



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

**STANDING COMMITTEE ON THE INTEGRITY COMMISSION AND
STATUTORY OFFICE HOLDERS**

(Reference: [Inquiry into Annual and Financial Reports 2023-24](#))

Members:

**MR E COCKS (Chair)
MR A BRADDOCK (Deputy Chair)
MR T WERNER-GIBBINGS**

TRANSCRIPT OF EVIDENCE

CANBERRA

MONDAY, 17 FEBRUARY 2025

**Secretary to the committee:
Ms K de Kleuver (Ph: 620 70524)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

APPEARANCES

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Amended 20 May 2013

The committee met at 9.15 am.

Appearances:

ACT Audit Office

Harris, Mr Michael, Auditor-General

O'Toole, Mr David, Senior Director, Finance and Quality, and Chief Finance Officer,
Professional Services

THE CHAIR: Good morning and welcome to this public hearing of the Standing Committee on the Integrity Commission and Statutory Officer Holders for its inquiry into annual financial reports for 2023-24. The committee will today hear from the ACT Auditor-General. The committee wishes to acknowledge the traditional custodians of the land we are meeting on, the Ngunnawal people. We wish to acknowledge and respect their continuing culture and the contribution they make to the life of the city and this region. We would also like to acknowledge and welcome other Aboriginal and Torres Strait Islander people who may be attending today's event.

The proceedings today are being recorded and transcribed by Hansard and will be published. The proceedings are also being broadcast and web-streamed live. When taking a question on notice it would be useful if witnesses used these words: "I will take that question on notice." It will help the committee and witnesses confirm questions taken on notice from the transcript.

We welcome witnesses from the ACT Audit Office. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement. Witnesses must tell the truth. Giving false or misleading evidence will be treated as a serious matter and may be considered contempt of the Assembly. Please confirm that you understand the implications of the privilege statement and that you agree to comply with it.

Mr Harris: I have read and understand the privilege statement.

Mr O'Toole: I have read and understand the statement.

THE CHAIR: Wonderful. As we are not inviting opening statements, we will proceed straight to questions. I will kick things off. Regarding both of the recent audits that the office has undertaken and in looking forward, I want to understand what proportion of your workload relates to procurement activities compared to service provision, like housing, and regulatory activities?

Mr Harris: That is a very interesting question. It varies over time. In the first three or maybe four years of my term—I have just finished six years—we had an emphasis on procurement, which was not deliberate at the beginning of the process but turned out to be deliberate when we discovered a few things. That is the nature of the program. We will go down a path of doing a performance audit and perhaps find anomalies that require further attention. In the forward program, we tend to develop themes, and procurement was one of those themes. We would have devoted, I guess, around 35 or 40 per cent of our time—perhaps a little more in some years—to procurement over those first three or four years. That is reflected in the performance audits that we tabled,

and it probably culminated in the performance audit that dealt with the Procurement Act itself.

Our view in the beginning was that procurement and the deficiencies that have been identified were more in the nature of lack of experience of public servants rather than anything more substantial. I changed my mind about that after about two years. We felt there was something more systemic involved in it, and that led us to the major work we did on the procurement legislation itself. The emphasis on procurement has now, to some extent, dissipated, although exercises like the Human Resources Information Management System and the Digital Health Record have reignited my interest in those sorts of activities.

If I were to give you a split over the six years, I would say that somewhere between 30 and 40 per cent of our time was spent on procurement, somewhere between 30 and 40 per cent was spent on governance, and somewhere between 30 and 40 per cent was spent on efficiency and effectiveness, varying from year to year.

THE CHAIR: Do you undertake any audits relating to things like policy development processes?

Mr Harris: We tend not to. It is not my job to comment on government policy. It is the government's job to develop it and the electorate's job to pass on determination. We do not comment on policy. We investigate the implementation of policy but not the development of policy itself. We will sometimes look at processes for getting to a particular point in a policy sense but only as part of our work in looking at the efficiency and effectiveness of implementation.

