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PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

2011-12 Annual Report

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Parliament of Tasmania

Public Accounts Committee

Annual Report for 2011-12

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CHAIR'S FOREWORD



I am pleased to present the Annual Report of the Joint Standing Committee for Public Accounts for the 2011-2012 year. This year demonstrated a continuation of consistency within the Public Accounts Committee to reviewing and reporting to Parliament expenditure of public sector finances.

I am pleased to advise that during the past year the Public Accounts Committee have instigated and completed programs based on process developed in the previous year. These processes have ensured a regular, complete and thorough investigation of following up the implementation of the Auditor-General's recommendations in his Special Reports as well as oversight of the practices and completion of Public Works Committee Approved Projects.

The Committee's relationship with the Auditor-General's office has continued to be improved through routine and regular follow up of his Special Reports as well as reviewing and approving his 2012-2013 Annual Plan of Work. This relationship and the Committee's commitment to transparency and accountability has been demonstrated in the revised and renewed *Statement of Understanding* between the Committee and the Auditor-General in March 2012. The Auditor-General and his office are to be commended for his contribution to the Tasmanian Parliament and community and thanked for his ongoing assistance and support of the Committee's work.

In following-up the Auditor-General's Special Reports, the Committee has commenced an Inquiry into Special Reports # 82 -#86. The Committee was briefed by the Auditor-General in relation to his findings and recommendations and consequently has gathered relevant information and questioned Departments on their implementation and up-take of those recommendations. Specifically, Special Report #82 - Heads of Agency Appointments and Special Report #84 – Funding of the Tasmanian Education Foundation were of interest to the Committee and have been reviewed at length with the outcomes of these reports will comprising the principal part of the report. I envisage the Committee will be report on this Inquiry by the end of the 2012 calendar year.

As determined in the process plan from the past financial year, the Joint Standing Committee of Public Works approved works projects have also come under scrutiny by the Public Accounts Committee. These projects have commenced review by the Committee's inaugural follow up report, *Review of Performance of Public Works Committee Approved Projects – May 2008 – Mar 2009* and *Review of Performance of Public Works Approved Projects – May 2008 – Mar 2009 – Hazelwood School Relocation Project* which were both tabled in Parliament in May 2012.

CHAIR'S FOREWORD (cont)

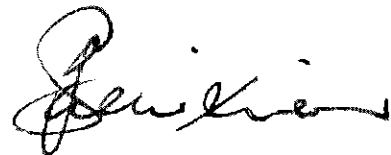
The report on Hazelwood School Relocation Project highlighted project issues around stakeholder, risk and project foresight management which has been referred to the Department of Education with recommendations to avoid future occurrences.

All projects approved by the Public Works Committee are now followed-up accordingly to ensure that due diligence has been carried out and thereby enforce greater accountability to the Parliament around the management of those major projects.

In conclusion to an eventful and very successful year for the Committee, I wish to thank the Premier, Treasurer, Ministers, Secretaries of Departments and their officers, the Auditor-General and his office, as well as the administrative Secretariat staff for their valued cooperation and contribution regarding assistance provided in promoting accountability.

I thank the Committee Members for their dedication and constructive participation and continued bi-partisan support.

I enthusiastically look forward to continuing to work together over the coming year as we progress the current years projects and improvements to ensure a robust, committed and successful Public Accounts Committee dedicated to creating greater accountability to the Tasmanian Parliament and the wider community.



Hon Jim Wilkinson MLC

Chair

CHAPTER 1: THE PUBLIC ACCOUNTS COMMITTEE

1.1 Background

The Public Accounts Committee is a Joint Standing Committee of the Tasmanian Parliament constituted under the *Public Accounts Committee Act 1970*.

The Committee comprises six Members of Parliament, three members drawn from the Legislative Council and three members from the House of Assembly.

Its functions under the *Public Accounts Committee Act* (Section 6) are to inquire into, consider and report to Parliament on:

- any matter referred to the Committee by either House relating to:
 - the management, administration or use of public sector finances; or
 - the accounts of any public authority or other organisation controlled by the State or in which the State has an interest;
- any matter arising in connection with public sector finances that the Committee considers appropriate; and
- any matter referred to the Committee by the Auditor-General.

The Public Accounts Committee (PAC) also has oversight responsibilities regarding independence of the Auditor-General, which are derived from the *Audit Act 2008*.

