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Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2012

Tabled in the House of Assembly and ordered to be published, 16 October 2012

Second Session, Fifty-Second Parliament

Part A: Audit overview

By Authority: B. Morris, Government Printer, South Australia

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28 September 2012

The Hon R K Sneath, MLC
President
Legislative Council
Parliament House
ADELAIDE SA 5000

The Hon L R Breuer, MP
Speaker
House of Assembly
Parliament House
ADELAIDE SA 5000

Dear President and Speaker

Report of the Auditor-General: Annual Report for the year ended 30 June 2012

Pursuant to the provisions of the *Public Finance and Audit Act 1987*, I herewith provide to each of you a copy of my 2012 Annual Report. This Report includes the Honourable the Treasurer's Statements for the financial year ended 30 June 2012.

Content of the Report

This Report is in three parts – Part A, Part B and Part C.

Part A – Audit overview contains a summary of certain matters of importance regarding the audit program of work conducted at public sector agencies for 2011-12. More detailed comment on these matters is made in Part B – Agency audit reports.

Part B – Agency audit reports (Volumes 1 to 6) contains comment on the operations of individual public authorities, the financial reports of those public authorities, and the Treasurer's Statements. A number of matters in Part B of this Report that, in my opinion, are of administrative and/or financial management importance to the Government and the Parliament are listed separately under the heading 'References to matters of significance'. This list can be found immediately after the table of contents in the front of Volumes 1 to 6 of Part B.

Part C – State finances and related matters presents a general review, and report on the public finances of the State.

Auditor-General's Annual Report

In accordance with section 36(1)(a) of the *Public Finance and Audit Act 1987*, and subject to comments made within this Report, I state that in my opinion:

(i) the Treasurer's statements reflect the financial transactions of the Treasurer as shown in the accounts and records of the Treasurer for the preceding financial year

(ii) the financial statements of each public authority reflect the financial position of the authority at the end of the preceding financial year and the results of its operations and cash flows for that financial year

(iii) the controls exercised by the Treasurer and public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law.

This opinion is stated in consideration of the following important matters.

Agency modified opinions

I have not seen it necessary to qualify matters referred to in section 36(1)(a)(i) and (ii) above, albeit modified opinions were expressed on the financial reports of the following agencies:

- Adelaide Festival Centre Trust
- Central Adelaide Local Health Network Incorporated
- Country Health SA Local Health Network Incorporated
- Department of Environment and Natural Resources
- Health Services Charitable Gifts Board
- The Legislature - Joint Parliamentary Service
- Department of Planning, Transport and Infrastructure
- South Australian Motor Sport Board
- University of South Australia
- Department for Water.

In addition, without modification of the opinion on the financial report of the WorkCover Corporation of South Australia, attention was drawn to the inherent uncertainty associated with the outstanding claims liability reported for that entity at 30 June 2012.

In all cases where a modified opinion is given, the Independent Auditor's Report includes explanatory paragraphs clearly describing the reason for issuing a modified opinion. Further the reason for issuing a modified opinion is described in the commentary on each of those agencies in Part B of this Report.

Agency financial statements to be finalised

I also emphasise that there are agencies whose financial statements had not been finalised and the audits were continuing at time of preparing this Report. Should matters arise in finalising the audits of those agencies the impact of any matter referred to in section 36(1)(a)(i) and (ii) above, will be advised to Parliament in a Supplementary Report.

Controls assessment

I have not seen it necessary to qualify matters referred to in section 36(1)(a)(iii) above, albeit there have been cases in some agencies, where the systems of internal controls have not, in my opinion, been of an acceptable standard. Where this has occurred I have, in accordance with the provisions of section 36(1) of the *Public Finance and Audit Act 1987*, drawn attention to this fact and included comment on my reason(s) in the report on the agency concerned in Part B of this Report.

Report and assessment of controls

As required by section 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit included an assessment of the controls exercised by the Treasurer and public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities and also, where applicable, whether the controls in operation were consistent with the Treasurer's Instructions with particular focus on TIs 2 and 28. The overall aim of that assessment was to establish whether those controls were sufficient to provide reasonable assurance that the financial transactions have been conducted properly and in accordance with the law.

