	<p>Underway, on-going and on track.</p> <p>Commencing October 2012 and then quarterly thereafter, health services are required to reconcile and certify their indebtedness to each other.</p>	<p>I can confirm the Ministry of Health and its controlled entities made a concerted effort to reconcile and confirm intra health balances as at 31 March 2013.</p> <p>From the audit teams' review of the 31 March 2013 intra health reconciliation and confirmation process, it was evident all health entities were more diligent in recording, reconciling and confirming intra health balances. This effort translated into a much smaller difference between amounts owed and owing at 31 March 2013, as compared to differences reported in previous years. Much of the difference at 31 March 2013 was due to timing, being largely accruals for goods and services provided in March 2013 for which an invoice had not been issued. I expect the recording, reconciliation and confirmation of intra health balances will further improve every time it is performed by the Ministry of Health and its controlled entities.</p> <p>Volume Ten of the 2013 Auditor-General's Report to Parliament, which will be tabled in Parliament in December 2013, will include more details on the 30 June 2013 intra health position and any follow up recommendations.</p>
	<p>b. The Ministry of Health should be more active in reviewing, reconciling and following up intra-health discrepancies.</p>	<p>Completed.</p> <p>The Ministry of Health required each health entity to reconcile and certify their indebtedness to each other as part of the early close process at 31 March 2013. This would allow the Ministry of Health to evaluate the effectiveness of the process and enable any corrective actions to be implemented prior to 30 June 2013.</p>	<p>I can confirm the Ministry of Health was more active in reviewing, reconciling and following up intra-health discrepancies at 31 March 2013. This led to the Ministry of Health making some minor improvements to the process leading up to 30 June 2013.</p> <p>The Ministry of Health has informally advised the audit team that the difference between what is recorded as owed and owing within the health group at 30 June 2013 is significantly less than the difference at 31 March 2013. This is encouraging and indicates the process is improving.</p>

Recommendations	Status	Our comments
<p>c. All health entities should request, and respond to, intra-health confirmations on a timely basis.</p>	<p>Completed.</p> <p>The Ministry of Health engaged an external consultant to conduct a statewide survey of processes related to intra health transactions.</p> <p>A major upgrade to the accounting software will come into effect in October 2013, which will significantly improve the intra health reconciliation process.</p>	<p>I can confirm the response rate to intra health confirmations was significantly better at 31 March 2013, as compared to 30 June 2012. From a sample of health services, it was evident they were responding to confirmation requests in a timely manner, even if they disagreed with the amounts recorded.</p> <p>I can also confirm the independent survey conducted in late 2012 did include questions and feedback around the intra health process. I can also confirm the accounting software is scheduled for an upgrade on 1 October 2013. The Ministry of Health has explained to my office that the upgrade will improve the recording and settlement of intra health transactions. This should minimise differences between amounts recorded as owed and owing at any time.</p> <p>Volume Ten of the 2013 Auditor-General's Report to Parliament, which will be tabled in Parliament in December 2013, will include more details on the 30 June 2013 intra health position and the rollout of the upgraded accounting software.</p>

Submission 5: Financial Audit – Department of Attorney General and Justice

	Recommendations	Status	Our comments
1	<p>The Department pursue initiatives to address the backlog of Victims Compensation claims, which now represent more than four years of claims and have more than tripled since 2006. Such initiatives will need to take account of the findings of the independent assessment of the scheme.</p>	<p>Refer Submission No. 5 from DG – Laurie Glanfield on 2/7/2013.</p>	<p>I reviewed the response and actions taken by the Department to address my recommendation from Volume 7 of the 2012 Auditor-General's Report to Parliament. The actions proposed by the Department are intended to address the current backlog of victims' compensation claims. In the absence of any issues arising from my audit work which will be undertaken in the next few weeks (see below), I consider the matter to be closed.</p> <p>On 3 June 2013 the <i>Victims' Rights and Support Act 2013</i> was passed. I was told the change in legislation will reduce the liability to \$150.2 million as at 30 June 2013.</p> <p>The Department's response indicates Treasury has a substantial central budget to fund the backlog over 2 years and it expects this to extinguish all current pending claims by 30 June 2015.</p> <p>As the legislation was not passed prior to "Early Close" work I performed in June 2013, a number of issues were still subject to audit, including the finalisation of the actuarial report to assess the cost of finalising existing pending claims under the new scheme.</p> <p>Volume Six of the 2013 Auditor-General's Report to Parliament in November 2013 will include more details on the June 2013 backlog position and the impacts of the new Victims Support Scheme.</p>