1.2 The Committee's responsibilities

The Committee has responsibility in key areas encompassing: (a) Public Accounts; and (b) Auditing Independence Oversight.

(a) Key Responsibility Area: Public Accounts

The Committee has key roles in this area including: undertaking general inquiries into some aspects of administration or public sector management, including inquiries into the accounts of any public authority or other organisation controlled by the State or in which the State has an interest (these inquiries can be resulting from a referral from either House or can be self-initiated); and following-up matters referred by the Auditor-General to the PAC.

1.2 The Committee's responsibilities (cont)

(a) Key Responsibility Area: Public Accounts (cont)

An important area of focus for the Committee is following up Auditor-General's reports to Parliament per S 6(2) b of the *Public Accounts Act 1970*. The Committee is pleased to report that it has in 2011-12 implemented a framework for following up those reports and the first of a series of rolling reviews of the Auditor-General's Special Reports is now nearing completion.

The relationship between the Public Accounts Committee and the Auditor-General has been captured in the "Statement of Understanding" initially established in 2007 between the two parties, and recently updated in 2012. This Statement of Understanding reinforces a shared common mission to enhance public sector accountability and performance. While the work of each party is complementary, the Statement of Understanding reinforces the independence of each in the carrying out of duties under their respective legislation, the *Public Accounts Act 1970* and the *Audit Act 2008*.

(b) Key Responsibility Area: Auditing Independence Oversight

The Public Accounts Committee has a statutory responsibility under the *Audit Act 2008* to:

- consult with the Treasurer regarding the appointment of the Auditor-General - S9 (2)
- review the Auditor-General's draft annual plan, and provide comments on it to the Auditor-General prior to its finalisation and tabling in Parliament - S11(1)(b)(2-6)
- review the findings of the periodic (at least once in 5 years) review of the efficiency, effectiveness and economy of the Tasmanian Audit Office operations – S 44(5)

1.3 Committee Operations

The Committee operations include a mix of self-initiated inquiries and referred inquiries. The Committee receives submissions and conducts briefings and hearings on such matters as required. Results of inquiries are presented in reports that are tabled in both the House of Assembly and the Legislative Council. Those reports are available to the public and are posted on the Committee website <http://www.parliament.tas.gov.au/ctee/Joint/pacc.htm>.

The website provides background information on the Committee's roles and functions, and provides details of members, administration, current inquiries, meeting dates, recent reports and past inquiries. The Committee also has an email address: pac@parliament.tas.gov.au, which is used for outside correspondence with the public and external bodies.

In addition to administrative and other support provided to the Committee by the PAC Secretariat, the Parliamentary Research Service has provided timely and valuable research assistance during the year.

Please go to next page

CHAPTER 2: YEAR IN REVIEW 2011-2012

2.1 Inquiries Initiated

Inquiry into Public Works Approved Projects dated May 2008 – March 2009

The PAC initiated an Inquiry into Public Works Approved Projects in 2012. As a consequence of this Inquiry, two reports were tabled by the PAC during the year. The Committee's reports on: (i) the review of Public Works Committee Approved projects dated May 2008 – March 2009; and (ii) review of the Hazelwood School Relocation project were tabled in Parliament House, Hobart on 17 May 2012 in the Legislative Council and the House of Assembly.

2.1.1 Report No. 11 of 2012: Review of Performance of Public Works Committee Approved Projects - May 2008 – March 2009

(a) Background to the report

Following completion of a report in 2011 on the successful New Kingston High School Project¹, the PAC was concerned with the need for future reviews of Public Works Committee (JSCPW) approved projects, to monitor the adherence to authorised budgets. The PAC was concerned that after the Public Works Committee approval process was completed, there was no routine follow-up in place to assess the performance of projects.

Accordingly, the Standing Committee of Public Accounts resolved of its own motion to undertake a review of Public Works Committee Approved projects dated May 2008 – March 2009, to determine whether the projects had been effectively managed and whether adherence to authorised budgets was achieved. This involved review of projects undertaken by the: Department of Education (DoE); Department of Health and Human Services (DHHS); House of Assembly/ Legislative Council; and Department of Infrastructure, Energy & Resources (DIER).

