

**EXAMINATION OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS SEPTEMBER
2013 – JULY 2014**

Organisation: Audit Office of NSW

Date Received: 9 October 2015

Mr Bruce Notley-Smith MP
Chair
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

Contact: Kathrina Lo
Phone no: 9275 7310
Our ref: P001915
Your ref:

9 October 2015

Dear Mr Notley-Smith

Follow up of Auditor-General's Reports

I refer to your letters of 17 and 28 September 2015 advising that the Committee is reviewing the implementation of recommendations in the following performance audit reports tabled in 2014:

Report No. 239	Fitness of Firefighters
Report No. 240	NSW State Emergency Service Management of Volunteers
Report No. 241	Regional Road Funding – Block Grant and REPAIR Programs
Report No. 242	Effectiveness of the New Death and Disability Scheme
Report No. 243	The Use of Purchasing Cards and Electronic Payment Methods
Report No. 244	Making the Most of Government Purchasing Power - Telecommunications
Report No. 245	Managing Contaminated Sites

As requested, I attach my comments on the responses the Committee has received from the agencies that were audited.

Should you wish to discuss this matter, please contact me on 9275 7101 or Kathrina Lo, Assistant Auditor-General Performance Audit on 9275 7310.

Thank you for the opportunity to assist the Committee with its work.

Yours sincerely



A T Whitfield PSM
Acting Auditor-General

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Report No. 239

Fitness of Firefighters

Responding agency

Fire and Rescue NSW

Audit Office Comments

We note Fire and Rescue NSW's reported progress to date and that most recommendations are due for completion by December 2015. We consider that these actions adequately address the intent of the recommendations.

Responding agency

NSW Rural Fire Service

Audit Office Comments

We note NSW Rural Fire Service's reported progress to date and that most recommendations have been completed. We consider that these actions adequately address the intent of the recommendations.

Report No. 240

NSW State Emergency Service Management of Volunteers

Responding agency

NSW State Emergency Service (SES)

Audit Office Comments

We note the SES' reported progress to date. While some recommendations have been completed, many have been delayed and do not have firm dates for completion. We provide the following comments on the SES' response to recommendations 1, 2, 3 and 4. We have no further comments on the SES' response to the remaining recommendations.

<i>Recommendation</i>	<i>Audit Office comment</i>
Recommendation 1 (The SES' response – accepted) Improve analysis and reporting on management information about volunteers including: a) numbers, contribution, skills, profile, availability and turnover b) reasons for joining and leaving c) gaps in data completeness and quality.	In its formal response to the audit report, the SES noted that an exit survey process would capture the reasons that volunteers join and leave the organisation. The point of exit may be too late to gain useful information about why volunteers join the SES. In our report we noted the SES application form did not capture the reasons recruits join or how they learnt about the SES to inform recruitment efforts and workforce planning. The PAC may wish to ask the SES if the new online application form that is under development asks applicants for the reasons they are joining the SES.
Recommendation 2 (The SES' response – accepted) Develop a volunteer workforce plan to focus resources for recruitment and retention on areas of greatest need. The plan should be based on regional capability plans that assess in a	The SES' progress on this recommendation appears limited. It indicates that it has conducted a review of regional capability plans and developed a Volunteer Strategic Workforce Planning Framework. It is not clear this framework will result in a State or region level volunteer workforce plans. Previous financial audits (2011, 2012) have repeatedly

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<i>Recommendation</i>	<i>Audit Office comment</i>
consistent way: a) how many volunteers they have and need b) the gaps and risks around volunteer numbers, skills and training.	found that the SES lacked adequate volunteer workforce plans. The PAC may wish to ask the SES how it will use the Framework to develop a workforce plan and why it has not placed higher importance on implementing this recommendation more quickly.
<i>Recommendation 3</i> (The SES' response – accepted) Update its recruitment guidelines and resources, and support units in better targeting recruitment.	The SES has noted that it is discontinuing its community service announcement strategy and replacing it with a Spirit of NSW SES DVD. The PAC may wish to ask the SES how this approach is better targeting recruitment and why the resources are not available on the NSW SES website or NSW SES YouTube channel.
<i>Recommendation 4</i> (The SES' response – accepted) Develop strategies and resources to improve volunteer retention, including: a) induction and development of leaders b) health checks for units to identify and address areas for improvement c) pathways for volunteers to take on greater responsibility d) consultation and communication e) recognition for volunteers and their employers.	The SES' response noted that it ceased its 'Looking After People' leadership program and is replacing it with a controller development program anticipated to be completed in early 2016. The PAC may wish to ask the SES what strategies and resources it is offering leaders in the absence of either program.

