

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

Organisation: NSW Audit Office
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Theme:

Summary

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

4 November 2011

Dear Mr O'Dea

**Examination of Auditor-General's 2010 Financial Audit Reports
Recommendations and Repeat Recommendations
Your reference: LAC11/085**

We have reviewed the submissions provided by the Agencies that were contained in your letters of 19 October 2011 and 26 October 2011.

Please find attached our comments on the progress reported in relation to the relevant recommendations in our 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 - NSW Transport RailCorp

	Recommendation	Status	Our comments
1	<p>I recommend RailCorp improve its contractor register and continue to periodically review the roles and responsibilities of all its contractors to ensure:</p> <ul style="list-style-type: none"> ▪ its reliance on contractors is not excessive ▪ using contractors instead of permanent employees is appropriate ▪ contractors do not become de facto employees by virtue of being with RailCorp for an extended period of time ▪ using a contractor continues to represent good value for money. 	Completed.	<p>The actions detailed in the response from RailCorp are appropriate to address my recommendation.</p> <p>I continue to monitor contractor numbers and costs at RailCorp and where appropriate will include comment in Volume 8 of my Report to Parliament for 2011.</p>

Submission 2: Financial Audit – The Treasury

	Recommendation	Status	Our Comments
1	<p>The Treasurer present amendments to the Public Authorities (Financial Arrangements) Act 1987 (PAFA Act) to Parliament at its next sitting.</p>	<p>In progress. NSW Treasury intends to write to agencies.</p>	<p>I would like to see the issue firmly resolved by amending the Treasury Circular (TC06/17) to clarify the requirements for financial arrangements in which there is a risk of inadvertent breach (that is, when there is the potential to incur a liability).</p>

Submission 3: Financial Audit - ANZAC Health and Medical Research Foundation

	Recommendations	Status	Our comments
1	<p>I again recommend the Foundation obtain approval for its loan.</p> <p>Last year, I recommended the Foundation obtain approval for a loan it obtained in 2008-09. The Foundation has failed to do so.</p>	In progress	<p>Approval not yet obtained. The Foundation has stated that it will seek approval in accord with the <i>Public Authorities (Financial Arrangements) Act 1987</i>.</p> <p>The Foundation has also indicated that it may repay the loan in the current period.</p>

Submission 4: Financial Audit – Transport Roads and Traffic Authority

	Recommendations	Status	Our comments
1	<p>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.</p>	<p>Ongoing.</p> <p>RTA has a risk based assessment process to prioritise rebuilding works and to enable sufficient funding for bridge repairs, basic routine and periodic maintenance, support traffic management assets and to address rising corridor maintenance costs. Service levels in these areas would need to be severely reduced to further increase pavement rebuilding rates.</p>	<p>RTA's Expenditure Review Committee submission (2011-12) included a recommended interim medium risk funding proposal that was the minimum required to address short term issues but does not provide for long term sustainability. This proposal seeks to provide reasonable service levels and address immediate shortfalls that would otherwise compromise State Plan targets.</p> <p>It defers establishing a sustainable asset management regime for pavements until after 2020.</p>
2	<p>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.</p>	<p>Completed</p>	<p>RTA response highlights reduction in skill hire contractors from 698 at 30 June 2010 to 448 at 30 June 2011.</p> <p>I will continue to monitor the Authority's management of contractors.</p>

Submission 5: Financial Audit – Australian Museum Trust

	Recommendation	Status	Our comments
1	I have previously recommended the Museum complete its program of recording its collections on an electronic database as soon as possible.	In progress The Museum considers it is making good progress in recording its collections with the limited resources available.	The Museum is taking action to address the recommendation but completion is dependent on available resources and additional funding. I am unaware of an estimated completion date for this project.

Submission 6: Financial Audit - NSW Aboriginal Land Council

	Recommendation	Status	Our comments
1	<p>The Council consider dissolving the remaining Aboriginal Land Councils that are underperforming, particularly those under administration.</p>	<p>Ongoing.</p>	<p>While no direct action seems to be underway to reduce the number of Local Aboriginal Land Councils (LALCs) from the current level of 119, the Council has advised that the issues relating to the sustainability of the current NSW Aboriginal Land Rights Network is the subject of a Council Discussion Paper. The paper includes topics relating to the disposal of non-performing assets to raise funds, sharing of resources between LALCs and voluntary amalgamations.</p> <p>At present there are a number of LALCs that continue to underperform.</p>