It is not practical in any such assessment to review each and every control in respect of each and every transaction. Whilst every effort is made to test the sufficiency of controls across a representative range of transactions, it must be remembered that no system of control is 'fail-safe'.

The Parliament has recognised this in stating that the controls need only be sufficient to provide, at the time of audit, 'reasonable assurance' of the matters set out in section 36(1)(a)(iii).

The audit assessment has been made by reviewing the adequacy of procedures and testing a number of control components against a range of financial transactions conducted at various levels of the agency.

In assessing the sufficiency of these controls, particular regard has been had to the agency's structure, risk and the interrelation of policies, procedures, people, management's philosophy and operating style, demonstrated competence, and overall organisational ethics and culture. All of these matters serve as interrelated elements of control.

The standard by which I have judged the sufficiency of controls is whether and how well those controls provide reasonable assurance that financial transactions of the Treasurer and public authorities have been 'conducted properly and in accordance with law'. This concept requires the agency to meet the standards of financial probity and propriety expected of a public authority and, at all times, discharge its responsibilities within the letter and spirit of the law, both in terms of its own charter and as an instrumentality of government discharging public functions.

In respect of those matters where the controls exercised by agencies have been assessed as not meeting a sufficient standard, I have made recommendations as to where improvements are required and included commentary on these matters in the relevant agency's report in Part B of this Report under the heading of 'Audit findings and comments'.

Acknowledgments

I would again like to sincerely thank my staff for their dedicated efforts throughout the year. Their professionalism and dedication have been of the highest order and is reflected in the content of this Report.

In addition I extend my thanks to the Under Treasurer, Government Publishing SA, and their staff, and the report printing coordinator, Mr D O'Keefe, for their efforts which have assisted materially in the production of this Report. The cooperation of all public authorities with my staff during the financial year is also acknowledged.

Yours sincerely

S O'Neill
Auditor-General

Part A

Table of contents

Page

Audit overview

Part A

Table of contents

Audit overview

Introduction

Every day and year presents challenges for Executive Government and public sector agencies in meeting their responsibilities and accountabilities in the provision of public services to the South Australian community. These must be met and undertaken with diligence, and in recent years within an environment of budget constraint and change in government administrative structures and arrangements.

The 2012-13 Budget presented to Parliament in May of this year reinforces again the requirement for public sector agencies to realise significant budget savings set in the 2010-11 and subsequent budgets.

The 2011-12 financial year was characterised by machinery of government (MoG) changes which were relatively significant in their effect on administrative and financial management arrangements of certain government agencies. They also added complexity to the annual audit process and this matter is discussed later on in this part of this Report.

The *Public Finance and Audit Act 1987* (PFAA) and Australian Auditing Standards represent the framework under which the annual audits of government and agency operations are undertaken. In planning and conducting the audits, recognition is given to the changing risk profile of administrative and financial management and accountability practices within government and agencies, which are influenced by important matters such as the budgetary environment and MoG changes.

This Audit Overview and the agency reports in Part B of this Report provide certain important observations that have arisen out of the 2011-12 audits of the public accounts and agency operations and accounts. Part C of this Report provides specific commentary on State finances, including budget performance.

Audit program and process

Last year's Report advised of the major change that took place in relation to our audit practice in 2010-11. It related to the implementation of a new audit methodology and associated software (IPSAM) across this Department's auditee agency portfolio (approximately 150 auditee agencies).

It was mentioned in that Report that the last full methodology implementation occurred 10 years ago and the implementation took two years to apply to agency audits. IPSAM was applied to all audits in 2010-11 and consolidated during 2011-12. I express again my gratitude to all staff members of the Auditor-General's Department for their contribution to this successful changeover.

The annual statutory audit program gave considerable focus and effort to the discharge of audit responsibilities associated with the SA health sector, both in respect of the financial reporting period ended 30 June 2011 and for 30 June 2012. There was considerable delay in the finalisation of the preparation and subsequent audit of the financial reports of SA health sector agencies for the year ended 30 June 2011. The end result was the tabling in Parliament in April 2012 of a comprehensive Supplementary Audit Report for the SA health sector for the year ended 30 June 2011. Subsequent to the tabling of that Supplementary Report, Audit resources continued review activities to meet the statutory audit responsibilities for the SA health sector (now the health and ageing sector) for the year ended 30 June 2012. This sector met their financial reporting obligations for the year ended 30 June 2012 to enable inclusion of similar comprehensive information that was presented in the April 2012 Supplementary Audit Report in this Annual Report.

