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PARLIAMENT OF TASMANIA

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**PARLIAMENTARY STANDING COMMITTEE OF PUBLIC  
ACCOUNTS**

**HOUSING TASMANIA,  
INTELLIGENT ISLAND,  
PROCUREMENT OF COPYING PAPER,  
THE RETIREMENT BENEFITS FUND**

And matters relevant to  
**REPORTING TO PARLIAMENT**

*Laid upon the Tables of both Houses of Parliament*

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*The Committee was appointed under the provisions of section 2 of the Public Accounts Committee Act 1970  
(No 54)*

**MEMBERS OF THE COMMITTEE**

**LEGISLATIVE COUNCIL**

Hon A.W. Fletcher (Chair)  
Hon C.L. Rattray (to 1 May 2004)  
Hon J.S. Wilkinson  
Hon I.N. Dean (from 26 May 2004)

**HOUSE OF ASSEMBLY**

Ms L.T. Giddings (to 22 March 2004)  
Mr G. L. Sturges  
Mr D. J. Bartlett (from 7 April 2004)  
Mr W. E. Hodgman (from 7 April 2004)

## **Foreword**

The role of the Public Accounts Committee (PAC) is to examine accounts of public expenditure and report to Parliament “with such comment as it thinks fit, on any matter arising in connection with those accounts.....”

Within this role the PAC has a cooperative liaison with the Auditor-General (AG) and will frequently identify matters contained in AG reports which warrant further examination.

The functions of the Committee are as follows:-

- (1) The Committee must inquire into, consider and report to the Parliament on any matter referred to the Committee by either House relating to -
  - (a) the management, administration or use of public sector finances; or
  - (b) the accounts of any public authority or organisation controlled by the State or in which the State has an interest.
- (2) The Committee may inquire into, consider and report to the Parliament on -
  - (a) any matter arising in connection with public sector finances that the committee considers appropriate; and
  - (b) any matter referred to the Committee by the Auditor-General.

Sometimes an initial inquiry and subsequent evidence is over-run by Government and departmental administrative action. A report in these circumstances may not be necessary or can simply serve to record the activities of the Committee without the need to make recommendations. This report is one such instance.

Irrespective of whether a matter results in a full inquiry and report to Parliament, the exercise is always beneficial in at least two respects:-

- (a) Committee Members become aware and informed; and importantly,
- (b) Agencies of Government are reminded that the PAC is an active Parliamentary Standing Committee and as such, a most important mechanism in the accountability process.

There have been significant changes in the public sector structure and financial management standards and procedures. The trend towards corporatisation, privatisation and outsourcing which may shield organisations from public scrutiny make it increasingly important that the Public Accounts Committee monitor and investigate these bodies in relation to their expenditure of public funds.

## **References from the Legislative Council or the House of Assembly.**

When the Committee receives a reference from either House to investigate a certain matter such an inquiry must take precedence over all other matters before the Committee. In 2003 the Committee received two such references from the Legislative Council. The Committee inquired into and tabled a report on the Federal Hotels Agreement in September 2003.

The other matter referred was for an Inquiry into the Government Acquisition of Fibre Optic Cable. The Committee will be taking evidence and expect to present a definitive report to Parliament during the Spring session.

## **1. HOUSING TASMANIA.**

### **1.1 INTRODUCTION.**

On 12 March 2003 the Public Accounts Committee received correspondence from the Hon M T (Rene) Hidding MHA requesting the Committee to inquire into the operations of Housing Tasmania.

Following deliberation on this correspondence the Committee resolved to write to the Minister for Health and Human Services requesting information on the following matters:-

- (a) the capacity of Housing Tasmania to meet the current demand for housing;
- (b) the methods used to value Housing Tasmania's properties;
- (c) the marketing and selling arrangements for Housing Tasmania's properties;
- (d) the success of the Home Ownership Assistance program and the Streets Ahead Program; and
- (e) the methodology for obtaining and accounting for Commonwealth money for housing purposes.

In response Housing Tasmania provided the Committee with a detailed submission covering an overview of the strategic framework in which Housing Tasmania operates and responses to the specific questions itemised by the Committee.