Report No. 241

Regional Road Funding – Block Grant and REPAIR Programs

Responding agency

Roads and Maritime Services (RMS)

Audit Office Comments

We note that there has been progress on some recommendations. We also consider it reasonable for RMS to hold back implementation of some recommendations pending proposed local government reforms expected to commence in September 2016.

We provide the following comments on RMS' response to recommendations 1, 2, 3, 4, 9 and 11. We have no further comments on RMS' response to the remaining recommendations.

<i>Recommendation</i>	<i>Audit Office comment</i>
<i>Recommendation 1</i> (RMS' response – partially accepted) By end of June 2015, RMS should require councils to certify they spend Block Grant funds in line with priorities established through the Integrated Planning and Reporting framework, with some risk-based, desk-top assurance of the certification.	We note RMS' partial acceptance of this recommendation and its reported completion of the first part. The PAC may wish to ask RMS why it has not implemented a limited quality assurance process over council certification that Block grant spending accords with local council Integrated Planning and Reporting priorities.

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<i>Recommendation</i>	<i>Audit Office comment</i>
<p><i>Recommendation 2</i> (RMS' response – accepted)</p> <p>By end of June 2015, RMS should publish benchmarking information on Regional Road maintenance costs and outputs.</p>	<p>We note that implementation of this recommendation is in progress.</p> <p>The PAC may wish to ask RMS why the publication of benchmarking information on costs and outputs needs to await local government reforms.</p>
<p><i>Recommendation 3</i> (RMS' response – accepted)</p> <p>By end of June 2015, RMS should improve the integrity and reliability of the traffic information it uses to allocate Block Grants to councils.</p>	<p>We note that implementation of this recommendation is in progress.</p> <p>The PAC may wish to ask RMS why improving the integrity of traffic data needs to await local government reforms.</p>
<p><i>Recommendation 4</i> (RMS' response – accepted)</p> <p>By end of June 2015, RMS should work with Transport for NSW and local councils to account for the impact of heavy vehicles in allocating Block Grants to rural councils.</p>	<p>We do not think that RMS' reported action to complete this recommendation has adequately addressed the intent of the recommendation.</p> <p>The PAC may wish to ask RMS what it plans to do to obtain reasonably reliable heavy vehicle data, given road damage is caused largely by heavy vehicles and its absence calls into question the validity of the existing regional road funding allocation formulae.</p>
<p><i>Recommendation 9</i> (RMS' response – partially accepted)</p> <p>By end of June 2015, RMS should ensure that:</p> <ul style="list-style-type: none"> RCCs give adequate weight to whole-of-life costs and economic benefits when selecting REPAIR projects the model scoring system in the REPAIR program guidelines gives adequate weight to whole-of-life costs and economic benefits when assessing REPAIR projects. 	<p>We do not think that RMS' reported action to progress this recommendation has adequately addressed the intent of the recommendation.</p> <p>The PAC may wish to ask RMS what were the arguments of the Working Group in support of the use of Integrated Planning and Reporting priorities for selection of REPAIR projects, noting that the REPAIR program is designed to meet regional rather than local council priorities.</p>
<p><i>Recommendation 11</i> (RMS' response – accepted)</p> <p>By end of June 2015, RMS should ensure that REPAIR project works use technical standards which comply with the RTA manual "Arrangements with Councils for Road Management".</p>	<p>We do not think that RMS' reported action to progress this recommendation has adequately addressed the intent of the recommendation.</p> <p>The PAC may wish to ask RMS what were the arguments of the Working Group in support of local councils determining minimum standards for REPAIR project works instead of RMS mandating acceptable minimum standards, noting that the REPAIR program is designed to meet regional rather than local priorities.</p>

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Report No. 242

Effectiveness of the New Death and Disability Scheme

Responding agency

NSW Police Force

Audit Office Comments

We note NSW Police Force's reported progress to date and that most recommendations have been completed. We consider that these actions adequately address the intent of the recommendations.

Report No. 243

The Use of Purchasing Cards and Electronic Payment Methods

Responding agency

Department of Finance, Services and Innovation

Audit Office Comments

The Department's response, and reported actions and progress in implementing the recommendations of the report, have addressed the intent of the recommendations and the major performance gaps.