The audit program also gave focused attention to the MoG changes, and to the first time audit of the Adelaide Oval SMA Limited and the audit of the Health Services Charitable Gifts Board (successor agency to the Commissioners of Charitable Funds). These two agencies have been included in Part B of this Report.

Finally, the audit program is increasing audit activity on special focus reviews. A number of these reviews are in progress and it is intended to communicate important matters arising from these reviews through Supplementary reporting to Parliament.

Audit management letter communications

As conveyed in last year's Report, audit management letters raise with agencies weaknesses in financial management, accounting and control identified during the annual audit process, and include recommendations for consideration and improvement in agency systems, processes and controls. The letters also request responses from the agencies with advice of remedial action proposed or to be taken in relation to the matters raised by Audit.

I reported last year that there was an upward trend in instances where some responses in agencies' letters indicating corrective action taken had not in fact been taken or was delayed. As evidenced in audit commentaries for agencies in Part B of this Report, Audit follow-up of matters previously raised with agencies again reveal instances where intended corrective action has not been taken by the agencies. As indicated last year there are a number of factors contributing to this, including budget restraint, resourcing priority, system changes, staff turnover, clarity of agency/Shared Services SA responsibilities, and also in 2011-12 MoG changes. Certain of these factors have been advised in some agency responses to audit management letters.

As emphasised in previous Reports, it is my expectation that agencies will implement with diligence intended remedial actions to audit matters raised, and that those actions are reviewed periodically within the agencies for operating effectiveness.

The public finances

The 2012-13 Budget marks a significant point in the position of the State finances. It is the fourth Budget since the onset of the global financial crisis. As with the three previous Budgets there is again deterioration across the forward estimates in the key indicators, the net operating balance, net lending and net debt to what was estimated in the immediately preceding Budget. This Budget reflects the impact of the ongoing global economic uncertainty on State revenues, with a significant deterioration in GST and taxation revenue estimates.

New fiscal targets

Given the global economic uncertainty and the significant impact on revenues, new fiscal targets were set by the Government as part of the 2011-12 Mid-Year Budget Review (MYBR).

In the 2011-12 Budget the Government had targeted at least a net operating surplus in the general government sector in every year. This has now changed to a net operating surplus by the end of the forward estimates.

The Government has also established a new debt fiscal target - a maximum ratio of general government net debt to revenue of 50%. This differs to the broader measure in previous years of net financial liabilities to revenue.

In acknowledging the setting of the new fiscal targets, a long established budget performance target, a triple-A credit rating has not been maintained.

Estimated results for 2011-12

The 2012-13 Budget estimates a net operating balance deficit of $284 million compared to the budgeted deficit of $263 million.

The net lending deficit is estimated to be $1300 million, compared to the budgeted amount of $1252 million. The general government sector is estimated to have net debt of $4282 million at the end of 2011-12.

Unfunded superannuation liabilities are estimated to be $11.9 billion for the year to 30 June 2012, an increase of $3.2 billion from the 2011-12 budgeted expectation of $8.7 billion. The increase is mainly due to the change in the discount rate required to be used for the liability valuation calculation. A discount rate of 4% was used for the estimate as at the 2012-13 Budget, compared with 5.6% for the 2011-12 Budget. A 1% reduction in the discount rate is estimated to increase the superannuation liability by $2.5 billion.

The Government reports that it remains committed to fully fund the superannuation liability by 2034.

The Motor Accident Commission (MAC) reported a comprehensive loss result for the year of $34 million, compared to a comprehensive profit result of $193 million in 2010-11. This was primarily due to an increase in the outstanding claims liability and reduced revenue from investment activities. As at 30 June 2012 MAC had net assets of $397 million ($431 million). WorkCoverSA reported a comprehensive loss result of $437 million in 2011-12. This compares to a comprehensive profit result of $30 million in 2010-11. The significant deterioration in the comprehensive profit was mainly due to an increase in the outstanding claims liability. As at 30 June 2012, WorkCoverSA had a net liability position of $1389 million ($952 million). Lower discount rates required to be used in the calculation of the outstanding claims liability have significantly contributed to the increase in the liability for both MAC and WorkCoverSA.