¹ Parliamentary Standing Committee of Public Accounts Report No. 11, 2008, "Report on Kingston High School"

**2.1.1 Report No. 11 of 2012: Review of Performance of Public Works
Committee Approved Projects -
May 2008 – March 2009**

(b) Committee's findings

Major findings around the review included the following:

- The Paediatric Enhancement Project (DHHS) was effectively managed;
- With respect to DoE projects: DoE was unable to respond to PAC requests for information in a timely fashion; an unfavourable tender result and initial budget omissions impacted on the costs of the Rocherlea School project; the Newstead School Accommodation project met the needs of the stakeholders and was overall well-managed.
- Risk management processes and documentation (DIER and House of Assembly / Legislative Council) could be strengthened. DIER has since issued new processes in this area;
- Regarding DIER projects: the Brighton Hub project was under budget and well-performed; the Tea Tree Secondary Road project encountered a time and cost overrun due to contracting issues as well as other delays caused by external factors (eg; Aurora delay due to bushfires in Victoria); the Lake Secondary Road project highlighted that DIER could improve stakeholder engagement processes.

As a result of the above findings, PAC made a number of recommendations to the concerned Agencies around the strengthening of project management processes and other related matters.

(c) Tabling of the report

The report was tabled on 17 May 2012 in the Legislative Council and the House of Assembly.

2.1.2 Report No. 12 of 2012: Report on Hazelwood School Relocation Project

(a) Background to the report

The Hazelwood School Relocation Project involved the relocation of a school for children with special needs. Although being initially part of the general review of Public Works projects approved during the period May 2008 – March 2009 (see para 2.1.1 of this report), the Committee was of the view that the findings with respect to this project were so significant as to warrant being separately reported on. The Committee thus resolved to report separately on the Hazelwood School Relocation - Southern Support School project.

(b) Committee's findings

In general terms, the Committee found that symptomatic of concerns around high level oversight and governance, the Hazelwood School Relocation project was fraught with issues, such as: under-managed scope changes; stakeholder dissatisfaction; project management issues; major budget and time blow-outs; inadequate reporting of project progress in Departmental annual reports; and was overall not a well managed project.

Accordingly, the Committee made a number of recommendations to the DoE based on its findings, including the following areas: project budget management; stakeholder management; project scoping and contract management.

The Committee was mindful of the needs and complexities of the project when undertaking its review. Notwithstanding the above mentioned conceptualization and budget execution issues associated with the project, the Committee recognized the functionality and outcomes inherent in the final product and received evidence that the school was now fit-for-purpose and a teaching and learning environment reflective of what children should be entitled to.

(c) Tabling of the report

The report was tabled on 17 May 2012 in the Legislative Council and the House of Assembly.

2.1.3 Follow-up of Auditor-General's Special Reports

A significant area of focus for the Committee is following up Auditor-General's reports to Parliament per S 6(2) b of the Public Accounts Act 1970. In scrutinising the work of the Auditor-General, the Committee believes it can provide greater awareness within the Parliament and the community, leading to increased information and greater transparency.

Under S6(2) (b) of the Public Account Act 1970, the Committee may inquire into, consider and report to the Parliament on any matter referred to it by the Auditor-General. In accordance with that section, the Auditor-General refers his Special Audits and other audit reports to the PAC.

During 2011-12 the Committee implemented a framework for the follow up of the Auditor-General's Special and other reports and the first follow up of Special Reports by PAC was instigated.

The Committee has hence implemented a regular and systematic six-monthly follow up of performance audits and Special Reports of the Auditor-General as referred to the Committee under S6(2) (b).

It is the Committee's focus to provide an independent follow up, so as to examine: (i) the Department / Agency's implementation of the Auditor-General's recommendations and (ii) any other issues arising from the original audit report.

Consequently, the Standing Committee of Public Accounts resolved of its own motion to inquire and report on any aspects of the findings and recommendations contained within the Tasmanian Auditor-General's Special Reports dated from July – December 2009. The Committee will be reporting on this Inquiry in 2012-13.

2.2 Other Reviews Undertaken 2011-12

The following matters were reviewed and no Inquiry was initiated at this stage, including:

2.2.1 Lake Illawara Road – review into road improvements and resurfacing undertaken in 2012.

2.3 Briefings and Submissions

(a) By the Auditor-General

2.3.1 Annual Plan of Work 2012-13

The Auditor-General, Mr Mike Blake, briefed the Committee on his proposed work plan for 2012-13. The Committee endorsed the plan for the coming year and duly requested that the Auditor-General undertake a review of the following additional matter:

"The issues surrounding the tender and sale of the Royal Derwent Hospital (RDH) site, New Norfolk".