The PAC may, however, wish to ask the Department:

- how government obtains assurance that targets are sufficiently challenging
- the extent to which PCard and electronic payment system usage has increased since the audit and how much additional money has been saved
- when the revised Treasury circular is likely to be released and what changes it will introduce.

Report No. 244

Making the Most of Government Purchasing Power - Telecommunications

Responding agency

Department of Finance, Services and Innovation

Audit Office Comments

We note that there has been progress on implementing the first two recommendations.

We provide the following comments on the Department's response to recommendation 3.

<i>Recommendation</i>	<i>Audit Office comment</i>
Recommendation 3 (Department's response – accepted but no longer being implemented) Establish and report on key performance indicators for the government's telecommunications broker.	We note that this recommendation has not been implemented because the telecommunications broker arrangement has concluded. We reported that the telecommunications broker was engaged initially to assist the Department to establish technical standards for some telecommunications services and then negotiate with suppliers to establish benchmark rates for these services. The PAC may wish to ask the Department whether: <ul style="list-style-type: none">• technical standards have been established, and if so for what telecommunications services• appropriate benchmark rates have been established for these services

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	<ul style="list-style-type: none"> • how this information has been used to assist agencies. <p>We also reported that in the longer term, the intent was for the telecommunications broker to assist agencies to review telecommunications pricing, analyse vendor offerings and help negotiate service agreements across government. We supported this initiative as it would collect and use knowledge across government to enable agencies to drive better deals when negotiating with suppliers. The PAC may wish to ask the Department how it is providing this level of assistance to agencies in the absence of the telecommunications broker.</p>
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Report No. 245

Managing Contaminated Sites

Responding agency

Department of Industry, Skills and Regional Development

Audit Office Comments

We note that there has been progress on some recommendations.

We provide the following comments on the Department's response to recommendations 1, 2, 3, 4, and 6. We have no further comments on the Department's response to the remaining recommendations.

<i>Recommendation</i>	<i>Audit Office comment</i>
<p>Recommendation 1 (Department's response – accepted)</p> <p>By December 2014, develop policies and procedures to minimise the risks and liabilities associated with contaminated land during the purchasing, selling, leasing or transferring of Crown land. These could include:</p> <ul style="list-style-type: none"> • having the owner of land carrying out environmental baseline investigations prior to DTIRIS purchasing land • having DTIRIS carry out environmental baseline investigations prior to selling land • having the previous lessee carry out environmental baseline investigations prior to DTIRIS leasing land (based upon risk and land value) • special contract clauses disclosing the condition of land at transaction point • securing a bond / financial assurance for potentially contaminating activities conducted 	<p>We note from the Department's response there are ongoing actions regarding the development of contract conditions. These contract conditions are intended to minimise risks and liabilities associated with contaminated land.</p> <p>The PAC may wish to ask the Department for an explanation of the delays and an indication of when this action will be completed.</p>