### **1.2 SUBMISSION FROM HOUSING TASMANIA.**

The submission stated that the objective of Housing Tasmania is:-

*“to ensure that low income individuals and families particularly those with special and/or complex needs have access to adequate affordable well located and appropriate housing” ..... “emphasis is placed on ensuring that properties remain appropriate to the changing and unique needs of our clients and linking them to support services where required.”<sup>1</sup>*

The submission went on to note that:-

*“Housing Tasmania is a major contributor to the objectives of the Tasmanian Government, including Tasmania Together and to the Department of Health and Human Services’ broader policies and programs.”<sup>2</sup>*

It stated further, that during 2001-02, Housing Tasmania:-

- *Provided housing for 14,000 households (including existing and new tenancies throughout the year as well as community and Aboriginal housing);*
- *Assisted over 470 people into home ownership;*
- *Assisted thousands of people into private rental (5,600 received bond and rent assistance and 4,800 received one-off assistance such as removals); and*
- *Supported approximately 2,700 people from homelessness through the Crisis Accommodation Program and the Supported Accommodation Assistance Program.*

*In addition to assisting individuals, Housing Tasmania also:-*

- *Is a major player in the construction and building maintenance industry;*
- *Assists in the creation of training and employment opportunities;*
- *Supports local councils through the contribution of rates to the value of \$16.4m;*
- *Directly employs 215 Tasmanians; and*
- *Supports the Tasmanian Government’s reconciliation agenda.”<sup>3</sup>*

Ms Mercia Bresnehan, Acting Director, Housing Tasmania, Mychelle Curran, Acting Assistant Director and Rod Fazackerly, Manager, Budget and Finance appeared before the Committee on 20 May 2003 to give evidence supporting and complementing the submission.

In relation to the specific questions the PAC put to Housing Tasmania the following information was given:-

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<sup>1</sup> Housing Tasmania Submission to the Parliamentary Standing Committee of Public Accounts, p4

<sup>2</sup> Ibid

<sup>3</sup> Ibid

### **1.2.1 The capacity of Housing Tasmania to meet the current demand for housing.**

The broader housing market has a direct impact on the provision of public housing. Presently there is a contraction of available housing at the lower end of the private rental market and an overall decline in affordable housing, which causes significant increasing pressure on public housing. Additionally there has been a fundamental shift in public housing provision away from low-income persons to target those in most need, particularly older tenants, people with special or complex needs like mental illness, disability and people living alone.

Housing Tasmania has stated that Tasmania has a higher proportion of unemployed persons, more people reliant on income support, there are more older people and more single parents than other states. These demographics result in even more pressure on the business of Housing Tasmania. Additionally de-institutionalism policy is a factor. The impact of these changes means that there are longer waiting lists, a mismatch of current housing stock with current tenant needs and a higher level of support required for tenants.

One of the strategies implemented by Housing Tasmania is a reconfiguration of the total housing stock so that available housing will more accurately match the needs of the clients. Another response is to assess applicants according to their needs and giving those with the highest needs priority. A further initiative has been to work with community organisations to house persons who are unable to live independently. Housing Tasmania believes it is responding well to existing challenges.

A further pressure on Housing Tasmania is declining revenue which can be attributed to a number of complex factors including:-

- limited capacity to obtain rental income. Rental charges are income based and therefore, with the rise in numbers of non-wage and single tenanted households, revenue from rental receipts has declined;
- significant interest charges repayable on Commonwealth-State Housing Agreement loans; and
- the GST.

In summary Ms Bresnehan said of the agency's capacity to meet housing needs:-

*"it is tight, it is quite limited....."*

*We have an increased waiting list.....an unsuitable housing portfolio... a contracting private rental market....and reduced funds."*<sup>4</sup>

She added:-

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<sup>4</sup> M Bresnehan, Transcript of Evidence, p5

*“So altogether there is a lot of pressure on the system and very limited capacity to respond.”<sup>5</sup>*

The Government has acknowledged that there are problems and is currently in the process of developing an ‘Affordable Housing Strategy’ for Tasmania. “The aim of the strategy is to ensure that there is safe, adequate and affordable housing into the future for Tasmanians who received low incomes and/or have special needs.”<sup>6</sup>

### **1.2.2 Valuation of Housing Tasmania’s properties.**

The Committee asked Housing Tasmania what methods were used to value the housing stock and was told the purpose of valuation fulfils three major objectives relating to financial reporting and disclosure, the purchase of properties and the sale of properties.

#### **(a) Valuation for Financial Reporting.**

An accurate valuation is critical to appropriate financial reporting and disclosure. The Valuer-General undertakes regular property valuations on a cyclical basis and provides new valuation figures where revaluations have occurred. Properties which have not been revalued are subject to a valuation adjustment factor.