Budget forecasts 2012-13 to 2015-16

An operating deficit of $867 million is now budgeted for 2012-13 compared to a surplus of $114 million estimated at the time of the 2011-12 Budget. This is mainly due to expected reductions in GST revenue grants and taxation revenue in the 2012-13 Budget being far more significant than what was expected in previous Budgets. This has had a major impact on the net operating balance and net debt projections.

The 2012-13 Budget projects a return to a net operating surplus in 2015-16 ($512 million). Deficits are expected for each of the three years 2012-13 to 2014-15. The cumulative net operating deficit over the four years of the 2012-13 Budget is $1.148 billion.

The 2012-13 Budget reinforced the adverse effect of ongoing weaker than expected economic conditions. As a result tax and GST revenue growth were revised downward significantly from the projections in the 2011-12 Budget. For the period 2011-12 to 2014-15 taxation revenue was revised downward by $1.551 billion and GST revenue was revised downwards by $1.276 billion.

The 2012-13 Budget contains new operating expenditure and offsetting savings initiatives in the general government sector totalling $269.3 million over the next four years. This comprises new operating initiatives of $700 million offset by operating savings of $430.7 million. The two main measures in the new savings initiatives totalling $430.7 million over the four years of the forward estimates were:

- an increase in the efficiency dividend from 0.25% to 1% of employee expenses. This measure will not be introduced until 2013-14 and is expected to realise savings of $41.5 million in 2013-14, increasing to $129.5 million in 2015-16
- the reduction of a further 1000 full-time equivalent (FTE) staff over the forward estimates, starting in 2013-14 with savings of $25 million and increasing to $86.6 million in 2015-16.

Savings initiatives have been a major element of the 2010-11 and the 2012-13 Budgets. The 2010-11 Budget consolidated savings announced in earlier Budgets (of over $700 million per annum by 2013-14) and new savings totalling $1.5 billion over the four years to 2013-14 arising from the recommendations of the Sustainable Budget Commission.

For 2011-12, the Department of Treasury and Finance (DTF) advised that agencies generally achieved their allocated savings targets. The largest exception was again the DHA, which had a $54.5 million shortfall relating mainly to an unachieved outpatient services reforms measure and unachieved efficient price reform.

There remains approximately $1 billion of new savings to be achieved for the two years to 2013-14 associated with the 2010-11 budget initiative. In addition, the 2012-13 Budget has identified additional savings of $430.7 million over the forward estimates. The Department for Health and Ageing (DHA) has the largest individual agency savings target, comprising:

- savings for the two years remaining of the 2010-11 budget initiative of $240.2 million
- savings identified in the 2012-13 Budget of $184 million over the forward estimates.

Net lending

A net lending deficit of $1.9 billion is budgeted for 2012-13. The 2012-13 Budget projects net lending deficits over each year of the forward estimates, with the cumulative amount being $5.015 billion. This amount is impacted by the recognition of the new Royal Adelaide Hospital (RAH) ($2.8 billion) in 2015-16.

The 2012-13 Budget continues a large capital spending program estimated to be $2.1 billion in 2012-13. Capital projects are being delivered through both direct publically delivered projects but also in partnership with the private sector.

In June 2011, the Government announced financial close on a public private partnership contract to build, operate and maintain the new RAH. The total capital cost of the new hospital at contractual close was $2.09 billion. The new RAH is recognised as an asset and a finance lease liability of $2.8 billion in the 2015-16 forward estimate year. The amount represents the net present value of design and construction costs, lifecycle payments, interest and other project costs.

Asset sales are also a prominent feature of the 2012-13 Budget. Total budgeted asset sales for the non-financial public sector exceed $1.35 billion in 2012-13 and are estimated at $532 million in 2013-14. The Budget incorporates two significant asset realisation processes. These are the forward sale of up to three harvest rotations for South Australian Forestry Corporation plantations and a proposed sublicence giving the right to operate the Lotteries Commission of South Australia’s brands and products for a defined period of time.