Following from this request, the Auditor-General agreed to include the above in his plan of work for 2012-13.

2.3.2 Briefings on Reports

The Committee was briefed by the Auditor-General and officials from his office on the following matters:

- Report of the Auditor-General No. 3 of 2011-12 - Analysis of the Treasurer's Annual Financial Report 2010-11
- Special Report No. 86 - Major works procurement: Nation Building projects
- Special Report No. 85 - Speed-detection devices
- Special Report No. 84 - Funding the Tasmanian Education Foundation
- Special Report No. 83 - Communications by Government and The Tasmanian Brand project
- Special Report No. 82 - Head of Agency contract renewal

(b) Other Briefings

2.3.3 During the year, the Committee also received briefings with respect to the following matters:

- A briefing from Treasury officials regarding Tasmania's Financial Management Amendment Act Bill. The Committee provided feedback to Treasury as requested.

CHAPTER 3: WORK IN PROGRESS

The following work is currently being undertaken by the Committee and is at various stages of progress:

- Follow up review on Auditor-General Special Reports – No. 82 to No. 86 (for the period Jul 2009 – Dec 2009)
- Inquiry into the Public Account and the widening of the gap between the unfunded liability and the net unfunded liability and the lack of cash backing of the Superannuation Provision Account
- Review of Auditor-General's Special Report No.72 – Public Sector Performance Information

CHAPTER 4: ACPAC

4.1 Background

The Australasian Council of Public Accounts Committees (ACPAC) was established in 1989. ACPAC is an 'umbrella' organisation of Public Accounts Committees (PACs) with membership open to all Australasian Parliamentary PACs, including those from Australia, New Zealand, Papua New Guinea, Fiji and the Solomon Islands. The aims of ACPAC include the following: to facilitate the exchange of information and opinion relating to Public Accounts Committees; to discuss matters of mutual concern and to improve the quality and performance of Public Accounts Committees in Australasia.

An APCAC conference is held every two years, and in the intervening year a mid-term meeting is held to develop an agenda for the next ACPAC conference, as well as to discuss other issues of mutual concern around PAC-related themes, such as the varied approaches of PAC equivalents to common issues. As part of its role, ACPAC oversees the arrangements for the biennial conference of PACs and the mid-term year meetings.

The Tasmanian Standing Committee of Public Accounts is a full member of ACPAC and as such, is committed in support of its role and function.

4.2 ACPAC Activities 2011-12

The Tasmanian PAC maintains an active involvement in ACPAC affairs and has supported ACPAC during the past year as follows:

4.2.1 Mid-Term Meeting May 2012 – hosted by ACT PAC

The Mid-Term Meeting of ACPAC was held in Canberra, ACT, on 25 May 2012.

- a) Committee attendees were: Hon Jim Wilkinson MLC (PAC Chair); Ms Ilise Bourke (PAC Secretariat).
- b) Hon Jim Wilkinson MLC gave a presentation to delegates, reporting on matters of interest and developments within the Tasmanian PAC during the last year.
- c) The ACPAC confirmed future meeting dates including the scheduled Biennial Conference 2013, which will be held in Sydney, New South Wales.

CHAPTER 5: ADMINISTRATION

5.1 Committee Membership

As a joint standing committee, the Public Accounts Committee comprises three eligible members nominated from each house of Parliament in Tasmania.

Members during 2011-2012 were as follows:

House of Assembly	Legislative Council
Mr Brenton Best MP	Hon Ivan Dean MLC
Mr Kim Booth MP	Hon Ruth Forrest MLC
Mr Peter Gutwein MP	Hon Jim Wilkinson MLC (Chair)

5.2 Members' Attendance

Committee Meetings and Hearing were scheduled and conducted throughout the year. Attendance by Committee members at full committee meetings over the period 1 July 2011 – 30 June 2012 is recorded below:

	Full Committee Meetings	
	Eligible to Attend	Attended
Mr Brenton Best MP	17	16
Mr Kim Booth MP	17	13
Hon Ivan Dean MLC	17	16
Hon Ruth Forrest MLC	17	16
Mr Peter Gutwein MP	17	15
Hon Jim Wilkinson MLC	17	16

5.3 Committee Secretariat

The Committee was assisted by the following secretariat:

Secretary	Ms J Austin
Executive Assistant	Ms I Bourke
Research Officer	Dr Bryan Stait