The current methodology for the application of the valuation adjustment factor was developed by Housing Tasmania in 1999 and submitted to the Auditor-General who reviewed this method and ratified its use. It is these valuations which form the basis for financial disclosure.

Depreciation on the housing portfolio is in accordance with a nationally-agreed approach used by all state housing authorities.

#### **(b) Valuation for Purchasing Purposes.**

Properties which have been assessed as meeting the needs of Housing Tasmania are identified on the open market, either through real estate listings or through approaches from private vendors. Housing Tasmania commission’s market valuation reports which include expert professional advice and information on market value, council zoning and restrictions, comparative sales evidence and building attributes. Reports also include an overview of the private rental market and expected future trends.

If a property meets all the necessary criteria, Housing Tasmania engages the Government Valuer-General to negotiate independently for the property. This procedure eliminates the potential for conflict of interest while maintaining probity of process. The price offered for the property is that which the Valuer-General is willing to support.

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<sup>5</sup> M Bresnehan, Transcript of Evidence p6

<sup>6</sup> Housing Tasmania. Submission to the Parliamentary Standing Committee of Public Accounts p15

### **(c) Marketing and Selling.**

In May 2000 State Cabinet agreed to the sale of 3,500 public rental homes over a five-year period. The priority was to dispose of low demand and/or poor performing properties which no longer fitted in with the current and projected needs of Housing Tasmania. Properties for sale were identified using a range of asset, economic, social and property criteria.

Initial sales have concentrated on three-bedroom dwellings in broadacre estates. More recently sales have focussed on older high-maintenance properties. As noted earlier, the Department of Treasury and Finance requires Housing Tasmania to obtain government valuation of indicative market values for targeted properties.

About 85% of sales to date have been to people who were eligible for public housing. Many tenants have bought the homes they were renting at government valuation. Tenants classified as low income are offered a thirty-day period to purchase before a property is placed on the open market. Sales other than to existing tenants are sold on a 'best return' basis.

Prior to selection as a selling agent for Housing Tasmania, real estate agents are assessed for suitability against a number of factors. Sales are currently buoyed by the booming property market, relatively low interest rates and by First Home Owners Scheme grants as well as the Streets Ahead Incentive program and the Home Ownership Assistance Program.

### **1.3 THE HOME OWNERSHIP ASSISTANCE PROGRAM (HOAP).**

The Home Ownership Assistance Program (HOAP) was first introduced in April 1984. The aim of HOAP is to extend the benefits of home ownership to low-income earners who are able to afford it but are unable to participate in existing private sector home finance schemes. HOAP is administered by a management committee. Currently HOAP is self-funding with all new loans to clients, debt repayment and administrative costs being met from annual revolving funds (i.e. loan repayments and mortgage discharges). A review of the program was completed in March 2003 and is before the Minister and Treasurer for consideration.

### **1.4 THE STREETS AHEAD INCENTIVE PROGRAM.**

The Streets Ahead Incentives Program is a Government initiative introduced in July 2000 to provide home ownership opportunities for low to moderate-income Tasmanians. A detailed breakdown of incentives and clients assisted can be obtained from Housing Tasmania's submission.

## **1.5 THE METHODOLOGY FOR OBTAINING AND ACCOUNTING FOR COMMONWEALTH MONEY FOR HOUSING PURPOSES.**

The primary mechanism for identifying and securing Commonwealth funding is the Commonwealth-State Housing Agreement. There are two components to Commonwealth funding. A multi-lateral agreement outlines broad Commonwealth and State responsibilities as well as funding arrangements. A bilateral agreement contains specific targets and priorities for individual States and Territories. The current agreement expired in June 2003. The submission to the Public Accounts Committee from Housing Tasmania provides a detailed summary of these Agreements.

Future funding arrangements will extend until 2008. The cessation of GST compensation and the cost of servicing loans which will not be repaid until 2042 will have a significant impact on the funds available. It is expected that debt-servicing costs and the GST impost will represent a major proportion of Commonwealth-State Housing Agreement funds. Once funds from the Commonwealth are approved they are paid to the State in fortnightly instalments and then made available to Housing Tasmania via the annual appropriations.

