

REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

**INQUIRY INTO FOLLOW UP OF AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS OCTOBER 2009 TO SEPTEMBER
2010**

At Sydney on Thursday 1 December 2011

The Committee met at 10.00 a.m.

PRESENT

Mr J. R. O'Dea (Chair)

Mr B. E. Bassett

Mr M. J. Daley

Dr G. Lee

The Hon. G. R. Torbay

DESMOND JOSEPH MOONEY, General Manager, Land and Property Information, Department of Finance and Services, 1 Prince Albert Road, Queens Square,

PETER CHARLES ACHTERSTRAAT, Auditor-General, Level 12, 1 Margaret Street, Sydney, and

SCOTT ROBERT STANTON, Assistant Auditor-General, Audit Office, 1 Margaret Street, Sydney, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee?

Mr MOONEY: As General Manager, Land and Property Information.

Mr ACHTERSTRAAT: As Auditor-General.

Mr STANTON: As Assistant Auditor-General.

CHAIR: I welcome you before the Committee to provide evidence on the Public Accounts Committee's examination of the responsibilities to the 2010 financial auditor report. Your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I point out that any deliberate misleading of the Committee might constitute a contempt of the Parliament and is an offence under the Parliamentary Evidence Act 1901.

Mr MOONEY: As the Committee would be aware, the Government Property Register has been the subject of an ongoing audit for some time. The main question that I am asked is, "When will it finish?" The fact is that it will never be finished. We have had a registration system for 150 years. The trick is to ensure that we have all the appropriate properties in the Government Property Register and we can then track that property information. It will never actually finish. In most cases many of the properties are in the titling system. All properties are either in the titling system or in the Crown Lands system and they are automatically updated into the Government register. A property is transferred by gazette and we have to track through the gazette and identify those areas that are a concern for us. Their dimensions are usually unknown.

You can give them a title but you cannot give them a unique identification if you are unsure of the extent of the property. We are working strongly on these sorts of areas. I will give examples so you will see that areas such as forestry, national parks and western lands are not in our system. However, we will be able to convert them into a titling system. That does not mean we do not know whether it is a State park or a national park; it is specially included on the Government Property Register. On this document I am showing you all the government-owned land in those areas which comes up on a map. The back page of that three-page document has a blue area in which you can see the land titles around Epping station. Along the railway corridors where there are leased stations they go to the trouble of getting the spacial extent.

As you can see from this document it applies to the railway land between one part and that part which is adjacent to the station. Having done that spacial extent and after looking at these systems it is hard to define them, find them easily, or report on them. They are included in this system and in the annual reports relating to land valuations. It is just not easily searchable. Last year we put in 14,000 rail corridor properties and 22,000 properties from Country Rail so we are continually trying to upgrade and update this information. Each year the information we have is sent back to these organisations and we ask them to tell us whether they think it is wrong.

At the moment we are seeking new properties that may have been missed in the past. This year we received a 97 per cent hit, which is pretty good—a 95 per cent or 97 per cent hit is good. We have put State-owned corporations and all the leases into the system for everyone to use. Having said that the 2.0 capability means that the graphics and everything else are better and much easier to use. For example, what are the government properties for half a kilometre along the north-west rail corridor? These sorts of things make it easier to determine. If you look at the photograph you will see that we are asking organisations to try to use this information. I tendered also a management system.

CHAIR: I note that you tendered a one-page document and a three-page document.

Mr ACHTERSTRAAT: I thank the department for taking me on a tour of the Bathurst spatial information centre a couple of years ago, which I found very illuminating. At the end of the day why is this issue important for us? If someone were to ask me, "How much land does the Government own and how much is it worth?" I would like to be able to answer that question. That is why this is important. The department has undertaken a lot of activity. I acknowledge the point made by the department that this task will never be finalised. However, I encourage it to be vigilant and to prepare a timetable for the strategic framework—what will be done and when it will be done, which has already been covered by Mr Mooney.

CHAIR: Mr Mooney, just one clarification before we ask questions, and it relates to one of the questions that was prepared. I am a little bit confused on one point—State-owned corporations. There is a suggestion from the Audit Office that State-owned corporations, as highlighted in both the 2002 and 2010 performance audits, were excluded from legal requirements to provide information for the register. In your earlier written submission you mention that all State-owned corporations' property and leases are now recorded in the Government Property Register. Is that because of a legal requirement or is that now practice? You say Land and Property Information has not granted an exemption from providing information to the Government Property Register to any department or statutory authority. Can you clarify what the current status is and whether there is a need for more of a compulsion in that regard or whether you are satisfied that that issue is now addressed satisfactorily?

Mr MOONEY: I am satisfied that the issue is addressed satisfactorily and by the middle of next year I am sure that will have all of their properties in there. They are progressively putting them in, but they are all on board and they are all agreeing to put it in now. Is it a legislative requirement for them to do that? I am unsure of that. It came from a Premier's directive, I think, to say that they were to be included, so maybe it was a little hazy about whether they were or were not included. But they certainly are all on board now and they all see the value of what they are doing. We do not have any problems; no-one has refused to do it, but I am not sure of the legal backing on it.

CHAIR: Going further in that vein, RailCorp obviously was an area which required significant attention. I get the sense again from your submission that there has been very good progress in that regard; still there are some 3,000 waiting further investigation before being loaded. Are you satisfied that RailCorp is cooperating satisfactorily?

Mr MOONEY: Yes. They are going as fast as they possibly can. It is often difficult for them to trawl through all their records to find out what they have and do not have and so. But they are really on board now and they are trying to satisfy all the requirements that we have got for them. So yes, they are totally on board.

Dr GEOFF LEE: First, may I commend you for your work. The 97 per cent uploading and management of that is fantastic. You said that you are working on a major redevelopment of the Government Property Register to improve its capacity as an asset management system. What does the redevelopment involve and when will it be completed?

Mr MOONEY: This first stage of the redevelopment in terms of courting it over to the new software will be completed by December. We have got it in user test at the moment and we will start deploying it early next year. Some of the things that we are on top of are the three main things that the Audit Office requires, which are: Is it government land, who is the controlling authority and is the property properly defined? They are the things that we are pretty good on. Some of the other things are where they fill in bits and pieces and one of the things they want to work on very strongly next year is the use of that land. There are tables for them to fill in—what are they using it for and is it needed into the future? We have no way of checking that and we have to take it on face value, so we have to try and work with these other organisations to see how that could be more useful.

Whilst we have finished the development, if you like, into the modern technologies, what we need to do now is sit down with all the central agencies, the Audit Office and others and the major contributors to this and work out how we get those other supplementary bits of information which are very useful for other parts of government—maybe not the Audit Office, but other parts of the government may wish to have access to all of those bits and pieces, which are sort of not mandatory fields and we would have no way of checking them. We want to work with them to see how we can improve the system in that way.

Dr GEOFF LEE: My understanding is that by the end of December the software will be developed and will be deployed—it is in a beta version now—and then you will be looking in the 2012 period to uploading other supplementary information rather than the big three, as they say?

Mr MOONEY: The information is there but it is patchy. So yes, we will be trying to police that law, or get their cooperation would be a better way of putting it, to supply that information because it is very useful for asset management of the government as a whole.

Dr GEOFF LEE: The second part of my question relates to that, and you have brought it up before in terms of the use of the system. Do you have any comments about the interoperability of the system? You have developed this wonderful system and you made comments in your opening that other departments should use it and you want to encourage other departments to use it. My personal view is that it has to be streamlined so that people do not have to think about whether they should use it or be made to use it; it should be a bespoke system so that one system can communicate, like RailCorp can communicate, and I think you mentioned in your report the amount of land claims—20,000 land claims in the last three or four years. When they are putting in the land claim, to me it would be the ideal time when that data is then migrated over to your data so it should shade that extra land and you can say this is currently under claim. Do you have any comments about the interoperability between departments?

Mr MOONEY: The Crown land system, for instance, with land claims and so forth, automatically does that. We can have bulk barrage from the others. One of the difficulties is that something like RailCorp might have a very, very specific asset management—one that might also look at whether their railways lines are buckling or whatever; they have very specific ones. But ours is all built on web services so everybody can get at it, everybody can use it. But what we want to do is somehow work out—and we will work with them—how to make it more interoperable, if you like, or more automatic into their systems rather than having to check them.

Dr GEOFF LEE: My concern would be yes they have their own systems but when you have to manually download or upload or whatever you want to do they should be totally compatible in terms of everybody should share that data and that you can click on the tab to different layers of systems, whether it is a buckled train line or whether it is a vacant rail siding or whether it is the land claim or whatever, so that it becomes a seamless experience and you can have real-time data rather than every six months.

Mr MOONEY: We have certainly built it with that capability. Now it is for us to work with the other organisations to make sure that we can integrate with them. We will have to work with them in the new year on that; that will be one of the things we will be looking at, to make it more integrated, if you like, at their end.