Net debt

Net debt is expected to increase from $4.3 billion in 2011-12 to $8.8 billion in 2015-16. The net debt increase reflects net lending deficits due to high levels of capital expenditure and net operating deficits. Expressed as a percentage of revenue, this increases net debt from 27.0% in 2011-12 to 49.1% in 2015-16. The 2015-16 projected ratio is almost at the maximum of 50% established by the Government’s new fiscal target and any further deterioration of the budget position over the forward estimates would place the expected achievement of this fiscal target in 2015-16 at risk.

Concluding comments

The 2012-13 Budget projects a return to a significant net operating surplus in 2015-16. To achieve this outcome it relies on a number of key elements:

- growth of GST and taxation revenue that returns these revenue lines to long-term historical trend
- the realisation of a major savings program initiated as part of the 2010-11 Budget and added to in successive budgets
- as part of the savings strategy, achieved targeted savings in Health and Ageing. This portfolio has not achieved its targeted savings in any of the past three years

- keeping track of progress with budget outcomes through established monitoring processes, including enhancements in 2011-12 such as considering agency progress in achieving current year saving measures and plans to deliver measures in subsequent years and enhanced monitoring reporting to the Sustainable Budget Cabinet Committee.

The progressive downward revision of key indicators across four successive Budgets demonstrates that, should the current economic climate prevail and persist, achieving the budget outcomes remains a most challenging task. As indicated in last year's Report it also emphasises the importance of the exercise of a high degree of government management discipline supported by effective reporting and monitoring.

Part C of this Report

More detailed commentary and audit observations on aspects of the State finances are presented in Part C of this Report. That commentary includes observations on the Treasurer's Financial Statements, prepared pursuant to the PFAA to report on transactions and balances in the public accounts.

The main public accounts are the Consolidated Account, special deposit accounts and deposit accounts established pursuant to the PFAA.

Financial reporting obligations of government agencies: The important requirements of timely and quality preparation of financial statements

Introduction

The 2010-11 Report included specific comment on issues concerning the timely and quality preparation of agency financial statements. The PFAA requires public authorities to submit their financial statements to the Auditor-General within 42 days of the end of the financial year. I am, in turn, required to deliver my Annual Report, including agencies' audited financial statements, to the President of the Legislative Council and the Speaker of the House of Assembly by 30 September annually. These requirements involve completing all agency audits while concurrently performing the major task of preparing my Annual Report to Parliament which is always demanding and challenging.

The Annual Report to Parliament in this State varies from other jurisdictions in its timing and content. It is the only such Report that consolidates in one place the audit findings and reproduced financial statements of public authorities by 30 September annually. The agencies included are those that are, in my opinion, of sufficient importance to warrant publication.

Financial statements will only be included in the Annual Report on the basis that Audit has received all necessary documentation, information, and explanations supporting an entity's financial statements.

Status of agency financial statements for 2011-12

This Annual Report contains all the agencies that were anticipated for inclusion in this Report, with the exception of the new Urban Renewal Authority and the Art Gallery Board, which is explained in Part B of this Report. For the first time, this Report includes comprehensive information about the major entities of the health and ageing sector in its new structure.

Achieving this goal again resulted in significant demands on audit staff to complete audits and meet reporting deadlines. A primary complicating factor this year was the MoG changes which is discussed separately in the following section of this Part of this Report. Also highly demanding was to reach satisfactory conclusion of the health and ageing sector reporting and auditing requirements for the first time.

As in past years, in June 2012 I wrote to all chief executives of agencies that have a 30 June financial reporting year. In that letter I set out the statutory timeframes and other requirements for financial reporting. I also set out a range of areas where Audit has identified risk to agencies preparing financial statements of an appropriate standard. Two key matters I raised in that letter for 2011-12 were the MoG changes and the role of audit/finance committees. As mentioned, the MoG changes is discussed later on.