## **1.6 SUMMARY.**

The Committee is of the view that Housing Tasmania understands the changing nature and the challenges facing the agency in the provision of appropriate housing for low-income individuals and families, particularly those with special needs.

The agency has demonstrated a proactive approach evidenced by the changes to the application of interim valuations. These valuations are now at suburb base level with more property-specific data supporting them and this has resulted in decreases in some areas with the subsequent impact on local government rate charges. In relation to local government rates, Housing Tasmania negotiates with councils to obtain discounts where possible. However, the current market in Tasmania is beyond the agency's control and is exacerbating the problems being faced.

The Acting Director indicated that Housing Tasmania are looking at a number of alternative ways to use its funding more effectively and instanced supporting people in private rental market, community housing models, working with community organisations, partnerships with local councils and partnerships with private sector investors.

Housing Tasmania will look to getting better value from available funds by working with community housing associations and organisations. These organisations are able to claim Commonwealth Rent Assistance for their tenants and therefore get more funding into the system. Housing Tasmania does not have access to the Commonwealth Rent Assistance Program because, as public housing provider, it is excluded.

It is clear that Housing Tasmania is faced with a challenging situation with limited funding flexibility and a high degree of accountability. The development of the Affordable Housing Strategy is part of the Government's election commitment and is Housing Tasmania's major strategic response to addressing the public housing situation.

The Public Accounts Committee is mindful of the release on 15 December 2003 of the Government's Affordable Housing Strategy<sup>7</sup> and has not attempted to measure the success or otherwise of the Home Ownership Assistance Program and the Streets Ahead Incentive program. Both programs have, however, been instrumental in assisting people in need into otherwise unobtainable housing solutions. It is the intention of the Committee to maintain oversight of the public housing situation and the impact of the 'Affordable Housing Strategy' under which a total of \$45m has been allocated for public housing.

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<sup>7</sup> Jim Bacon, Premier, Press Release 15 December 2003.

## 2. INTELLIGENT ISLAND.

### 2.1 BACKGROUND.

The Intelligent Island Program is a joint Commonwealth/State initiative funded from the sale of the second tranche of Telstra shares. A total of \$40 million became available with the objective to accelerate the development of an internationally competitive information technology and telecommunication sector in Tasmania through the support of new projects, support for existing enterprises, government initiatives and the research capacity of Tasmania's education sector.

In 2002 the Public Accounts Committee noted that it appeared that the allocation and distribution of funds was not proceeding as quickly as had been expected.

On 26 March 2003 the Committee wrote to the Chairman of the Intelligent Island Program Board noting that a substantial amount of initial monies had not been spent and remained in investment accounts and the Public Accounts Committee requested a briefing which would accurately inform it of the Program's progress.

Mr John Hayton, the Chief Executive Officer, appeared before the Committee on 12 May 2003.

Mr Hayton spoke enthusiastically about the Intelligent Island Program and what was envisaged in the future. He described the program as follows:-

*"...the MOU that governed the program was signed back in the year 2000 and essentially it was envisaged that it would be a five-year program expending \$40 million, with the sole aim of growing the state's information and communications technology sector such that by 2010, which was the vision of the people that designed the program, that the sector would contribute a greater amount to the state's economy and be one of the leading sectors in that economy."*<sup>8</sup>

The program itself is divided into seven initiatives:-

- (a) The **Incubator** initiative was designed to provide business expertise to a selected group of twelve called incubatees. The role of an experienced and skilled Chief Executive Officer is crucial to the initiative. Twenty percent of the program's funds have been committed to this initiative. It is supported by legal agreements which ensure payment conditional on a series of performance indicators which are specified in the grant deed.
- (b) The **Enterprise Development Fund** is structured to support at some basic building blocks that it is considered the industry will need and will be supportive once the Intelligent Island Program has ceased. It includes

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<sup>8</sup> J Hayton, Transcript of Evidence, 15 May 2003, p1

*“a small grants program to support the cluster development process”*

and

*“a larger grants program to support members of the industry who are prepared to work collaboratively to develop the business outcomes of the group and hopefully to the benefit of the broader ICT sector.”<sup>9</sup>*

A total of \$5 million is notionally allocated to this initiative of which \$4 million is allocated to the larger grants program.