Dr GEOFF LEE: As a seamless user experience. Because I think that it is the biggest problem in many government departments in the short time I have been here, that they all just work in size and everyone has their own software and nothing really communicates with each other.

Mr MOONEY: Also, the beauty of this, if it is integrated into their day-to-day work, we will get all the information.

Dr GEOFF LEE: Exactly right. So when someone puts in a pipeline or an easement it is automatically updating your stuff?

Mr MOONEY: Yes.

Dr GEOFF LEE: To remove the manual end load?

Mr MOONEY: Yes.

Mr RICHARD TORBAY: How do the results of the 2011 reconciliation of the property register compare with the agencies' records?

Mr MOONEY: That is who we are checking with; that is a 97 per cent match. We get them out of the automatic system, out of the gazettes, out of everything else and throw them back against their data and have a look, and that is what it is matched against. It is 97 per cent absolutely matching. So it is against the data that they hold: there is their own and then they will send us any new stuff that they have got or whatever—

Mr RICHARD TORBAY: They send it to you?

Mr MOONEY: They send it to us, yes. We have bulk upload facilities and so on. We are improving that way of them putting the data in as well.

Mr RICHARD TORBAY: There has been a pretty strong buy-in from all the stakeholders has there not?

Mr MOONEY: There has, particularly over the last couple of years. I think it is because it is easier—it is easier for them to use the system, they can see value in what they have got there, but I am not sure whether the Auditor-General has also been looking at these organisations and making sure that they have this information as well, which might have also given some stimulus.

Mr RICHARD TORBAY: A bit of encouragement to proceed.

Mr MOONEY: Yes.

Mr BART BASSETT: In your submission you said it is difficult to identify the old system titles in New South Wales. Have you got any idea of roughly how many of those there might be out there?

Mr MOONEY: We moved into a conversion of all old system land a couple of years ago. We estimated that there are 25,000—we are now up to 42,000, so it is difficult to identify—but we believe there are only about 5,000 left. We are progressively moving on that, and that is clearing up a lot of anomalies because a lot of the government land was old system land. So we think there might be about 5,000. It is getting more and more difficult to identify and get that 5,000 out. At some stage we will just have to say it is too much to try and identify those and trawl through and find these things; we might do it on a transaction basis, if we get to a level that is satisfactory for the central agencies and the Audit Office that meets their percentages. The obvious ones we have got—that is the more slivers of lands and bits and pieces that have been left over and do not have a lot of value anyway.

Mr BART BASSETT: Just to clarify those numbers: It was 25,000, which led to about 42,000 and now you have worked through that and got it down to about 5,000 outstanding?

Mr MOONEY: It will be 47,000 or 49,000 by the time we finish, and we are doing that, once again, with the spatial systems, looking at everything that we have got and saying, "Hang on, what is that? There is a bit missing there", and we did not have any other records for it. So we are finding that and we draw up a plan for it, give it an identifier and convert it.

CHAIR: Just further to that: Is there a timetable for that program and for your other programs, mindful of the fact that you appear to have some extra resources at the moment which may not always be there?

Mr MOONEY: The other programs of the conversion of the State forests and so on will take about two years to do because we have to have people from State Forests and National Parks identifying the land, and we have a group inside as well doing that, and the Western Lands, and we have to get the Crown lands people to do that and the Western Lands people to help us with that. But they are all on board; they are putting people on to do that. It will take about 18 months to two years to convert all of that. The clear up of the rest of the old system, I would say within six to eight months we should have got it down.

CHAIR: Are there any other relevant time frames or target goals that you have put in place or are putting in place that would be useful to put on record now?

Mr MOONEY: As far as the Government Property Register is concerned I do not think so, no, because we have got it to the new technologies and now it is a matter of getting that committee together in the new year with all the major users and central agencies to work out where to from here. Now that we have got the platform to launch from I think that is the next part—to say now what other functionalities should we add.

CHAIR: Auditor-General, could I ask whether there are any outstanding issues from your perspective?

Mr ACHTERSTRAAT: I am very pleased to hear the comments from the department about the progress. I would be keen to know from the department what exactly is going to be done by 30 June next year so

in my report next year I could say this was promised, this was delivered. For example, the department is hoping that the State-owned corporations will be done in the middle of next year. It would be nice if there was a date on that. The forestry stuff would be 18 months to two years. It would be nice if there was a specific date or time on that—not just for the outcome but also the progress by 30 June. Even in relation to the computer, which was going to be done by the end of this year, it has not been done. Basically, timetables and the other ones which are going to be done in six to eight months; it would be lovely if they can be done by 30 June.

CHAIR: Mr Mooney, would you be happy to put in writing to this Committee all relevant targets with relevant dates and then we could share that with the Auditor-General?

Mr MOONEY: Yes, certainly.

CHAIR: Thank you, Mr Mooney and also Land and Property Information, for all the work that you are doing. We can see that there has been significant progress. There is obviously more work still to do, and hopefully with the extra resources that you have you will be able to address those issues. We thank you for attending today.

(The witnesses withdrew)

CHAIR: We will now move to the public hearing on the Auditor-General's performance audit report focusing on the portfolio of the Department of Primary Industries. As Ms Brooks and Mr Sheldrake were not present for the opening comments, I will give a précis. We will be hearing evidence from a number of departments today and I will invite you to make an opening statement along with the Auditor-General. I draw attention to the fact that evidence is given under parliamentary privilege and witnesses are protected from legal or administrative action that might otherwise result in relation to information that witnesses provide. I point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. I now invite Dr Sheldrake and, if appropriate, Ms Brooks, to make a brief opening statement, followed by the Auditor-General. The Committee will then ask questions. I ask that if witnesses wish to raise issues for discussion, they be directed through the Chair as witnesses may not directly respond to one another.

RENATA MARY BROOKS, Deputy Director General, Catchment and Land, Department of Primary Industries, Locked Bag 21, Orange, sworn, and

RICHARD SHELDRAKE, Director General, Department of Primary Industries, Post Office Box K220 Haymarket, Sydney, affirmed and examined:

CHAIR: I now invite Dr Sheldrake to make a brief opening statement.

Dr SHELDRAKE: Following the recent changes in government and administrative reorganisation, the department has taken over management of the Crown lands estate. We have made new appointments, including the appointment of Ms Brooks as Deputy Director General. Ms Brooks comes with a broad range of experience across government. Considerable progress in the matters that the Public Accounts Committee wishes to discuss today has occurred, although more is required and we are reconvening the interagency working group to resolve outstanding issues around infrastructure assets and land assets within the Crown trusts in particular. The size and complexity of the Crown land estate issues are such that the previous Land and Property Management Authority required additional funding resources from government to fund works to address issues raised by the Auditor-General. For example, the Crown Land Conversion, Valuation and Asset Management Program cost \$32 million over the years 2006-07 to 2010-11, with \$15 million as a Treasury enhancement and \$17 million funded out of the agency.

In respect to the finalisation of the outstanding Aboriginal land claims, the Government has approved additional funding of \$3 million per annum, commencing in 2010-11, to fast track the work required for survey of claims and associated administrative processes. Work during the 2010-11 financial year addressed the requirement for reliable values of coastal infrastructure which will result in the removal of the component from the 2010-11 qualification to the accounts of the Department of Trade and Investment, Regional Infrastructure and Services. The value of land assets on the Crown reserves has been completed during 2010-11, leaving only buildings and infrastructure on that land now subject to audit qualification. This will be the subject of the interagency working group I referred to earlier. I fully appreciate the Committee's functions under the Public Finance and Audit Act 1983 and will continue to work with the Audit Office in these and other matters to ensure the maintenance of strong financial management and accountability in government service provision within my department.

With respect to the Aboriginal land claims, I have held two meetings to date since gaining responsibility for the Crown lands area within government and they have involved the NSW Aboriginal Land Council, the NSW Department of Aboriginal Affairs and the Registrar of Aboriginal Land Claims. We are looking to develop a new approach in addressing the processes around Aboriginal land claims. A proposed pilot is being developed by the Registrar of Land Claims to identify opportunities to progress a new approach among agencies in dealing with this issue. Currently there is a backlog of some 26,000 Aboriginal land claims. We are trying to bridge a gap that has developed between government and the Aboriginal land councils over recent years. To summarise, we are trying to look to a new model and a new methodology to address the significant problem that exists. Thank you.

CHAIR: Thank you, Dr Sheldrake. Auditor-General?