THE CHAIR: That makes sense. Have you undertaken any work related to revenue collection activities on that side of the equation?

Mr Harris: Not in my term. I do not know whether David can recall prior to that. While I have been here—I suppose before I was here is not relevant to the question—we have not looked at revenue collection per say.

THE CHAIR: Would that require a different approach to the other governance type of activities you mentioned?

Mr Harris: All our audits are undertaken against auditing standards. The subject matter needs to be auditable in the sense that we can set scope and criteria. Revenue collection is certainly an auditable topic, but we would tend to focus it down onto, perhaps, a particular part of revenue collection.

THE CHAIR: I am conscious of time, so I will pass on to Mr Braddock.

MR BRADDOCK: Thank you. Auditor-General, in previous years you provided the very useful *Performance audit recommendations observations* report to the Standing Committee on Public Accounts and Administration, which was then published onwards for all members. Could this be automatically provided to all members of the Assembly to assist us in annual reports hearings?

Mr Harris: We provided that report to the Standing Committee on Public Accounts and Administration a week ago or 10 days ago with a recommendation that they table it so that it could be made available to all members. I have not had a meeting with the Standing Committee on Public Accounts and Administration in the last week, so I am not quite sure where they are up to. It is not a tabled report. It is prepared for the committee, so it is the committee's prerogative to do with it what they will, although I have encouraged them to table it.

MR BRADDOCK: Thank you.

MR WERNER-GIBBINGS: On page 14 of the annual report, the average cost of the ACT's performance audit is significantly lower than the average cost of a performance audit in other states and territories. This is the first time I have read an Auditor-General's report. Why is that, roughly? Have other states and territories been in touch with you or is it more a systemic thing?

Mr Harris: My fellow Auditors-General frequently ask me the same question. Part of the answer is that comparability between jurisdictions is variable. Not all jurisdictions do the same level or quantity of performance audits that we do. For example, Tasmania would do maybe two per year, as opposed to our nine. The National Audit Office does somewhere around 50 per year. So economies of scale come into play. Direct comparisons are a bit iffy, I have to say. As a range, we have a lower cost than most jurisdictions. so the range is pretty accurate, but the precise figure is not.

One of the reasons for it is that we tend to hire specialist subject matter experts, whereas some of the other offices have more in-house expertise, and they have a larger number of staff. We run a fairly lean staffing level. I think there are 14 in our staff compliment for performance audit at the moment. Traditionally, there are about 12. Where we need subject matter experts and the like, we will hire them on a contract basis. That is part of the reason. The other part of the reason is that the overhead component for the larger offices is a bit larger than ours. Our overhead component is a bit more cost efficient than some of the other offices, not because they are inefficient but because they are much larger offices. The New South Wales Audit Office, for example, has about 200 people, whereas we have 50. The back-office component of running a 200-personnel audit operation as opposed to a 50-personnel audit operation is a bit bigger. There are a few wrinkles like that that make the direct comparisons a bit difficult. But we are cheaper.

MR WERNER-GIBBINGS: So every time we get in touch with you and you say, "Sorry—there is not a lot ..."—okay.

Mr Harris: It flows through to other comparators, I might say. On the independence table, we are at the top of the pile as far as independence is concerned, which aggravates my colleagues substantially as well.

MR WERNER-GIBBINGS: Who does the independence ranking?

Mr Harris: There is an independent assessment done by an external person every three or four years. The last one was done about two years ago. They go through the legislation and other various bits and pieces and compare each jurisdiction in terms of

the independence of the Auditor-General, and we rank as number one.

MR WERNER-GIBBINGS: Has the cost of the audits been improved or affected by the implementation of the performance audit methods and practices methodology which have been updated? There is a thing called Caseware which incorporates an updated PAMPr. When did that happen? Has that improved it or been useful?

Mr Harris: We changed our Caseware. We used an old system. We changed to Caseware for financial audits about three years ago, and we changed to Caseware for performance audits about 18 months ago.

MR WERNER-GIBBINGS: Across the board, it has been an effective implementation?