- (c) The **Centre of Excellence** in research and training. The current state of this initiative is that the Board has established a number of key outcomes and has approved an in-principle focus on bio and health informatics.
- (d) The **Skills Development** initiative provides support for education and training with an allocation of \$2.5m. Nine projects have been approved representing a commitment of \$1.5m.
- (e) The **Investment Attraction** initiative. An allocation of \$3.5 million has been made but none had been committed at the time Mr Hayton gave evidence to the Committee.
- (f) The **Telecommunications** initiative. The object of the initiative was to examine the infrastructure available in the State and determine whether it supported the industry at an appropriate level.
- (g) The **Marketing** initiative. Several programs have been identified to promote this initiative including: a US trade mission which took place in 2003, attendance at the CeBIT trade fair in Sydney where Intelligent Island hosted a display; and the Intelligent Island trade show and expo.

The Chairman thanked Mr Hayton for his presentation and went on to note:-

*“One of the concerns that has been put to us and we’d like to get some explanation about is that it is suggested that out of the allocation of the grant of \$40 million in the year 2000 that has been invested and you are obviously getting an investment return, you’re paying for administrative costs but you still have \$34 million, \$35 million or \$36 million or something like that less and we’re into the third year of the program. We want to feel confident that the money is being delivered to the industry so that the outcomes that you are talking about are being delivered on the ground and as part of that we want to know how you are reporting, who you are reporting to, how does the public make judgments about the work that you’re doing? What are your performance indicators or your benchmarks that allow us to make an assessment about how the Intelligent Island program is going year by year? I think that’s getting it in a nutshell.”<sup>10</sup>*

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<sup>9</sup> J Hayton, Transcript of Evidence, 15 March 2003, p6

<sup>10</sup> Chair, Transcript of Evidence, 15 March 2003, p13

Mr Hayton said he was not in a position to provide a detailed analysis of expenditure and commitment to date but agreed to provide the Committee with additional information and suggested that he would like to respond with a written submission.

The Committee subsequently wrote to Mr Hayton requesting a submission which focused on the following:-

The initiatives, and any associated hierarchical structure of programs, projects or components operating under each initiative with accompanying:-

- (a) statistics showing global allocation to the initiative, monies expended, committed for the current financial year and next year, and remaining to be committed for each distinct component.
- (b) Intelligent Island Reporting including the measures taken to inform the public about the work being done by Intelligent Island? The 2001-2002 Annual Report was difficult to access as it appears in a 'Search Results List' on Tasmania Online as the 2000-2001 Annual Report.
- (c) Performance indicators or benchmarks for your organisation.

## **2.2 FINANCIAL STATUS OF INTELLIGENT ISLAND INITIATIVES.**

The Deputy Premier responded on 5 August 2003 restating the direction and philosophy of the program. He noted that from the beginning the Board sought a balance between short and medium-term investments and medium to longer-term ones and that approach was reflected in the provision of funding in each category.

The following tables and explanatory notes accompanying the Deputy Premier's letter and prepared by Intelligent Island show how and when funding has been allocated and expended to that date.

### **2.2.1 Initiative Commitments.**

The information from Intelligent Island stated that:-

*Table 1 provides information about each initiative – its name, the notional allocation of funds made to it, and the current and forecast level of commitments. What the table demonstrates is that:-*

- *25% of the Board's funding has been committed in the period up to June 30 2003;*
- *project development and implementation activities currently underway enable a reasonably accurate forecast that a further 66% of funds will be committed by the end of 2003; and*
- *the Board is confident that project development activities underway are likely to see commitment of all remaining funds with the possible exception of some Investment Attraction funds by March 2004. (The Board has approved a Strategy and Implementation plan for this activity: however Investment Attraction activities have a longer timeframe).*

Table 1 : Initiative Commitments

<i>Initiative</i>	Notional Allocation	Commitments 00/03	Forecast Commitments 03/04	Remaining to be Committed
Initiative 1: Incubator	8,000,000	8,000,000		-
Initiative 2: Enterprise Development	5,000,000	328,500	4,671,500	-
Initiative 3: Centre of Excellence	20,000,000		20,000,000	-
Initiative 4: Skill Development	2,500,000	1,522,518	650,000	327,482
Initiative 5: Investment Attraction	3,500,000		1,700,000	1,800,000
Initiative 6: Telecommunications	500,000	319,701		180,299
Initiative 7: Marketing	500,000	364,504		135,496
<b>TOTAL</b>	<b>40,000,000</b>	<b>10,535,223</b>	<b>27,021,5000</b>	<b>2,443,277</b>

\* Funds remaining for projects that cannot be reasonably foreseen as at 30 June 2003

## 2.2.2 Initiative Expenditure to 30 June 2003 and Forecast Expenditure to 30 June 2007.

Table 2A provides information about each initiative, expenditure to date and forecast expenditure over the next four financial years. This time period was chosen because of the expectations that expenditure on current and future projects may take place within such a timeframe. It demonstrates a significant increase in expenditure rates over the 03/04 and 04/05 financial years with final payments for the Board's Incubator and Centre of Excellence projects being made in the 05/06 and 06/07 financial years.