Mr ACHTERSTRAAT: On 22 October next year I would like to give a clean audit opinion in relation to the total State sector accounts. In order to do that by 30 June next year, it would be necessary to have finalised this issue. Dr Sheldrake has given a lot of background as to the work that has been done and to a certain extent I think it is fair to say that the department is the meat in the sandwich because there are a lot of other unknowns. It is pleasing to see that there is an interagency working group but, at the end of the day, if I am to give a clean certificate, not just for the department but also for the total State sector, the State Treasury needs to know how many of these Crown leases there are, what is the value, what is the obligation to maintain them and things like that. So it is a significant issue. I am not underestimating the amount of work that has been done and needs to be done. I encourage the department to have it finalised by 30 June next year.

CHAIR: Thank you. Ms Brooks, do you wish to add anything?

Ms BROOKS: No, I do not.

CHAIR: Likewise, Mr Stanton?

Mr STANTON: No.

CHAIR: I open the questioning by jumping straight to the Aboriginal land claims issue. There has obviously been a substantial increase in the number of claims lodged, which I understand has no doubt created some challenges. Can you outline how long it is taking to process these claims on average, particularly given that the Auditor-General has recommended that the time taken to process Aboriginal land claims should be reduced? I note your comments relating to the need for a new system. The comments that you made are general and I am not satisfied that we are on top of this issue.

Dr SHELDRAKE: I might commence answering the question and perhaps Ms Brooks will provide some comment. Taking your last comment first, I agree. Ms Brooks and I have only come into this role recently and what we have done in trying to analyse the numbers is not about continuing to throw resources at the problem and trying to deal with the problem in the way in which it has been dealt with in the past; it is about trying to identify a new way forward. So your comments about that statement being vague are correct. There is a gap that has developed between government—the former Land and Property Management Authority and the former Department of Aboriginal Affairs—and the NSW Aboriginal Land Council. Part of what Ms Brooks and I are trying to do is bridge that gap. So the early stages have been around having meetings, getting an openness around discussion, being willing to put things on the table and looking for a way forward. The Registrar suggested that we come forward with a pilot and we are saying, "Let us make that the first step." Can we use that pilot approach as a way of doing things differently? You are right; the numbers are as follows. In 2008-09, 2,000 Aboriginal land claims were lodged; in 2009-10 there were 8,788; and in 2010-11 there were 8,600. Unless we change the way we do business, we cannot manage.

CHAIR: If I am not mistaken, you say there is a backlog of 26,000?

Dr SHELDRAKE: That is correct.

CHAIR: So obviously they go back a few years as well?

Ms BROOKS: My understanding is that the increase in the volume of claims has escalated over recent years, not since the inception. There was a much lower rate of claims at the outset. The rate of determination of claims has trebled over the past few years. However, that has not been able to keep pace with the significant increase in land claims, which is why our view is that we need to look at approaches which get away from simply a great increase in the number of claims and continue to try to keep up with them.

CHAIR: Are you suggesting inherently in what you are saying—and I am not suggesting it is your place to do so—

Mr MICHAEL DALEY: I will say it—the legislation is flawed.

CHAIR: That is what I am asking, whether that is your view. It is your place to process the claims rather than change the basis on which the claims might be lodged. But I ask you whether your view is what the shadow Treasurer has said—that is, that the legislation is flawed? I was also going to ask whether you are finding that the escalation in the number of claims is reflective of a number of unsubstantiated or frivolous types of claims as well as those that might be well founded, based on the legislation.

Dr SHELDRAKE: I think part of what we are seeing, and as Ms Brooks said, is that the number of claims in the past few years has escalated. That is reflecting the breakdown that has occurred in developing a process under the existing legislation to deal with it. Some of the claims are probably being made to make the point and to encourage the Government to try to deal with this. My view is that if we could manage the processes differently and develop a different relationship with the Aboriginal land councils we might be able to stem that increase in numbers. In fact, we may be able to reduce it and we may be able to deal with some of the backlog.

CHAIR: Are you working closely with the Department of Aboriginal Affairs in terms of some of the broader issues, not just the processing issues? Is that what you are saying? And inherent in that are you saying that the legislation is not necessarily flawed but it is more a question of cultural interpretation?

Dr SHELDRAKE: It is probably not my position to criticise the legislation.

CHAIR: I am inviting you to if you wish to.

Dr SHELDRAKE: The legislation we have got is what we have got and there are certainly sectors in the community who would find the legislation fine. Certainly I know the Aboriginal community regard the legislation as a fine piece of legislation. Given the legislation that we have got, it is up to us to try and resolve the administrative problems that we have got around it. I think that what we are trying to do is to resolve that.

CHAIR: Rather than ask my next questions I will call on Mr Daley.

Mr MICHAEL DALEY: Dr Sheldrake has answered the question.

CHAIR: But you see that there is scope beyond your department for a wider whole of government need to examine this issue? Or are you satisfied that your current deliberations and consultations are sufficient?

Dr SHELDRAKE: They are very early. I have had two meetings and one of those has been since Ms Brooks has come on as the deputy director general. But they have been at the highest level within the agency. So we have had the former director general and deputy director general of Aboriginal Affairs, who just resigned, participate. So they are formative but I would have to say the feedback we have had is incredibly encouraging and incredibly positive towards both Ms Brooks and myself in trying to map out a new way of dealing with the problem.

CHAIR: If you are saying that you are satisfied with your current course of action can you please commit to some sort of time frame to have this issue under control?

Ms BROOKS: We can certainly come back to you with a time frame. From my perspective I feel it is too early to do that today. I would like to have some follow-up engagement, but I would like to come back with a time frame.

CHAIR: When would you be able to do that?

Ms BROOKS: It should be possible to come back with a time frame in the next few weeks.

CHAIR: If you can take that on notice as a request and get back to us before Christmas. Thank you.

Dr GEOFF LEE: Does the department have records of the assets and infrastructure on Crown reserves? I notice in your introductory remarks you said you are moving towards the assets but I would like you to expand on those comments.

Dr SHELDRAKE: Perhaps Ms Brooks would be in a better position.

Ms BROOKS: I am happy to answer that. I think Dr Sheldrake referred to the project that has been underway which was initiated obviously during the period when responsibility for Crown lands rested with the Land and Property Management Authority but it was the Crown land conversion and asset data management program which has recently been completed. We are at the stage of shortly commissioning a post-implementation review so that we can satisfy ourselves that it has delivered on its objectives.

Dr GEOFF LEE: Was it a pilot program?

Ms BROOKS: No, it was a comprehensive project that was about converting the titling arrangements for Crown land and also undertaking valuations. So we now do have a record of our Crown land. We have also done a survey of the infrastructure on that land. But there remains some shortcomings, as the Auditor General has referred to, in terms of auditing the valuation of those infrastructure assets.

Dr GEOFF LEE: To paraphrase you, what you are saying is part of the project was to record the assets or the infrastructure on the land but it is still incomplete in terms of the data that is required?

Ms BROOKS: As I understand it, the issue is the next step which is to be able to update the valuation of the infrastructure assets on an annual basis in terms of the audited financial reports. That is a significant undertaking to get from the point we are at now where we have been able to estimate the value of the

infrastructure assets to that further step. The work of the working group will be to resolve a way forward to achieve that in a pragmatic and sensible way.

Dr GEOFF LEE: All the land that is there now converted to Crown reserves has assets on it and there is a rough valuation, or sometimes there is not a valuation, but the infrastructure and assets are recorded. Is that right?

Ms BROOKS: Yes, as I understand it that project did include a record of the infrastructure above a certain value.

Dr GEOFF LEE: And what is the next step?

Ms BROOKS: The next step in addressing the Auditor General's concerns is to get to a point where that becomes a more reliable valuation. That step is quite complex because the way that the land is managed under a reserve trust arrangement means that the control of those infrastructure assets is not uniform. So there has been a piece of work done around that issue of control by PricewaterhouseCoopers which again will be considered as part of the job of that working group in trying to tease out the right approach in terms of how we go forward. Because at one level potentially to require a separate valuation of each parcel of land that is held under trust arrangements could be a very unwieldy and costly process. So we are really looking at what is a sensible approach to addressing the issues raised by the Auditor General, bearing in mind all those complexities. We are looking at having a joint process involving Treasury, the audit office and ourselves to do that piece of work.

Dr GEOFF LEE: When do you expect to receive the results or recommendations from the working group?

Dr SHELDRAKE: We are only just in the process of reconvening the working group. The working group, as I understand it, went into abeyance with the recent issues surrounding the former department. So what we would like to do is get a working group which focuses on the issues raised by the Auditor General but tries to identify a way forward which is, as Ms Brooks said, pragmatic. We do not want to come up with something that costs so much that it is more—we have got limited government resources and there are other priorities that government has, whether it is police or education or transport. What we would hope to do is have that working group identify a pathway that addresses the concerns of the Auditor General but does it in a way that is cost effective to government. I am sure the Auditor General would like the time frame as short as possible and we will work to that. In anticipating your question we will try and—

Dr GEOFF LEE: I was going to ask though the Chair if you could perhaps take that on notice.