In my view, a major element in quality assurance is the timely submission of draft financial statements together with variance analysis and other explanatory commentary on key accounting issues to audit/finance committees. These matters should occur before or very near to 11 August annually to demonstrate to those responsible for governance that financial reporting obligations are being met. Committees should subsequently endorse the final statements by 21 September for their inclusion in my Annual Report.

The timing and practices of audit/finance committees varies across the public sector. Not all achieve the standards I suggested. The most apparent differences are in the standard and timing of supporting explanatory information on key accounting policies and variance analysis. In my opinion this is an area that many agencies should improve to support the 2012-13 financial reporting process.

Certification of agency financial statements

The PFAA requires public authorities (with some exceptions) to deliver financial statements to the Auditor-General within 42 days after the end of the financial year.

The PFAA states that:

> *… the financial statements must be accompanied by a certificate as to compliance with the requirement that the statements—*
>
> *(a) are in accordance with the accounts and records of the authority; and*
> *(b) comply with relevant Treasurer's instructions; and*
> *(c) comply with relevant accounting standards; and*
> *(d) present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.*
>
> *The certificate must be signed by—*
>
> *(a) the Chief Executive Officer of the public authority; and*
> *(b) the officer responsible for the financial administration of the public authority; and*
> *(c) if the public authority has a governing body comprised of a number of persons—the person entitled to preside at meetings of the governing body.*

The certificate in its current form commenced with effect from 31 December 2007 following amendment to the PFAA.

In my June 2012 letter I advised agencies that for 2011-12, to meet the statutory reporting timelines and responsibilities, they were required to submit:

- certified draft quality financial statements to the Auditor-General by no later than 13 August 2012
- certified final audited financial statements to the Auditor-General by no later than 21 September 2012. This would facilitate sign off of the Independent Auditor’s Report (IAR) by the Auditor-General and the return of the agency’s certified final audited statements and the IAR to the agency.

This dual certification (for draft and final financial statements) arises from the statutory requirements and the year end process where changes may be identified in the audit or by management subsequent to preparing the 42 day draft financial statements for audit.

Most agencies presented their draft financial statements within 42 days with the required certificate. I received feedback from a number of agency chief executives and presiding officers about certifying the draft financial statements at the 42 day stage. The feedback essentially reflected concerns that at that time, the statements were provided as a final draft. Due to the timing, in some cases final information was not received including external confirmations such as managed financial investments. Financial statements were also subject to further review processes by senior management and audit/finance committees. It was also noted that agencies would take into account feedback from my officers from their annual audit of the statements.

Concluding comments

This Annual Report contains nearly all the agencies I had anticipated for inclusion in this Report. Even so the year end audit process posed many challenges arising from matters that were not resolved adequately by the time agencies were due to provide financial statements for audit. This year the MoG issues highlighted improvements needed for agencies to satisfactorily deal with unfamiliar events that arise. There also remain improvements needed in health and ageing sector financial reporting.

Agencies are effectively required to provide dual statutory certificates covering draft financial statements submitted to the Auditor-General for audit, and then for the final audited financial statements for sign off by the Auditor-General. The certificates cannot be honestly and responsibly given if the certifiers are aware that information is knowingly misstated. The certificates can be reasonably given when certifiers have done what is necessary to ensure that, according to the best of their knowledge, the financial statements presented for audit and those submitted as final, meet the requirements set out in the certificate.

Machinery of government changes: The need for more effective agency coordination and implementation

During 2011-12 a significant number of administrative restructures of public sector agencies occurred. Initial announcement of proposed changes occurred in October 2011. The gazetted dates for changes to come into operation were predominantly July 2011, December 2011, January 2012 and February 2012.

Some of the restructures involved significant numbers of personnel, assets and liabilities. The more noteworthy were:

- Department for Communities and Social Inclusion – Families SA functions of adoption, alternative care, child protection services, foster caring and post-care services transferred to the Department for Education and Child Development
- Attorney-General's Department (AGD) – Office for Recreation and Sport and Office for Racing transferred to the Department of Planning and Local Government from 1 July 2012 and then to the Department of Planning, Transport and Infrastructure from 1 December 2011
- Attorney-General's Department – Multicultural SA transferred to the Department of the Premier and Cabinet (DPC)
- Department of Treasury and Finance – Shared Services SA (SSSA) transferred to DPC
- Department of Planning, Transport and Infrastructure – Service SA transferred to DPC
- Land Management Corporation – abolished and subsumed into the new Urban Renewal Authority.