Table 2A: Expenditure

Initiative	Notional Allocation	Expenditure 00/03	Forecast Expenditure 03/04	Forecast Expenditure 04/05	Forecast Expenditure 05/06	Forecast Expenditure 06/07	Funds Remaining
Initiative 1: Incubator	8,000,000	6,300,000	1,450,000	150,000	100,000		
Initiative 2: Enterprise Development	5,000,000	56,586	3,443,414	1,500,000			
Initiative 3: Centre of Excellence	20,000,000		5,000,000	5,000,000	5,000,000	5,000,000	
Initiative 4: Skill Development	2,500,000	711,718	1,624,541	163,741			

Initiative 5: Investment Attraction	3,500,000		850,000	850,000	900,000	900,000	
Initiative 6: Telecommunications	500,000	309,701	100,149	90,150			
Initiative 7: Marketing	500,000	136,395	295,857	67,748			
6. TOTAL	40,000,000	7,514,400	12,763,961	7,821,639	6,000,000	5,900,000	

A more detailed breakdown of items within each initiative was also supplied for the Committee's examination.<sup>11</sup>

### **2.3 INTELLIGENT ISLAND REPORTING.**

In response to the Committee's inquiry about reporting the submission<sup>12</sup> noted a range of methods and strategies employed to keep stakeholders and the public informed about Intelligent Island sponsored projects and activities. The emphasis has been on major stakeholders who are provided with a weekly 'Industry Update' for relevant news and events; a new online industry directory site; and briefing sessions. A recently created high level group known as the ICT Alliance is expected to provide advice and information to members as appropriate.

For information to the broader community Intelligent Island uses press releases, press advertisements, its web site and newsletters.

A number of corporate reports and business plans are available on the Intelligent Island web site. It was noted that at 25 November 2003 the report for 2002-03 was not available.

### **2.4 PERFORMANCE INDICATORS AND BASELINE MEASURES.**

Intelligent Island has set a time horizon for assessment of the sector by 2010 by which time it is expected that some indication of sector growth over and above natural growth would be obvious.

An audit of the ICT industry was undertaken by the State Government in 1999 and it is expected that the resulting information would be used to evaluate the activities of the Intelligent Island Program. The Committee was provided with a number of tables showing performance measures by outcome with the caution that it is a matter of conjecture whether a programme of this nature can be effectively measured in the short term. The information supplied to the Committee describes the baseline performance to be used but does not contain any specific data.

<sup>11</sup> Intelligent Island Report to the Parliamentary Standing Committee of Public Accounts, (August 2003)

<sup>12</sup> Ibid

## **2.5 SUMMARY.**

The Committee has had concerns about the Intelligent Island expenditure over some years. It has been problematical to determine the likely value of the programs and activities. The most recent information supplied to the Committee provided evidence that plans were well advanced for a number of initiatives and that some monies were being spent albeit somewhat slowly however the Committee was not satisfied that the administrative management and accountability of the programs as represented by the evidence of the Chief Executive Officer was as efficient and effective as is required.

Since the Committee undertook this overview of Intelligent Island Programs and associated expenditures it has been announced by the Chairman of the Intelligent Island Board that there had been major changes to the \$40 Million Tasmanian IT industry program particularly relating to Initiative 4, the Centre for Excellence.

### **3. THE RETIREMENT BENEFITS FUND CONTRIBUTORY SCHEME.**

On 26 March 2003 the Public Accounts Committee requested information from the Retirement Benefits Fund Board in relation to:-

- (a) the declining numbers of contributors;
- (b) the increased rate of contributions;
- (c) the low or negative rates of investment growth; and
- (d) the consequent effect on the Consolidated Fund.