Dr SHELDRAKE: We would really like to. So what we would like to do is to try and come back with a time frame for that committee to do a piece of work with engagement with the Auditor General's office and come up with a mechanism that satisfies his concerns.

Dr GEOFF LEE: I agree and I commend you, Dr Sheldrake. There is no point in recording things if they are never used—it costs a lot of money and the results just sit in a computer file. I think the criteria used for the identification is particularly important but the time frame is important as well.

Mr BART BASSETT: In your submission you say that 98 per cent of the Crown reserves have been converted to title and into a database. Are you able, from that, to know which are under the department's care and control and which are under other people's care and control, and can you identify the other parties who are responsible for the care and control of those?

Dr SHELDRAKE: Between the two of us we can answer it. The 98 per cent of lands that you referred to that have been identified in the database are lands that are the Crown lands. So then there are a series of other lands which are in Crown trusts which are separate to that.

Ms BROOKS: I think the Crown reserves were included in that 98 per cent, but I think your question was around who controls the lands and whether that data was collected as part of the project.

Mr BART BASSETT: Correct.

Ms BROOKS: Broadly, yes it was. In detail, I would need to get advice and come back. I think if we could take that on notice in terms of whether that has picked up the control for every single case or whether there was a survey approach as part of the project.

Mr BART BASSETT: Through the Chair, I think it would be beneficial to know who is actually in care and control. With a local government background as well I know local government often has the care and control of Crown reserves. I think it would be very handy if that database actually identifies who it would be.

Ms BROOKS: As I said, my understanding is that it does but I would like the opportunity to go back and confirm that it does in every case.

CHAIR: Perhaps you will take that question on notice, along with Dr Lee's timetable request and my earlier one all to come back before Christmas.

Mr RICHARD TORBAY: Getting back to the land claims. Your comments about bringing everybody with you with a new approach are encouraging. I think that is highly desirable. But will administrative change and that new approach be enough to reduce the time frames? I would be interested in your view about whether that will be enough without legislative change. Secondly, where are we up to with the computer and the new system and those sorts of things, and will they be a significant factor in reducing the time frames involved in those claims?

Dr SHELDRAKE: In terms of the first part of the question, I think we have got to give it a go. If we can get a good working relationship and show willingness on behalf of government to change the approach and to be less legalistic we might then be able to reduce and we might be able to negotiate that a number of the 26,000 applications that are actually there can be removed from the list. That is where I would like to get to. There will obviously be a number that land councils that will say we are going to die in the ditch over this one. But I think there might be a number that if there was generally a commitment from government to do business differently we might be able to negotiate a new position. If that is not successful then I think this Committee in 12 months time might be saying to us that it does not look as though it has worked as well as you indicated and we might need a different approach. But I think we should give this approach a go.

Ms BROOKS: In terms of the capacity for technology and new systems to address the time issue, I believe part of the problem is the need to undertake surveys and the practicalities and difficulties of actually physically undertaking that survey work often in relatively remote areas and involving the manual pegging out and, well, survey work.

CHAIR: I am not sure that I got a response before in terms of the average processing time for claims at the moment. Then just adding to that, how long does it take to then transfer titles on average and are there any approved claims awaiting transfer of title?

Ms BROOKS: I do not think I can give you an average time for processing. The figures I have in terms of the number processed in the 2010-11 year, if I can find those—

Dr SHELDRAKE: I have the backlog of granted claims requiring survey now stands at 194.

CHAIR: In terms of time to process claims and then how long it takes to transfer the title after a claim has been granted are two separate time frames?

Ms BROOKS: Yes.

CHAIR: It seems as though you do not have those figures with you today. Can we please have those figures in that correspondence we are going to get before Christmas?

Dr SHELDRAKE: Yes, we can. In further answer to the question, probably what is important is not just the average—because my understanding would be the standard deviation around that average would be very large. What we might try and do is give you the average but also the range—because I think it will be the range that will be interesting.

CHAIR: That is fine; perhaps you might put it in some historical context of trends as well.

Ms BROOKS: The other thing that I should perhaps mention is that there have been various investigations conducted in the past as to how to speed-up the process. They have included things such as looking at limited title, which allows the land to be transferred without survey. But that is something that the Aboriginal community is not in favour of because it transfers the cost of survey. There certainly have been attempts to fast track the process by various means along those lines or to explore—I think there is some active exploration within the department of batched-up approaches. It is a problem that is well and truly on our agenda.

CHAIR: Mr Achterstraat, do you wish to make any comment?

Mr ACHTERSTRAAT: I am very encouraged. These two issues have been around, and I have been reporting on them, for quite a number of years. It is very pleasing to hear from the department of the strategies in place to take them forward but I will just mention a couple of points. In relation to the land claims, we still have quite a number over 10 years old and maybe they can be looked at in the process. I encouraged by the pilot to look at it a new way. As Dr Sheldrake has said, we cannot just keep doing things the same way. I am very encouraged by that. Dr Lee has after a timetable for various issues. I am hopeful that the department will be able to give the Committee a timetable for a report back on the pilot in relation to the land claims.

CHAIR: I note that the departmental representatives are nodding. We will add that to the questions to be taken on notice.

Mr ACHTERSTRAAT: I like the terminology "stem" and "reduce" but I prefer dates next to them, which I think is what the department is saying. In relation to the issue of Crown land, that has been a major issue for the Audit Office for some time. I am hopeful that we can resolve it this year. As I have said before, the department is the meat in the sandwich. It is a major issue. We are not talking petty cash here; we are talking billions of dollars. The extent of the valuations is such that when it is not done I have to qualify the State accounts. That does not look good and it is not professional. I would like us to pull out all stops to once and for all nail this one.

CHAIR: Dr Sheldrake, would you like to add something?

Dr SHELDRAKE: Yes. It picks up on the Auditor-General's last point and relates to my comment around the cost of doing the piece of work and the costs that that imposes on government and the alternative uses of those funds for the benefit of the community. I suppose what we would like to do in terms of reconvening this committee, is to find an appropriate chair to drive it—we are thinking about an independent chair. But I suppose my request of the Auditor General would be to identify as much as possible a process which is pragmatic and potentially reduces the cost to the Government yet, at the same time, meets the Auditor-General's requirements. I am looking for a new approach and some recognition of the problems that Government has in dealing with this matter in terms of working with the Auditor-General.

CHAIR: Obviously the Committee as a whole makes recommendations but in your admirable attempt to try and resolve this issue under the current structure I place on record my personal view that I support the opportunity to resolve the matter. If other parties are not prepared to come with a similar degree of good will, then it may be necessary for the Government to look at legislative amendments, which may not be in the interests of all parties in the longer term. Perhaps that will give some greater impetus to your admirable push. Dr Sheldrake, Mr Stanton and Ms Brooks we thank you for appearing before the Committee this morning. We look forward to getting all that information before Christmas.

(Dr Sheldrake, Mr Stanton and Ms Brooks withdrew)

CHAIR: We will now move to the public hearing on the Auditor-General's performance audit report focusing on the portfolio of Ageing, Disability and Home Care.

ETHEL McALPINE, Deputy Director General, Ageing, Disability and Home Care, 83 Clarence Street, Sydney, and

MICHAEL JOHNSTON, Performance Audit Leader, NSW Audit Office, Level 15, 1 Margaret Street, Sydney affirmed and examined:

CHAIR: I draw the attention of witnesses to that fact that their evidence is given under Parliamentary privilege and witnesses are protected from any legal or administrative action that might otherwise result in relation to the information provided. I also point out that any deliberate misleading of the Committee may constitute contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. If witnesses wish to raise any issues for discussion they should do so through the Chair, as witnesses may not directly respond to each other. Ms McAlpine, would you like to make an opening statement?

Ms McALPINE: Thank you. Respite is a very important service to people who have a disability, their families and carers. Ageing, Disability and Home Care understands this. Part of the work we have been doing since 2006 is about improving our performance in the respite area. In 2006 respite had been separated between two separate branches within our agency; centre-based respite was in the accommodation branch and flexible respite, non-centre-based, was in community access. In about 2008 both those parts of respite were brought together for a single respite directorate. So it automatically raised its profile and importance within the organisation and had an executive director appointed dedicated to respite. That was created as a unit under me. There was a degree of scoping, in terms of the work that we needed to do, that occurred in that year, and then a work agenda was set. The audit of the centre-based respite was timely. It was able to confirm for us that we had spotted the right problems and we were beginning to develop the solutions to those problems. So it was both timely and reassuring and scoped out where the next steps need to occur.

CHAIR: Mr Achterstraat, would you like to make an opening statement?