Mr Harris: Yes. That effectively automates much of the documentation that is required for us to keep by way of evidence, and it makes the audit process more efficient. There is no doubt that has had an effect. I should also point out that that is an average. The cost of a performance audit is very much dependent upon the subject matter itself. The Digital Health Record, for example, will be at the high end of the scale. That will be close to \$350,000, or maybe \$360,000, or maybe \$380,000, because of the detailed technical nature of the material. The one on the tree planting policy was at the lower end of the scale. That was probably around \$200,000. So it does depend on the subject matter. If we do nine really technical audits, our average will go up. If we mix it up, as we try to do, we will keep our average around the \$330,000 mark.

MS MORRIS: I have a couple of quick process related questions. When preparing a performance audit report, is it typical for the Audit Office to provide a draft report to relevant directorates or the government beforehand?

Mr Harris: Not the government—no.

MS MORRIS: Just to the relevant directorate?

Mr Harris: We will provide the auditee with an initial draft towards the end of the process. A typical performance audit will take about six months, on average—sometimes longer, sometimes shorter, but about six months. The audit team will work with the auditee all the way through that. Before we start, we talk to them about the scope and the criteria so that they know what we are doing, broadly what questions we are going to ask and what areas we are going to examine. We work with them through that three-month period to the point where sometimes they wish we would go away. It is a fairly close working relationship.

MS MORRIS: So they understand the intent and direction of where you are—

Mr Harris: They understand the intent and direction. When a first draft report is ready for consultation, we send it to them for consultation. That will come back. We will have conversations to and fro. A second copy will go to them and sometimes a third. I am required by the legislation to share that report with the Director-General.

MS MORRIS: Thank you. That was my next question.

Mr Harris: Before we publish, we give them an opportunity to comment. If we still have disagreements, we give them the opportunity to include their own commentary in the published report.

MS MORRIS: Thank you. Can you confirm for me whether a draft report of the Safer Families Levy was provided to the Community Services Directorate?

Mr Harris: Yes.

MS MORRIS: Do you have dates for when that was provided?

Mr Harris: Not off the top of my head, but I can provide them for you.

MS MORRIS: Perhaps you could come back on that.

Mr Harris: Yes; certainly.

MS MORRIS: Thank you. That would be wonderful. Finally, does the government's administration of the Safer Families Levy since its inception warrant any further scrutiny or investigation, or are you satisfied with the scope of your audit?

Mr Harris: I am satisfied with the recommendations. I am reasonably satisfied with the relatively quick response that generated. As Mr Braddock indicated earlier, every year we monitor the implementation of my recommendations and we report that to the Standing Committee on Public Accounts and Administration, and we will continue to do that. I should point out that the majority of the responsibility for ensuring that governments follow up on my recommendation rests with committees like this and the Standing Committee on Public Accounts and Administration.

MS MORRIS: Going back to what you said before, potentially sometimes two or three reports are provided. Can you confirm how many draft reports or iterations of the report were provided to CSD before the final publication?

Mr Harris: I think two, but I will confirm that when we confirm the dates.

MS MORRIS: Thank you.

MR EMERSON: I had a question along the lines of Mr Braddock's earlier about the *Performance audit recommendations observations* report. I saw last year's iteration but not the one that you handed out a week ago. In last year's, there were four general observations made about ACT government responses to recommendations—that there had been a lack of specificity; non-reporting by agencies of progress in implementing recommendations; a lack of clarity with respect to the status of recommendations; and inconsistent and unclear reporting on the implementation of recommendations. Have any of those changed or have they all carried forward into the latest version?

Mr Harris: None of that has changed. I would write the same thing, and probably did in this year's report.

MR EMERSON: I look forward to looking at it. I will speak with the Standing Committee on Public Accounts and Administration about letting us see it. One of the examples you have given is that some ACT government responses indicated agreement with the recommendation and then appeared to identify and highlight action that had already been taken in relation to the recommendation, which I have also observed is common practice. Have you seen any change in that practice in the last 12 months?