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<p>on leased Crown land</p> <ul style="list-style-type: none"> • environmental management lessee conditions and ongoing monitoring. 	
<p>Recommendation 2 (Department's response – accepted)</p> <p>By December 2015, DTIRIS should develop a comprehensive plan for ongoing investigation, assessment and management of its known and suspected contaminated sites, including prioritisation processes, timeframes and resources to achieve this.</p>	<p>We note that this recommendation is not due for completion until December 2015.</p> <p>The PAC may wish to ask the Department for a progress report on its known and suspected contaminated sites against the Department's 2015-18 Project Plan.</p>
<p>Recommendation 3 (Department's response – accepted with qualification June 2015 is a more realistic date for completion)</p> <p>By September 2014, assess its sites ranked as high risk, as a matter of urgency, and notify those that meet the reporting requirements under Section 60 of the CLM Act.</p>	<p>We note the Department's response indicates that this recommendation is complete.</p> <p>However, it is unclear whether it has met its reporting obligation under Section 60 of the CLM Act.</p> <p>We reported that amongst the 38 high risk sites, the Department is aware that seven large scale derelict mines on Crown land are potentially high risk to the environment and public health, and may need to be notified to the EPA.</p> <p>The PAC may wish to ask the Department the current status of these sites and whether they have been notified to EPA under Section 60 of the CLM Act.</p>
<p>Recommendation 4 (Department's response – accepted with qualification)</p> <p>By December 2014, ensure that the impact of contamination is considered in the valuation of Crown land and a provision made for remediation for contaminated land, particularly for those sites that have been investigated such as Coffs Harbour Slipway and the former antimony processing plant in Urunga.</p>	<p>We note the Department's response states that the recommendation is complete with the development of procedures to account for contaminated liability in financial statements.</p> <p>However, the response does not indicate whether contamination has actually been considered in the valuation of Crown land and a provision recorded for the cost to remediate the contaminated land in its financial report.</p> <p>Over a number of years, including in this performance audit report and in our financial reports, we have highlighted the need for the Department to meet its recording and reporting requirements under the accounting standards.</p> <p>Remediating contaminated sites can be expensive. It is therefore important to measure and record the impact of contamination on the value of land and liabilities for remediation.</p> <p>We reported that the Department acknowledged that the contamination issues should be recorded in its financial report. The PAC may wish to enquire whether this has occurred.</p>
<p>Recommendation 6 (Department's response – accepted)</p> <p>By June 2015, review the currency of the cattle dip site program including:</p> <ul style="list-style-type: none"> • the risks associated with cattle dip sites due to changing factors, including urban encroachment and changes of land use 	<p>We note the Department's response states that the recommendation is complete. However, its response suggests that there are still ongoing actions regarding the management of dip sites. It is also unclear whether information on the status of its dip sites is up to date.</p> <p>The PAC may wish to ask the Department to clarify its response and the status of this recommendation.</p>

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<ul style="list-style-type: none"> revisiting its methodology for selecting sites for decommissioning updating its information on the status of dip sites. 	
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Managing Contaminated Sites

Responding agency

NSW Environment Protection Authority (EPA)

Audit Office Comments

We note that there has been progress on some recommendations.

We provide the following comments on the EPA's response to recommendations 1 to 9 and 13. We have no further comments on the EPA's response to the remaining recommendations.

<i>Recommendation</i>	<i>Audit Office comment</i>
Recommendation 1 (EPA's response – accepted) By September 2015, in consultation with key landholding agencies, develop a set of model procedures for the identification and management of contaminated sites.	We note that progress has been made to consult with key landholding agencies to develop their own internal guidance. However, the EPA's response does not mention whether it will be developing and finalising a set of model procedures as recommended in our audit report. The target date for completion is September 2015. The PAC may wish to ask the EPA whether this action is now complete and whether it will publish model procedures.
Recommendation 2 (EPA's response – accepted) By December 2014, review its process for dealing with sites brought to its attention without a notification form being completed and its means of recording the details, including how each lead is acquitted.	We note EPA's response states that it has revised its procedures manual to incorporate the process for dealing with sites brought to EPA attention without a notification form. The PAC may wish to ask the EPA whether this process is supported by its new Contaminated Sites database in recording and tracking these leads.
Recommendation 3 (EPA's response – accepted) By June 2015, develop and implement key performance indicators to measure its success, including target timeframes for acknowledging notified sites, conducting Section 12 assessments, issuing declarations, finalising voluntary management proposals and management orders, and monitor its performance through its newly developed database.	We note EPA's reported actions to complete this recommendation. PAC may wish to ask the EPA for more information on the performance measures and targets it has established, and how EPA records and reports on its progress. The PAC may also wish to ask the EPA for examples of improved tracking and reporting from its newly developed database to confirm that progress performance reporting is occurring.
Recommendation 4 (EPA's response – accepted) By December 2014, implement a streamlined process for prioritising and assessing sites notified under the CLM Act.	We note EPA's reported actions to complete this recommendation. PAC may wish to ask the EPA for examples of the streamlined process that is supported by its new Contaminated Sites database.