Mr ACHTERSTRAAT: In the course of this audit the non-government organisations and the carers were telling us that Ageing, Disability and Home Care had improved the management of respite. From an accounting point of view, respite care costs about \$20,000 per year per person, full-time care costs about \$100,000, so that is why there is an incentive on this. The main issue we were concerned with at the time was the fact that some carers were given 50, 60, 70 days respite and others were given less. There seemed to be a different philosophy between New South Wales and Victoria. In Victoria they seemed to give a lot of people a small amount of respite care, whereas in New South Wales it seemed to be giving a few people a lot of respite—that is how the figures appeared to fall. We were also pleased at the way that the department had reduced bed block: a situation where there might be one child in a respite centre who, because of his or her behaviour, has meant another five beds cannot be filled. Also where people leave someone for respite and do not collect that person, the department has undertaken a lot of activity there. We are keen to see the strategies it has developed and particularly the measurements it is considering, which include basic things such as how many beds are there?

CHAIR: The Auditor-General's performance audit on access to overnight centre-based disability respite was completed in May 2010. I acknowledge that there has also been correspondence, particularly from Chief Executive Jim Moore on this issue as well, but will you provide the Committee with a summary of the outcomes of the performance audit and what you see as being the key recommendations from your perspective?

Ms McALPINE: There are four key areas in the audit and I am going to describe them out of sequence. Improving access to centre-based respite—so, who gets what and is there some equity in that? Performance around two particular groups who receive respite—that is, individuals with challenging behaviours and individuals with high medical needs. Caring for those two groups often puts an added strain on carers. So they are a key group and you have to make sure you have those people well supported. Another area was a system for prioritising allocation. At the time the audit was undertaken everyone was using their local systems, which were essentially some spreadsheets but an awful lot of paper-based activity. So something that was more sophisticated in the way that data was collected, prioritised and allocated. The last area was what was happening in non-government organisation respite.

CHAIR: We might come back to some of those if they are picked up in other questions.

Dr GEOFF LEE: Picking up from the Auditor-General's comments, can you tell us how many overnight centre-based disability respite places are currently available in New South Wales? Are they going up

or down? What is the trend with those? I understand that demand is endless, infinite. You could have as many beds as many people with those issues. Is demand being met? Are people waiting longer or shorter?

Ms McALPINE: Perhaps I could give you some statistics. We have 46 ADHC centres providing 237 beds, and we have 223 beds in the non-government sector. What Stronger Together 2—that is the Government's investment in disability—has enabled us to do is to develop a greater range of respite on offer for families. Historically, the main provision had been centre-based respite and a little bit of flexible respite. We have been able to expand the flexible respite area, including things called Teen Time, which is before and after school care for teenagers with intellectual disabilities. There is an out of school hours care system funded by the Commonwealth but that ceases to be available at the end of primary school. Often parents who work are unable to find someone to care for their teenager who has an intellectual disability. That flexible respite enables parents to maintain work or study and have their son or daughter cared for appropriately.

There is now a Teen Time service in every LPA across the State, or that is our goal at the end of Stronger Together 2. We have funded recreation services through a number of pilots with community colleges so that the flexible respite is providing a course of interest where they can share it with a group of age peers and develop friendships and interests or not what flexible respite had been some time ago, which was a day's activity where you might be watched by someone but not doing anything of much interest. So it has tried to gear it towards recreation that can develop some skills, some friendships and some interests, and giving the parent a break.

We have a program of flexible respite for Aboriginal communities in western New South Wales where we have done a whole lot of things for meeting their flexible respite needs, including five camping trailers situated throughout the western region that are equipped for families to go camping by rivers, which is culturally an appropriate method of respite for those families.

Dr GEOFF LEE: Is the demand increasing or changing? It sounds like it is changing to flexible delivery of services—

Ms McALPINE: That is right.

Dr GEOFF LEE: —not the centre based so you go in there for the whole day or the week.

Ms McALPINE: That is right.

Dr GEOFF LEE: You are actually increasing to have after school, before school or Aboriginal focused programs or whatever. Is there a difference—I do not know if you can answer that—between the government and non-government agency provided respite services in terms of costs, if everything else is equal? It is a hard question.

Ms McALPINE: There are some structural differences. They do not pay payroll tax. Their award is significantly different from our current award, and they are able to use sleepovers and industrially we are not able to. So the cost structures in the two services are quite different.

CHAIR: Who does not pay payroll tax?

Ms McALPINE: The non-government agencies.

CHAIR: The government agencies would not either, would they?

Ms McALPINE: Yes, we do.

Dr GEOFF LEE: Is it 20 per cent or what is the magnitude?

Ms McALPINE: I do not know that off the top of my head. I need to take that on notice.

CHAIR: Five per cent or 6 per cent.

Dr GEOFF LEE: No, I am talking about the overall cost between NGO versus government respite.

Ms McALPINE: There is a big award difference between the two, but the Fair Work Australia case—

Mr RICHARD TORBAY: The award would be the big one.

Ms McALPINE: That is right, absolutely, but that will be removed if the Fair Work Australia case goes ahead, although that has an eight-year implementation phase.

CHAIR: But ADHC staff get higher rates of pay than NGO staff?

Ms McALPINE: Currently, yes.

CHAIR: Whereas the payroll tax would counterbalance that as a cost.

Ms McALPINE: No.

CHAIR: I want to clarify this because if I am confused chances are maybe someone else around the table is as well. There is a higher industrial award with ADHC staff.

Ms McALPINE: Yes.

CHAIR: And we are paying payroll tax on top of that.

Ms McALPINE: Yes.

CHAIR: So that is a cost burden on public sector provision.

Ms McALPINE: That is right.

CHAIR: Then the other costs on top of that are, just for clarity?

Ms McALPINE: As well as having an award that is more expensive, we have industrial relations within the award, which means that we have to have an active night staff. So we cannot run a sleepover model, as many NGOs do.

CHAIR: That partly perhaps explains in the Auditor-General's report there are some figures about the different cost of beds and utilisation of beds between an NGO and ADHC services. I can understand the cost differential, from what you have explained. There are also some summary statistics in terms of, in addition to the cost per bed, the number of clients and the number of nights of respite per client that suggests that the NGO facilities are more utilised. Fourteen clients with 25 nights compared to 7.7 clients with 39 nights on average.

Ms McALPINE: One of the things that we are in the process of doing at the moment is an audit in those NGO centre-based respite. Since the time of the audit we have introduced a financial management system which now lists every NGO respite agency, for example, the dollars that they have from us, the output hours that we believe those dollars are purchasing and the bed numbers. We are going back and doing an audit through the bed numbers because we do not hold the data centrally to know if a bed is available seven days a week or three days a week or four days a week. We know that some non-government organisations, often in rural areas, do not run a bed seven days a week. So there is still data for us to collect and check before we are able to answer that question with a degree of surety.

CHAIR: What sort of time frame?

Ms McALPINE: We are hoping to have that information by mid-December.

CHAIR: So you might be able to provide that to this Committee as a question on notice before Christmas?

Ms McALPINE: Yes.

Mr RICHARD TORBAY: I am interested in your comments regarding equity and access to services, which are obviously welcome. When will the respite assessment and booking system RABS] be rolled out?

Ms McALPINE: We have started. Southern region was the first region. We have assessed all clients in southern. Perhaps I can just talk for a minute from what RABS is. There are two components to it. It is a client support assessment that looks at how much assistance the person needs in terms of activities of daily living and that runs from direct, helping you do everything, through to a physical prompt to do things, a verbal prompt, line of sight supervision and just general supervision. So it articulates the level that you have in terms of your support needs. Then there is something that we call understanding the carer role assessment, which is understanding the impact of caring for that individual by the family. The priority is about high support needs and this is about the urgency, how much stress it is putting on the carer. It is when these two come together that we get a final rating. We are ranking people as high support, medium support and low support.

Then we have identified three bands of access to respite. For people with high support needs, 11 plus nights a quarter, so that would be 44 nights as a minimum in a year. For people in the moderate band, between six to 10 nights a quarter, and for people in the low needs band up to six nights a quarter. The idea is that people with the highest needs and the most carer stress get the biggest amount of support, and those people with lower support needs and less carer stress and better supports get less access to centre-based respite. Centre based is the most expensive respite in the system so it is trying to target it to the folks who really need it in terms of getting the most.

We have been through that process in the southern region. All clients have been assessed. At the moment they are getting ready for the first respite quarter in the new year, which commences in February. We will allocate respite based on that system from February onwards. The second region we are doing it with is Hunter. We have assessed and are in the process now of finishing the assessments for all clients in Hunter. They will begin the process in February of next year, getting ready for the second respite quarter that begins in May. So the letters will go out to families, they will be offered respite, they will respond back and we will put the groups together.