Mr Harris: No. To be fair to agencies, as I indicated to Ms Morris earlier, we spend a lot of time with the agencies during a performance audit and the relationship is quite close. It is not uncommon, as we go through and find deficiencies, that the agency will find ways to fix things as we are going along. A cynic might say that they do that in order to say at the end of the day, “We’ve already fixed it,” but somebody more generous might say, “Practicality says that, if you find a problem and you know how to fix it and you can fix it, you might as well do it,” and that is frequently what happens. We will often get to the end and a number of things that we have written will have already been fixed. Where we get the opportunity to comment on that, we will. Sometimes we do not, but it is fair to say that it is not uncommon for things to be fixed along the way.

MR EMERSON: By virtue of the audit happening.

Mr Harris: Yes; that is right. Sometimes the mere threat of conducting a performance audit will cause things to change.

MR EMERSON: Yes. You say:

There were some examples of clear and easily understandable reporting by agencies, and other examples where the actions taken in response to a recommendation was ambiguous and unclear ...

Are you able to provide an indication of which agencies tend to perform well in that regard and which do not?

Mr Harris: I could not off the top of my head, and it very much depends upon the government’s response, to be fair. The government is required to respond to all of my performance audits formally through the Assembly within four months of the tabling of each audit. I think it is reasonable to say that a proportion of what is reported and required to be reported by agencies is dictated by the government’s view about what they may or may not wish to do in terms of my recommendations.

MR EMERSON: The “agreed in principles”.

Mr Harris: Yes; indeed.

MR EMERSON: Thank you.

THE CHAIR: Before I go to another question, I might just observe that the report that Mr Braddock was asking about is listed on the Standing Committee on Public Accounts and Administration’s website.

MR BRADDOCK: Great.

Mr Harris: Excellent.

THE CHAIR: I understand the Chief Minister has—

Mr Harris: If that is the case, Mr Chair, I could provide members of the committee with the report. We could do that ourselves now that the Standing Committee on Public Accounts and Administration has made it public.

THE CHAIR: That would be great, thank you. I understand Mr Barr has written to you regarding a review into the University of Canberra? That is correct?

Mr Harris: That is correct.

THE CHAIR: Have you undertaken any steps or do you plan to take any action in relation to that matter?

Mr Harris: Yes. We have started a performance audit into governance arrangements at the University of Canberra. I believe the engagement letter was issued recently. Preparatory work has certainly been underway for at least a month—perhaps a little longer. That will have been in gestation for about six months.

THE CHAIR: Perhaps you could take on notice the date that kicked off? The actual date would be useful.

Mr Harris: Yes. I am happy to do that.

THE CHAIR: Is there any further information you can provide on the scope? Is it just aligned with Mr Barr's letter?

Mr Harris: No. As is my normal practice, I sent a letter to the chair of the Standing Committee on Public Accounts and Administration in relation to the nature of the audit. I am happy to provide the same letter to you, as chair of this committee.

THE CHAIR: Thank you very much.

Mr Harris: I think it would be useful if I raise this matter. Mr Braddock asked me a question about the operation of two committees earlier, before we started. I think it would be useful if the two chairs had a conversation about the way in which I share information, because I report to both committees and much of what I do is relevant to both committees, notwithstanding there is a separation of material that you each deal with. It would make my life a lot easier if the protocol between the two chairs was that I share the same material with both of you. Then I do not have to do the dance between: "Have they tabled it and have they made it public, before I can do the same with you?"

THE CHAIR: That sounds eminently sensible.

MR BRADDOCK: This question goes into a lot of detail. Page 57 of the 2023-24 financial audits talks about the discount rates used for the impairment assessment of the

gas network. Does the Audit Office have a view of the discount rate that should be utilised for assets which potentially have curtailed lifespans, given the fact that the ACT is getting off gas?