Submission 7: Financial Audit - Department of Finance and Services

	Recommendations	Status	Our comments
1	<p>The Department develops a strategic framework to guide the future maintenance, development and use of the Government Property Register.</p>	<p>In progress.</p> <p>The Department is commencing a major redevelopment of the GPR to improve its capacity as an asset management and strategic planning system.</p> <p>The GPR Executive Steering Committee has been formed and the GPR Completeness Improvement Program has been set in motion.</p> <p>A first stage is scheduled for the end of 2011, followed by a detailed requirement gathering phase in the lead up to 2012/13 capital development program.</p>	<p>I would like to see a timeframe set for establishing a strategic framework.</p>
2	<p>The limitations identified in the Government Property Register be resolved so that it becomes a complete and reliable record of all New South Wales Government property assets.</p> <ul style="list-style-type: none"> ▪ Changes in control or ownership are not always recorded 	<p>Ongoing.</p> <p>Although the Department monitors Government Gazettes to identify any property changing ownership through gazettal, it has no way of monitoring legislated change of ownership where it occurs. The Department relies on the agencies advising it at the time of legislation or through the annual reconciliation of the GPR.</p>	<p>It remains to be seen whether the GPR Reconciliation processes alone will be sufficient to treat this issue without formal registration of land transfers.</p>
	<ul style="list-style-type: none"> ▪ Land held by RailCorp has no title 	<p>In progress</p> <p>The GPR has been enhanced to record non titled land. Up to mid October 2011, about 11,000 RailCorp parcels have been added to the GPR with 3,000 waiting further investigation.</p>	<p>The enhancements should provide a partial solution in the absence of land not being registered in the land titles system.</p>

	Recommendations	Status	Our comments
	<ul style="list-style-type: none"> ▪ Some Crown Land is still unidentified 	<p>Delayed.</p> <p>The initial title conversion project did not cover all Crown land.</p> <p>Currently DTIRIS is investigating and converting land parcels in the Western Region.</p> <p>The next priority is identifying and converting Crown Land reserved as State Forests and National Parks, which is however dependent on some legislative changes and funding.</p> <p>Completed.</p>	<p>The Committee may be interested in the Department outlining the strategies to ensure that all of Crown Land is registered.</p> <p>The Committee may be interested in the Department detailing the legislative changes required for the conversion of Crown State Forest and National Parks.</p> <p>The committee may be interested in the Department outlining how the GPR will be a complete record of all land holdings by government in the state when State Owned Corporations are exempt from being formally required to provide information to the Department.</p>
	<ul style="list-style-type: none"> ▪ Some agencies are excluded from the legal requirements to provide information for the register (e.g. State owned corporations) 	<p>Completed.</p>	<p>No further comment.</p>
3	<ul style="list-style-type: none"> ▪ Many agencies have unique property identifiers which may relate to a part of, one or many lots. ▪ The Department continues to work with agencies experiencing difficulty finalising annual reconciliations of the GPR with agency records, to ensure a complete reconciliation is achieved as soon as possible. 	<p>In progress.</p> <p>The Department continues to work with agencies in resolving issues identified through the annual reconciliation process.</p> <p>The Department has developed a reconciliation application that compares agency property data against the GPR.</p>	<p>No further comments.</p> <p>The Committee may be interested in the Department presenting the results of the 2011 reconciliation.</p>

Submission 8: Financial Audit – Department of Primary Industries

	Recommendations	Status	Our comments
1	To establish an appropriate centralised record of all Crown Land in New South Wales to meet its responsibilities under the <i>Crown Lands Act 1989</i> .	In progress.	<p>As noted in the agency's response the project did not cover all Crown Land.</p> <p>The Department should outline the strategies to determine which Crown reserves are 'controlled' by the Department. Until this process is complete, the Department does not know the full extent of its land holdings.</p>
2	To significantly reduce the time taken to process Aboriginal Land Claims.	Ongoing The backlog has increased.	<p>The Department should detail the additional strategies and/or measures to reduce the time taken to process Aboriginal land claims as the number of claims has increased significantly over the years.</p> <p>The Department should detail how the computerised system providing a bulk approach by geographical region will assist in reducing processing time.</p>
3	Legal title over land granted to successful Aboriginal land claimants should be issued as soon as practicable.	In progress. The Department has employed three surveyors and engaged five contract surveyors to speed up the process. The backlog of granted claims awaiting survey has been reduced.	I will continue to monitor progress in clearing the backlog.