There is another thing that RABS does which is to help us manage what is the art of respite grouping. That is you bring four or five disparate people together as a group to provide service to, and it is what is the cumulative effect of their needs as a group. This is where we have had a difficulty in the past. There might have been three people using respite and the region might say, "That represents a full respite house because those three folks are quite difficult and they take all the staff's time to manage." This brings a little bit more science to that because we can see in a transparent way what are the support needs of people and then by looking at the plans attached to the individual. If your challenging behaviour is brought on by loud noises, then putting you with someone who screams would not be a sensible outcome. We can get more robust and sustainable groupings together, which would lessen the likelihood that there would be an incident in respite. Hunter is second. Metro South is our third region and we are doing the preliminary briefings in the region at the moment. We will be through all six regions by early 2013.

Mr RICHARD TORBAY: Does that include the non-government sector as well?

Ms McALPINE: No, that is our own section. We have had a meeting with National Disability Services and the major non-government respite providers, and have done a briefing with them about what we are doing. They have been supportive. They would like to see us operating it for a while at first but having to cater to preparedness once they have seen it in operation to look at rolling it out.

Mr RICHARD TORBAY: So they are watching your implementation and then you will consider that.

Ms McALPINE: Yes.

CHAIR: Conscious of the Auditor-General's table, and partly Mr Torbay's question and your response, in terms of looking at need within an area, if you find that there has been a relative overallocation to one area, perhaps the southern region, relative to another area, for example, the western area—I am just picking hypothetical areas—the figures from the analysis suggest that with an average nights per client of 56 in the southern area and an average nights per client of 34 in the western area or even 26 in the northern area, there may be a misbalancing of resources. Does part of that process you have outlined, which seems to be focused on region by region, looking at needs within the region, also take an overview of needs of different regions relative to each other?

Ms McALPINE: What we have for the allocation of respite dollars is a resource allocation formula that looks at the dollars available for respite across all regions and then looking at the potential target populations so people with severe and profound disabilities from the ABS data collection, and we have been rebalancing dollars across all the regions over the first stage of Stronger Together 2 and we are continuing to do that as well. We have not opened many new centre-based respite services. In 2009-10 we did a respite process where we went to every region and met with 42 groups to hear what they wanted in the way of respite service development.

By far the biggest requests were for flexible respite Teen Time—before and after school care. There were not many additional requests for centre-based respite. I would have to check the figures but I think we might have opened one or two in the first part of Stronger Together. We have given an undertaking that come 2014 the disability system will be completely flexible in relation to what it is that people want to use. As people come into the system their needs will be assessed and they will be given a notional package of services. Some non-government organisation providers are positioning themselves for the time that they will offer such services with the houses that they have purchased. After 2014 it is their intention to attract parents with those service packages. We are in a difficult time at this stage.

CHAIR: That person-centred funding approach would address a situation where one region effectively is getting at least twice as much in length of stay as another region?

Ms McALPINE: That is right.

CHAIR: I understand that will change with that changed approach.

Mr BART BASSETT: My question follows on from that. We have heard about the number of respite days. Regarding the occupancy of existing respite beds what targets have been set—if you are to set targets—and is there data to show that those targets are being met?

Ms McALPINE: We set a target of 90 per cent occupancy. At this point in time the science does not tell us whether people have grouped clients appropriately. So it is just bed numbers, or the number of clients who are using respite. We set 90 per cent as the occupancy rate. We have gone back and looked at the data over the past three years and we now have two regions offering above 80 per cent. The metropolitan north region is at 94 per cent, metropolitan south is at 74 per cent, the Hunter is at 77 per cent, the northern region is at 83 per cent, the southern region is at 78 per cent and the western region is at 66 per cent, which gives us an overall system occupancy of 81 per cent. If you can wait for client need the figure might be higher than that. We constantly hear from the regions that there might be only a 77 per cent occupancy rate and that everybody was so clustered together it was difficult to service anybody else. However, the Respite Assessment and Booking System [RABS] will enable us to make that judgement.

Mr BART BASSETT: Earlier in one of your answers you talked about better flexibility so that you can lift your service provision by handling the needs of people with higher needs?

Ms McALPINE: Yes.

Mr BART BASSETT: Do you think that change in policy will take more time to filter through before you see occupancy changes?

Ms McALPINE: I think this is an entirely intuitive response because the southern region is the first region that has been through. For all those families who were rated as high support needs that means they are guaranteed a minimum of 44 days this coming year and we are able to tell them that at the beginning of the 12-month period. I thought we would have a lot of people saying, "Yes, I will take up those 44 days" because we will take the bookings for them straightaway. However, nobody chose to do that. Perhaps it is because it is new, perhaps it is unusual that they can plan that far ahead and perhaps it was also overwhelming. However, I was surprised that nobody took that up.

Mr BART BASSETT: When that changed how did you inform those with family members with high needs what was available to them? Would everyone have been advised through normal correspondence?

Ms McALPINE: Yes. That would then have been followed up. A respite project officer in every region follows that up and a respite liaison coordination officer also would have followed them up. I think this is

partly because over the past two decades we have had to apply every quarter to obtain respite. For the department to be saying, "You can have a year but you must tell us the year now", was a bigger change than we anticipated, to which people reacted.

CHAIR: I refer again to the monitoring of key performance indicators, how transparently the department is publishing performance indicators for different types of respite care both within the public and the non-government organisation sectors, and to what extent the department is on top of the stocktake of all respite beds operated by non-government organisations. You have given us some statistics about the number of beds we have which is a step forward.

Ms McALPINE: It is a step forward.

CHAIR: We now have a set of key performance indicators, including how each sector is performing and there were recommendations that that would be in place by December 2011. I think the chief executive suggested that in May 2011 performance indicators were developed for centre-based respite care. Can you share with us any data that you have accumulated over the past six months and your plans for further transparent reporting of performance indicators?

Ms McALPINE: I have a couple of tables with me today. I do not know what you would like me to do with them. Would you like me to read them, pass them around or table them?

CHAIR: You could table them without discussing them. Given our time constraints we will note that those documents have been tabled and the Committee can consider them. Are there any other plans about which you wanted to speak other than these documents?

Ms McALPINE: We are working on the flexible respite performance indicators. In the department we have an operational performance committee that meets four times a year. We bring to that committee the indicators as they are being developed and they are discussed by key program directors and regional directors. They then go back for refinement and the collecting of data. The two sets of indicators that you have with you have been through that process. For the first meeting next year the draft indicators for flexible respite will go to that committee for discussion.

CHAIR: Would you mind taking that question on notice and sending to the Committee a template of where your key performance indicators are at?

Ms McALPINE: Yes.

CHAIR: And any other relevant information relating to the monitoring and tracking of available resources, how they are used and how they are performing.

Ms McALPINE: Yes.

CHAIR: Can you provide that information to the Committee by Christmas?

Ms McALPINE: Yes.

CHAIR: If there are no other questions I ask the Auditor-General to make some concluding comments.

Mr ACHTERSTRAAT: It was very encouraging and no-one can doubt the commitment of the staff involved. Some of the strategies, for example, the Teen Time and the camping trailers are great initiatives. From my point of view as Auditor-General, if you cannot measure it you cannot manage it. That is why it is so pleasing to see an element of science coming into the area. We need to balance red tape versus accountability. Many of the non-government organisations obviously will say, "We do not want any more red tape." While they are independent they need to be accountable. I encourage the department to have key performance indicators. However, once we have them we have to work out what to do with them. For example, earlier Mr Bassett asked a question earlier about underutilised beds. When we did our report in the western region there was 80 per cent occupancy. The department just indicated that in the western region there is now 66 per cent. It is good to have that matrix. We then need to delve into it to find out why it is happening, compare it with the regions where there has been an improvement, and see whether we can share best practice.

CHAIR: I thank the Auditor-General and Ms McAlpine for all the great work that you do. It is important for the Government to provide support to those in the community who deserve it.

(The witnesses withdrew)

CHAIR: We will deal with the next item on our agenda, which is Roads and Maritime Services.

PAUL MICHAEL HESFORD, Director of Finance and Corporate Services, Roads and Maritime Services, 101 Miller Street, North Sydney,

MICHAEL VEYSEY, Director, Network Services, Roads and Maritime Services, 101 Miller Street, North Sydney, and

JOHN DUCKWORTH VILJOEN, Assistant Auditor-General, Audit Office of New South Wales, Level 15, 1 Margaret Street, Sydney, affirmed and examined;

PETER JOHN WELLS, Director, Regulatory Services, Roads and Maritime Services, 101 Miller Street, North Sydney, 101 Miller Street, North Sydney, and

ANN ELIZABETH KING, Director, Customer Service and Acting Chief Executive, Roads and Maritime Services, 101 Miller Street, North Sydney, sworn and examined:

CHAIR: I draw attention to the fact that your evidence is given under parliamentary privilege and that you are protected from legal or administrative action that might otherwise result in relation to the information that you provide. I point out also that any deliberate misleading of the Committee may constitute a contempt of the Parliament and is an offence under the Parliamentary Evidence Act 1901. I invite Miss King and then the Auditor-General to make a brief opening statement. The Committee will then ask questions. If a witness wishes to raise issues for discussion or ask any questions those comments should be directed to the Chair as witnesses are not permitted to respond directly to one another.