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<p><i>Recommendation 5</i> (EPA's response – accepted)</p> <p>By March 2015, develop a program, including timeframes, to eliminate the backlog of notified sites that are yet to be assessed. This should include the issuing of preliminary investigation orders for those sites that fail to provide the necessary information in a timely manner.</p>	<p>We note EPA's response suggests it has made progress on the backlog of notified sites that are yet to be assessed.</p> <p>The PAC may wish to ask the EPA for information on the current backlog position and its progress in reducing the backlog reported in our audit report.</p>
<p><i>Recommendation 6</i> (EPA's response – accepted)</p> <p>By March 2015, revisit the status of sites characterised by significant contamination that have been classified as being managed through the planning process (that is, management class F sites).</p>	<p>We note EPA's response that it has completed a review of former significantly contaminated sites being managed through the planning process.</p> <p>The PAC may wish to ask the EPA for information on the outcome of this review.</p>
<p><i>Recommendation 7</i> (EPA's response – accepted)</p> <p>By March 2015, implement a more standardised approach to the declaration of contaminated sites including:</p> <ul style="list-style-type: none"> • declaring all sites where the contamination meets criteria set out in the Duty to Report guidelines that classify the contamination significant enough to warrant regulation (or establish and communicate clear rules around whether a significantly contaminated site should be declared and when it can be managed under some other regulation or instrument) • reviewing the need for draft declarations and timeframes for responses. 	<p>We note EPA's response that the declaration process has been revised and incorporated into its internal procedures.</p> <p>However, the response does not provide information on whether it has implemented a more standardised approach to declaring contaminated sites.</p> <p>We identified a range of sites the EPA could have declared as significantly contaminated and decided not to. We found these decisions were not supported by clear principles.</p> <p>The PAC may wish to ask the EPA for information on the standardised approach and whether clear rules have been established and communicated to the community.</p>
<p><i>Recommendation 8</i> (EPA's response – accepted)</p> <p>Improve and clarify public information on contaminated sites such that (page 40):</p> <ul style="list-style-type: none"> • management classes are revised to minimise confusion (by December 2014) • progress on notified and regulated sites is clearer and more accessible (by June 2015) • geographical information on the location of notified and regulated sites is available (by June 2015). 	<p>We note EPA's response that implementation of this recommendation has been completed.</p> <p>The EPA had stated that improvements to public information would include spatial information. The PAC may wish to ask the EPA to provide examples of the types of improvements to public information it has implemented, including spatial information.</p>

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<p><i>Recommendation 9</i></p> <p>(EPA's response – accepted)</p> <p>By June 2015, should implement the combined database, currently being developed, to better manage the:</p> <ul style="list-style-type: none"> • prioritising and Section 12 assessments of potentially contaminated sites • monitoring of progress against agreed actions and milestones for declared sites • storage and analysis of information needed to: • measure the EPA's performance against established timeframe targets • enable the EPA to construct accurate and complete record of its interventions • public reporting including improved availability of information on the status of sites • process for dealing with sites brought to its attention without a notification form being completed, which is not kept in the current system. 	<p>The EPA's response provides little information on whether its new database addresses the each of the points raised in the audit recommendation.</p> <p>The effectiveness of the newly developed database is important as it supports the effective delivery of a number of other audit recommendations including recommendations 2, 3, 4, and 7.</p> <p>The EPA's formal response to the audit report stated that an EPA project to integrate existing contaminated sites databases would provide the opportunity for improved management tracking of regulated sites and even greater transparency for the community on industry performance in meeting key milestones for site remediation.</p> <p>The audit report stated that the new database would be expected to deliver:</p> <ul style="list-style-type: none"> • streamlined business processes within Contaminated Sites Section • improved capacity to analyse data and report on the EPA Strategic Plan key performance indicators, compliance plans, project tracking data and data requests • improved public availability of information (including spatial information) • storing information relating to sites notified to the EPA under Section 60 of the CLM Act • conducting initial assessment of notified sites to prioritise them in terms of whether further assessment is required • conducting assessments against matters listed under Section 12 of the CLM Act to determine whether regulation is warranted • recording site management actions. <p>The PAC may wish to ask the EPA to provide more information and examples showing how the new database has improved management and addresses the audit recommendations.</p>
<p><i>Recommendation 13</i></p> <p>(EPA's response – accepted)</p> <p>By March 2015, develop plans, guidelines and tools to ensure a more structured approach to communication with key stakeholders and the public during the assessment and remediation of sites.</p>	<p>We note the EPA's response that the recommendation is complete with the development and implementation of a Stakeholder Communications and Engagement Strategy.</p> <p>We reported that there were no plans, guidelines and supporting tools (such as checklists) to ensure the EPA could oversee the provision of consistent, relevant and timely information to key stakeholders, such as the relevant Council, NSW Health, WorkCover Authority, Office of Water and community groups. We also reported that improvements could be made in notifying utilities after the EPA becomes aware of a potential contamination risk.</p> <p>The PAC may wish to ask the EPA to provide details of how its Strategy addresses the weaknesses we found in its communication approach to these key stakeholders.</p>