The Board provided a briefing paper describing the history of the Retirement Benefits Fund Contributory Scheme, the nature of the scheme and the role of the State Actuary in determining the level of employer contribution rate. The Scheme closed to new members in 1999 and, as a consequence, the RBF Board has determined that in addition to the regular statutory triennial review of the state and sufficiency of the Fund, it would also require the State Actuary to undertake an annual check valuation report of the Fund. The Board was not in a position to comment in relation to the effect on the Consolidated Fund.

The Board, in providing the historical outcome of actuarial review of the state and sufficiency of the Scheme from July 1976 to July 2002 indicated that the issues raised by the Committee are routinely taken into account by the State Actuary.

After examining the briefing paper the Committee resolved that more detailed information was required and wrote to the RBF Board again on 2 June 2003.

The Chief Executive Officer contacted the Chairman in relation to the additional information requested. At that time the Chairman was assured that the concerns of the Committee were not of a major concern and that the Board operated strictly according to the prudential and ethical guidelines. The actuary has the matters under consideration and is in a position to make the necessary recommendation should the situation alter in a material way.

It is evident that the issues raised by the Committee are closely monitored by the Board. At this stage the Committee has not sought information from the Treasurer as to the effect on the Consolidated Fund. The Committee will however, monitor the outcomes of reviews undertaken by the Board.

#### **4. PROCUREMENT IN GOVERNMENT DEPARTMENTS.**

In March 2002 the Public Accounts Committee received a formal request from one of its members to consider investigating:-

- (a) the policy on goods and services procurement;
- (b) the compliance by government agencies and GBE's; and
- (c) the methodology and criteria to ascertain:-
  - (i) value for money;
  - (ii) open and effective competition;
  - (iii) compliance with ethical standards and the code of conduct.

The Committee deliberated on the matter and resolved to examine the subject. The Treasurer provided a briefing paper and nominated the Director of Procurement and Property, Department of Treasury and Finance to give evidence to the Committee.

Subsequently the Committee requested the Parliamentary Research Service to prepare a briefing paper with an analysis of the evidence with particular reference to 'printing and writing papers'.

After considering the PRS paper and the evidence, the Committee wrote to the Treasurer informing him that the Committee believed that there may be some advantage if a 'whole of government' approach were adopted in relation to the purchase of 'printing and writing papers'. To further the proposition, the Committee requested detailed information on the quantity of 'printing and writing paper' purchased by each government agency and the cost for such purchases in the previous two financial years. The Committee also asked if the Government was "presently in negotiation to develop policy and a whole of government contract for the purchase of printing and writing papers."

The Treasurer provided further information showing the quantity and value of printing paper from the three agencies that had established whole-of-agency contracts for the supply of copying paper. The other agencies were unable to readily identify the required information due to the lack of detail in their accounting systems.

The Department of Treasury and Finance investigated the possibility of establishing a common use contract for the supply of printing paper, however preliminary findings did not support the use of such a contract. Their research indicated that the marginal financial benefits would be quite small and might have the disadvantage of directing government business away from small and medium businesses across the State.

The Public Accounts Committee was satisfied with the Department of Treasury and Finance's assurance that it would continue to assist individual agencies to establish

supply contracts at competitive prices and that there were significant benefits in using local small and medium businesses across the State to supply such materials.

## **5. MATTERS ASSOCIATED WITH REPORTING BY GOVERNMENT DEPARTMENTS AND PARLIAMENTARY COMMITTEES.**

During the past year the Committee has discussed and had research papers prepared on a number of issues related to annual reports and parliamentary committee reports.

The issues of concern to the Committee were:-

- (a) the timing schedule for the tabling of annual reports;
- (b) government responses to the recommendations in committee reports;
- (c) debate on committee reports; and
- (d) the standard and extent of performance reporting in the reports of agencies and statutory bodies.

### **5.1 SCHEDULE FOR THE TABLING OF ANNUAL REPORTS IN PARLIAMENT.**

For some time concern has been expressed by interested parties that the statutory requirement of 30 November each year for the tabling of annual reports was an excessive time after the end of the financial year and it did not allow sufficient time for adequate scrutiny by the Parliament during the spring session of the parliament. The Committee also sought the inclusion of additional information in the form of some commentary on the financial statements. The additional information in the form of Management Discussion and Reporting Analysis would facilitate the accountability process by parliament and its committees and is a concept which is supported by a number of professional bodies and has been adopted by the ACT Department of Treasury.