CHAIR: Ms King, would you like to make an opening statement?

Ms KING: Roads and Maritime Services, which formerly was the Roads and Traffic Authority, welcomes the Auditor-General's report and the opportunity to address any of the issues that the Committee may have. Obviously we will continue to address any of the areas of concern and we are always working towards improving our performance and meeting targets. Some of the repeat issues that were outlined by the Auditor-General have shown some improvements this year and we look forward to being able to answer any of your questions.

Mr ACHTERSTRAAT: I thank you for this opportunity. In the second point relating to contractors it is pleasing to see the efforts made by the Roads and Traffic Authority, which is really heading in the right direction. I think there is a lot of discipline and accountability. With reference to the 2 per cent, it is an engineering issue but my main concern relates to maintenance generally in the public sector, not just the Roads and Traffic Authority but across all agencies. Maintenance is an area on which we need to keep a vigilant eye as in the long run it might reduce replacement costs.

CHAIR: The Auditor-General recommended that the Roads and Traffic Authority develop strategies to achieve its own annual target of 2 per cent rebuilding of road pavements to ensure the long-term sustainability of roads. Obviously that picks up on the comments of the Auditor-General that maintenance is important and that it should be sustainable as a long-term plan. Why did the Roads and Traffic Authority set a target of 2 per cent when clearly it was unable to meet it and it stated its clear intention not to meet it?

Ms KING: I will make some opening remarks and then defer to my colleague Mr Veysey. For the future all the investment allocation decisions will be difficult to determine in partnership with the new integrated transport agency, Transport for NSW. This will ensure the balance of priorities across all the portfolios, including an increased maintenance effort. The total asset management plan submissions from the Roads and Traffic Authority identify, as you pointed out, that there should be a 2 per cent funding target. A strategic asset management plan balances the needs of the movement of those plans. To date the condition of the road network, the safety of the environment and our current program is 1.3 per cent. In relation to the specific nature of the issues today I will hand over to our Director, Network Services, Mr Veysey.

Mr VEYSEY: Two per cent was set as a target because it is an appropriate target, given the expected life of a new road pavement. However, in the past few years, unusually, we have had a couple of bad years of flood damage to council roads. The situation relating to State, regional and council roads is that the State Government assists—the Federal Government temporarily assists—over a certain point of damage. Local councils assist through the maintenance budget of what was the Roads and Traffic Authority but which is now

Roads and Maritime. Last year an amount of \$20 million was allocated to look after more than \$200 million worth of damage. Consequently other maintenance works were deferred and the target has gone backwards slightly, as the Auditor-General quite rightly pointed out.

This year, however, the Government allocated \$200 million which is in the right ballpark. Unfortunately, the amount of damage for State, local and council roads is likely to exceed that so we will probably go slightly backwards again. However, it would be unusual for that period of wet weather to continue forever. We still believe we should be shooting for that target of 2 per cent. Every year we give advice through our total asset management plans submissions to Transport and Treasury about how that could be achieved. We recognise that there is never enough funding to do everything that the Government wants to do, so we are looking at other things such as trying to improve our performance and our internal efficiencies. We also have been asked—in fact, the Treasurer announced in his Budget Speech—that we should look at outsourcing maintenance to establish whether there are any savings in that regard.

The Halcrow Group—the consultants who were named at the last estimates committee hearing—conducted an independent study. That report will go in draft form to the Minister before the end of the year. The Minister announced at that committee hearing that he would expect to be looking at perhaps doing something to pursue that towards the early part or the middle of next year. We will always be looking at getting the best efficiency out of our investment which, of course, will help us to reduce the gap. At the end of the day, if more money were available for maintenance I think it is fair to say that we would regard that as a good thing. But the government of the day makes decisions about priorities and budgets. We will do the best we can with the maintenance dollars that we are given.

CHAIR: My note suggests that you do not intend to spend 2 per cent up until 2020, is that correct?

Mr VEYSEY: We have been asked to provide and we have provided to Transport and Treasury four scenarios because normally that is what we do. Normally the scenario we provide is business as usual, if you like. You may be aware that in 2007-08 and 2008-09 the Government chose to allocate another \$100 million to road maintenance, which has been helpful. We probably would be reducing the gap between where we are and the 2 per cent if it were not for the significant amount of wet weather over the past few years. However, we suggested that if the money was not available for a sustainable level of maintenance there would be a significant increase in expenditure on what we currently are given by the Government. Investment allocations ultimately are a matter for Transport for NSW to recommend to the Government following our input. At the end of the day the Cabinet budget committee makes its decision. It is our role then to invest that money as wisely as we can, and that is what we will do.

CHAIR: Assuming that the money for maintenance as a whole does not reduce, you have a target of 2 per cent which I heard you say that you were sticking to. I can understand and I take on face value your explanation that over the past few years there has been an unusual level of flooding. I would not have thought it was anywhere near the situation in Queensland. I am happy to accept that there may have been floods in New South Wales, which do not readily come to mind, that were unusually destructive and that there is a need for such maintenance. However, from now until 2020 are you intending to spend 2 per cent, assuming that the current level of maintenance funding stays the same? If not, are you endeavouring to change that target of 2 per cent?

Mr VEYSEY: The 2 per cent to which you referred is a pavement rebuilding rate. The pavement rebuilding rate depends on many things, for example, the input costs.

CHAIR: Two per cent on paper, sorry.

Mr VEYSEY: We believe that is the appropriate long-term target. There is the potential for all sorts of things to occur between now and 2020. There is the potential for dry weather, increased improvements in technology, increases in efficiency and government policy changes. It might not always be the case that flood damage on local roads is paid for out of the Roads and Traffic Authority maintenance budget. Those are the decisions on which we will be making recommendations to the government of the day from now on. I do not think we resile from the fact that 2 per cent is the correct figure. But we are aware that governments do not have unlimited funds. All we can do is go for that target as best we can, given the constraints that we are under at the time. If we have a significant period of dry weather we would expect to get a lot closer to the 2 per cent. But at some point in time—you are quite right to bring this matter to my attention—a decision may have to be made to

increase the amount of money spent on road maintenance. If that is the case, it is still not my decision but a decision of the government of the day.

CHAIR: Given our time constraints I will leave it there.

Mr RICHARD TORBAY: I am interested in the objective of 2 per cent versus the option of 2 per cent. In your submission to the expenditure review committee or government, to which you referred earlier, is the 2 per cent target one of the options that was put forward? Is it part of your submission or an objective that you are attempting to meet?

Mr VEYSEY: Perhaps I did not clarify that. The four options that we have given are as follows. What happens if we are given 10 per cent less? What happens, historically, if we are given—

Mr MICHAEL DALEY: What do you mean by your statement "if we are given 10 per cent less"?

Mr VEYSEY: We explain the risk of having a 10 per cent reduction in maintenance costs. We explain the risks if we have been given the same amount. We explain the risks as being given 10 per cent more. We have what we have considered to be a sustainable level which is higher than 10 per cent, which basically in a perfect world is what we would ask for and we would be funded. I am sorry; I do not have those exact figures in front of me. However, that figure is in excess of 10 per cent more than we are being funded at the moment. Based on that information the Government has to make difficult decisions on what to fund out of the limited amount of money that it has to invest.

Mr RICHARD TORBAY: What did you ask for in your expenditure review submission?

Mr VEYSEY: We pointed out the four levels. We did not ask for any particular number; we gave them the four options that they asked us to do. So the Government makes the decision. For example, if times were very tight and they invested 10 per cent less, which is not what we would recommend by any means, there would be a risk of greater deterioration. At this current level we know that there are still risks. An additional 10 per cent would reduce the risk and maintain it at a sustainable level which, if you like, is the best possible outcome. If there were unlimited money to spend on road maintenance it would be something more than that.

Mr RICHARD TORBAY: You recommend a range of options. Is that what you are saying?

Mr VEYSEY: Yes, and that is what we are asked to do.

Mr BART BASSETT: You said that you had asked for an additional 10 per cent. Is that figure based only on roads maintenance? It is not the overall budget for the entire service that you provide across the road network.