Mr Harris: Mr Braddock, everybody has a view on the appropriate discount rate to use. Whenever we get to a technical issue, like a discount rate, we will use actuaries and subject matter experts to verify what is a reasonable rate to use. The auditee will have their own expert who determines the discount rate that they think is appropriate. Whoever is doing their accounting will give them a discount rate. We do not accept that discount rate at face value. We will take our own advice from our own expert on whether that discount rate is reasonable or not. We do not come to that view ourselves; we take advice from our experts. Sometimes they will agree. More often than not, they will say that the discount rate being used by the auditee is within an acceptable range, and that was the case in this case.

MR BRADDOCK: Did the assessment that the A-G's office obtained take into consideration the risk of it being a stranded asset?

Mr Harris: I would say yes, because the standards require such an assessment to be done, if my memory serves me correctly. So my answer would be yes.

MR BRADDOCK: Thank you.

MR EMERSON: I have a question about the Digital Health Record. How many audits are currently underway into the Digital Health Record, and is there a forward plan for a range of audits—a total number of audits?

Mr Harris: Yes. We have done one, which I think we tabled just before Christmas, in relation to a very specific question about the payment of invoices. There are another five performance audits in train in relation to various aspects of the Digital Health Record. They cover matters like governance, financial arrangements and procurement, to go back to the question on procurement and related matters.

MR EMERSON: Do you have a sense of when all five will have been completed?

Mr Harris: We are doing them concurrently. There is a substantial amount of work going on in relation to the Digital Health Record. When I say there are five performance audits, I mean there are five areas of interest. I guess that is the better way of describing it. We intend to table those as a package. Whether we end up tabling five packages or four packages or six packages, I cannot tell you at the moment. It depends on how that material comes to us and what we think is the best way of making it sensible for consumption. Our theory at present is that we will break it down into its component parts and we will do a report on each of those component parts, which we will then aggregate probably into one report with specific components, or, potentially, separate reports that can be read together. We have not made that decision yet.

MR EMERSON: Do you know when that might be, roughly?

Mr Harris: It will be in about six months. There is a fair amount of detailed work, particularly on the data side and the computing side. I do not know, at this point, how

long it will take us to get to the bottom of all that, so I cannot give you a definitive date. These things would normally take six months. If anything, this will take a little longer, so we will be looking at the second half of calendar year 2025 for tabling.

MR EMERSON: Regarding the HR system that was mentioned earlier—the \$78 million expenditure—was that one audit?

Mr Harris: Yes.

MR EMERSON: So, given this is going to be six times more significant, is it your sense that this is a significantly more concerning instance of public mismanagement?

Mr Harris: It is a dangerous thing for an Auditor-General to pre-empt the outcome of a performance audit, and I would not like to do so. However, the one that we have tabled so far does not give me any confidence that this will be any less interesting or significant than the Human Resources Information Management System.

MR EMERSON: Thank you.

THE CHAIR: We might wrap up a bit early.

Mr Harris: Could I make one comment before we finish. I should point out that there is one small error on page 6 of my report. At paragraph B.1.3.1, we say in the second line, that last year we tabled six performance audit reports and one information report. That is not correct. We actually tabled nine performance audit reports. I have issued a corrigendum, which you either have or will get very shortly.

THE CHAIR: Have we got that?

MR BRADDOCK: Yes.

THE CHAIR: Thank you very much.

Mr Harris: I just wanted to put that on the record.

MR EMERSON: That is greatly appreciated.

THE CHAIR: On behalf of the committee, thank you for your attendance today. If you have taken any questions on notice—I think there was only one—

Mr Harris: Two, which breaks my record, because I do not like taking questions on notice.

MS MORRIS: That is greatly appreciated. Thank you.

THE CHAIR: Please provide your answers to the committee secretariat within five business days of receiving the uncorrected proof *Hansard*.

Mr Harris: I think we can answer those questions this week.

THE CHAIR: Excellent. I thank witnesses, who have assisted the committee through their experience and knowledge. We also thank broadcasting and Hansard staff for their support. If a member wishes to ask questions on notice, please upload them to the parliamentary portal as soon as possible and no later than five business days from today.

The committee adjourned at 9.43 am.