The Treasurer indicated that the latter matter would be included in a review of the external reporting framework for the public sector and that changes to the statutory requirement for reporting time were not currently being considered.

The Committee examined the audit dates and subsequent reporting dates of a selection of annual reports in 2002 and again wrote to the Treasurer requesting consideration by way of Administrative Instruction for the earlier lodgement of reports. The Treasurer noted that to change the timing by administrative action would be difficult and not in accordance with the Financial Management and Audit Act's legislative requirements.

The matter rested with the Treasurer again noting the review of the external reporting framework for the public sector.

The Committee was therefore pleased when an amendment to the Financial Management and Audit Act in mid 2003 included a change to the schedule of reporting to require reports to be tabled by 30 October each year from 2004.

## **5.2 GOVERNMENT RESPONSE TO COMMITTEE REPORTS.**

In Tasmania there has been no formal mechanism, agreement or established practice for a government to respond to recommendations in parliamentary committee reports. The Public Accounts Committee believes that such a response would further enhance the effectiveness of the Public Accounts Committee in its role in the accountability process and would ensure that recommendations are given serious consideration.

On 26 March 2003, the Public Accounts Committee wrote to the Premier enclosing a discussion paper which had been prepared for the Committee by the Parliamentary Research Service on the subject of Government responses to recommendations in committee reports and suggested a number of options for consideration.

On 17 December the Premier responded, apologising for the delay, and advising the Committee that the Government had agreed to formalise the process for responding to Parliamentary Committee Reports. A new process would be implemented whereby a response would be prepared and issued by the relevant Minister within three months of a report being received by the Government. Cabinet would be required to endorse the response before it was released. If a response could not be given within the time period an interim response would be submitted or a request put to the Chairman of the relevant Committee for an extension of time.

The Committee congratulates the Government on the adoption of this process. It ensures that recommendations are given serious consideration and that parliament will be fully informed of action taken on recommendations. This measure will further enhance the effectiveness of the Public Accounts Committee.

## **5.3 DEBATE ON COMMITTEE REPORTS.**

The Committee has been aware that the effectiveness and value of reports may be diminished by the fact that in many cases any issues raised or recommendations made have not been debated in the Parliament. The Committee wrote to the Chair of the Working Arrangements of Parliament Committee enclosing a copy of a paper prepared for the Committee detailing practices in other Australian jurisdictions and requesting that Committee to look at the matter

The Public Accounts Committee supports the allocation of specific time for the debate of committee reports and believes such a measure would support and enhance the committee system. The Working Arrangements of Parliament Committee has the subject under consideration.

#### **5.4 PERFORMANCE REPORTING BY GOVERNMENT AGENCIES.**

The reporting framework is designed to improve public sector performance and accountability by matching resource allocation with the Government's environmental social and economic policy objectives. The framework aims to improve strategic planning in the public sector so that resources are effectively allocated, managed, and reported on. A crucial element or keystone is the development of performance indicators that link government policy outcomes with public sector outputs and the budget process.

The Public Accounts Committee was interested in the standards and quality of reporting by Tasmanian Government departments and requested the Parliamentary Research Service (PRS) to examine a selection of annual reports and prepare a paper for the Committee. The paper entitled Performance reporting in Annual Reports by Government Departments presented to the Committee identified a number of deficiencies including:-

- (a) the use of quantitative measures rather than qualitative;
- (b) the lack of any reconciliation between outputs and performance measures;
- (c) the use of description rather than measurement of activities; and
- (d) inconsistencies in reporting from one year to the next without any satisfactory explanation.

The Committee consulted with the Auditor-General who also examined the paper and identified the following three requirements he considered were necessary for change to occur. They were:-

- (a) acceptance of the need for change;
- (b) specification of a framework that departments must follow; and
- (c) third-party assessment of the relevance and accuracy of departmental reporting.

The Committee wrote to the Treasurer on 24 July 2003 enclosing a copy of the PRS paper as well as the Auditor-General's comments. The Treasurer acknowledged that there is room for improvement and that the Tasmania Together Inter-departmental Committee is progressing the integration of Tasmania Together performance indicators with the Budget performance indicators. The Treasurer agreed that it would be useful for members of the Public Accounts Committee to meet with officers of the Inter-Departmental Committee. Due to other priorities the Committee has not yet been able to meet with the Inter-Departmental Committee.

**Parliament House  
Hobart  
15 June 2004**

**A.W Fletcher  
CHAIRMAN**