Mr VEYSEY: In 2007-08 and 2008-09, when we were given \$100 million more per year per annum for road maintenance, that level was intending to be the first of two steps towards a \$200 million increase. The next \$100 million could not be afforded in 2008-09, which would have been 2009-10, so we have done the best we can. It is a bit of a double whammy. In addition to not being able to find the other \$100 million we had two years of very bad wet weather. Instead of a gradual increase—we had a gradual increase in rebuilding the number of road pavements from about 1 per cent to about 1.4 per cent in 2005-06 and 2009-10—it went down in 2010-11 for two reasons. First, money had to be diverted to fund flood-damaged roads, including in local council areas. Second, the significant amount of wet weather meant that the road network was not available all the time to be repaired. Unfortunately, that situation is being repeated. We know that we will have a significant rebuilding task that we will be looking at over the next few years. That is our task and we certainly intend to do the best we can with whatever funds are made available by government.

Mr BART BASSETT: The 10 per cent to which you refer, is that because road costs in general are significantly higher than the consumer price index because of concrete and asphalt and therefore petroleum costs?

Mr VEYSEY: There are a number of reasons. Part of the reason for not being able to replace the 2 per cent is to do with access to the network. When it is raining or flooding, et cetera, you divert your resources to them. In local government we divert our resources to do other things, including incident management, closing roads and reopening roads. Some of the money that would have been spent rebuilding the road network is then

spent in repairing roads which, in an ideal world, would not have been flooded or damaged. Just to be clear, when we talk about the 10 per cent we are asked to provide four scenarios. Those four scenarios are: 10 per cent less, the amount you get, 10 per cent more and what you see as your ideal. I understand all government agencies are asked similar things. In an ideal world the largest amount of money would be available. In the real world it usually is not, so you identify the risks and you try to minimise the risk to major structures. We take particular care of bridges and major roads where there are high mass limits and high productivity vehicles are allowed to go. So there are priorities that we reassess and different roads with different levels of traffic will gain different levels of priority and they generally get looked after better. But it is a question of cutting the pie, basically.

Mr BART BASSETT: I can understand that. You mentioned outsourcing and said you would be getting some information back about that. What do you think the time frames are on that and when will you be reporting on it?

Mr VEYSEY: In the answer that was given at the estimates committee, it was mentioned that a report will be provided by us or by the independent consultant to the Minister by the end of this year and that between the first and second quarter of next year the Minister advised he would expect to be in a position to make some determination. We are trying to give an evidence base to any government decision. There have been a lot of claims about what savings can be made. We have independent people looking at the various examples and the various ways of doing it, and it is not just outsourcing but alliances with the private sector and various things that are done around the countryside. The Government needs to be given the best advice and we are trying to do that so that the Government can make a policy decision on this issue.

Mr MICHAEL DALEY: When we talk about the 2 per cent rebuilding of road pavements, that is 2 per cent by surface area, by kilometre of RTA-owned roads, is it not?

Mr VEYSEY: Yes, that is correct.

Mr MICHAEL DALEY: I recall when I was Minister that our policy was to underwrite all flood-damaged roads that were owned by local governments. Is that still the policy?

Mr VEYSEY: Yes, it is. The only difference has been that specifically in this budget, the amount allocated based on the history of last year and the fear that we would have another bad year—which we are having—the amount set aside notionally for that was \$200 million, which at least is in the right ballpark.

Mr MICHAEL DALEY: I remember when I was Minister that we got blown away by floods on the North Coast and in Bellingen that year and it annihilated our budget. So it does happen, big time.

CHAIR: I invite the Auditor-General to highlight any issues that he particularly wants to highlight.

Mr ACHTERSTRAAT: In relation to roads or both—the contractors?

CHAIR: I will ask a final question. It is pleasing to see the figure for contractors come down from 698 to 448 from 30 June 2010 to 30 June 2011. Can you tell us, perhaps on notice, what the figure is as at December 2011 and we might then be able to note that in our report. I hope that the June 2011 figure was not an aberration but rather was a trend.

Ms KING: I assure you it was not an aberration.

CHAIR: Do you have information now or do you want to take that question on notice?

Ms KING: We will take the specific question on notice in relation to December 2011. However, we are trending downwards in relation to this and there is no aberration in this figure.

Mr MICHAEL DALEY: Why is the reduction in Skill Hire contractors necessarily a good thing? In the table it states: "Roads and Traffic Authority response highlights reduction in Skill Hire contractors from 698 at 30 June 2010 to 448 to 30 June 2011". We are talking about it as being a good thing but it may not be. Why is it a good thing?

Mr ACHTERSTRAAT: Contractors obviously are more expensive than employees.

Mr MICHAEL DALEY: Not always.

Mr ACHTERSTRAAT: That is a good point; I should say they are often more expensive. When contractors have been there for four, five, six, seven, eight or nine years we start to ask the question, "Would it be more cost-effective to have these as employees?" I take your point in relation to the overall number of contractors in the short term. But in relation to longer term contractors—and that is why I am pleased the Roads and Traffic Authority reduced the number of contractors over six years—there used to be over 70 contractors who had been there for over six years and many of those jobs, I imagine, would have been able to be undertaken eventually by employees. People could be skilled up over a six-year period. You are correct in relation to short-term contractors. There are skills that you need to bring in on a short-term basis to have something done as a one-off thing when there is no point in the agency developing those skills because you would not need anyone to do that work again. Perhaps it could be worded better, that the overall number may not be important—it is what they are used for.

CHAIR: The NSW Audit Office and Auditor-General have, in fact, produced other reports focusing on contractors across a number of departments and they bear out the fact that it is more costly to have contractors. There is one instance where a contractor was in place for 10 years, which was not justified. Where there is potential to have a permanent full-time staff member undertaking a role, generally it is a more cost-effective way to perform a valued task. But I do not think anyone is saying that there is not a role for contractors; rather, we reached a situation where they were overused and it became a default situation either to artificially restrain the number of full-time employees for political purposes, or because it just was not a sound management approach by the department. I am happy to take further comments.

Mr MICHAEL DALEY: These contractors that we are talking about in road maintenance, I recall a great many of them were people we classed as contractors who worked for local government in the western region and areas like that. They performed road maintenance works for the Roads and Traffic Authority but were actually employed by the local councils and did not work all year round but worked as required. There was some social utility in keeping them employed in the bush, because often in small towns a lot of the people who worked on those road gangs for the council would not have been employed anywhere else if that work was not available.

Mr VEYSEY: I think we might be mixing up a couple of things here. The first thing is that we have single invitation maintenance contractors with councils and they employ their own subcontractors. We do not count them in our figures.

Mr MICHAEL DALEY: I am not talking about them.

Mr VEYSEY: The other thing is that where we use Skill Hire in road maintenance it is generally because there is a seasonal variation. You are right: when we are doing work in a local area and we need additional work, we attempt to source those people locally because we know that regional rural employment has been a government priority for some time. We do that and some of those people do not want to work full-time; some want to work when we have a particular job there or for a period of fine weather when we are doing work on the roads. We do not work on roads all year around because we tend not to lay bitumen during winter so there is a bit of seasonal variation. But most of the people in that activity are either full-time employees, work for council, or are subcontractors. A number are Skill Hire employees, which is of the order of 10 per cent of our total workforce at certain times of the year.

Ms KING: The area of Skill Hire that we are looking at predominantly relates to technology. We have made a concerted effort to convert people within our technology streams to permanent employees.

Mr ACHTERSTRAAT: I will take that question on board so that I might give more clarity in my reports in relation to the types of contractors. The ones we are concerned about are those who are there for three, four or five years. The short-term ones, there is a place for that. I thank the Roads and Traffic Authority for its work. On the question of terminology we heard the statement this morning from the departments, and not just the Roads and Traffic Authority, "We have been given this money for capital expenditure." From an accounting point of view, the word "given" is awkward. We prefer to say that the Government is investing money in capital. It is a serious point. The concept "we are given money" gives a different connotation to "the Government invested in it". If the Government is to invest money in road maintenance or the other issues we have seen this morning, someone needs to prove a return on investment either in dollars or in social terms. And the stronger we can do that the better. The general point is that the word "given", from an accounting point of view, is anathema.

The Roads and Traffic Authority made a valid point. It is up to the government of the day to determine, from a policy point of view, the level of funding. It is up to the Roads and Traffic Authority to prove that it is spending it wisely. It has made that point clearly. It is indicating that new technology, new initiatives, et cetera, may mean that the money can be better spent, so the 2 per cent may be able to be achieved with a different level of funding. I would be encouraging the RTA to establish to the Committee that the money is being spent wisely and it is not increasing by 2 per cent here and 10 per cent there but that rigorous controls are in place. I am sure they are there but it would be helpful if the RTA was able to bring those forward to the Committee to satisfy it that it is not a matter of putting up a hand and saying, "Give me 2 per cent more". It is a matter of saying, "We are doing this well, this is how we are doing it, you invest money and this is the return on the investment."

CHAIR: Thank you, Auditor-General and thank you all for appearing before the Committee today. Keep up the good work.

(The witnesses withdrew)

(The Committee adjourned at 12.10 p.m.)