Affected agencies report details of the restructures in the notes to their respective financial statements which are included in Part B of this Report.

Restructures while a part of public sector life, are relatively infrequent and therefore not routine in public administration. Aligned with the Government's policy intent affected agencies must negotiate and agree on the scope and details of transferring activities. A multitude of transactions have to be processed to transfer employee details, appropriations, systems, GST and FBT tax arrangements and ledger balances. Governance, authority delegations, approval systems, policy and procedural arrangements require change and integration into new organisational arrangements. Agencies must resolve the required changes and then organise them to occur through SSSA as that is now a third party arrangement in government. To effect all the required changes takes planning, time and resources.

Delays of transfers

A common issue with most of the MoG changes was that the costs and revenues of the transferred function continued to be managed by the original agency past the gazetted date of transfer. This was because the following administrative changes were not made:

- transition of relevant staff from the original agency payroll system to the new agency payroll system
- transfer of relevant balances from the original agency general ledger to the new agency general ledger.

As a result the original agency met the costs of the transferred function out of their special deposit account (SDA) even though the related appropriation was transferred to the new agency.

Issues reported to the Department of Treasury and Finance

I wrote to the Under Treasurer in June 2012 identifying a number of financial accounting and funding issues that were emerging from the administrative restructures.

Risk of overdrawn special deposit account

Where transferred functions were being managed by the original agency there was a risk they could overdraw their special deposit account (SDA), as they were not funded for costs they were meeting. Agencies canvassed a number of options to address this risk, including the transfer of the whole appropriation back into the SDA of the original agency and the establishment of reimbursement of cost arrangements.

Audit recommended DTF give central guidance to agencies dealing with this situation. This was particularly important as some agencies would not be transferring staff and general ledger information for some time.

In response DTF advised it had worked closely with the affected agencies to ensure that there was ongoing legislative and procedural compliance throughout the implementation of the MoG changes.

Use of special deposit accounts consistent with their purpose

The original agencies were making payments, and recording them in their SDA, for activities that were no longer their responsibility. The purpose of agency SDA did not explicitly state whether making payments for transferred activities was consistent with that purpose.

To remove any doubt, Audit recommended that the wording of the SDA purpose for all agencies be revised appropriately.

DTF considered that the existing purposes of the deposit accounts were sufficiently broad for the transitional arrangements. To remove doubt though, the Treasurer had approved changes to the purposes of relevant accounts.

Impact on financial administration and statutory financial reporting

The administrative restructures were having an impact on administrative arrangements. As a result of transitions not occurring on the gazettal date, many additional processes were established or were being planned to support ongoing financial administration and to segregate information to facilitate reporting in the 30 June 2012 financial statements of the affected agencies. These issues included:

- temporary funding arrangements to ensure accounts were not overdrawn, either by billing of transferee agencies by transferor agencies or other arrangement
- preparing service level agreements or similar record of agency responsibilities

- preparation of multiple FBT and GST returns
- finalisation of opening and closing balances for the original agency and the new agency
- disaggregating data and cash into the pre and post transfer periods and maintenance of an appropriate audit trail.

The delay in transitioning staff and financial information and the related issues added complexity to financial administration, statutory financial reporting arrangements and the audit process. This complexity also increased the risk of statutory reporting timeframes not being met.

DTF responded that it had well established standing policies and guidance (for example, through the toolkit attached to the Treasurer's Instructions, and accounting frameworks and guidance) that should help agencies deal efficiently and effectively with MoG changes. Where possible, DTF also tries to provide advice to those planning such changes, to assist with implementation once approved and announced.

DTF noted it was clear that a number of the changes that took place in 2011-12 tested that policy and guidance, and a review was appropriate to assist in future MoG changes. It was proposed to conduct that review once the key finance officers involved were available after year end financial reporting concluded. DTF expected additional guidance would be included in the toolkit.

DTF acknowledged the importance of their early involvement in the MoG planning process, and confirmed they would endeavour to do so, recognising, however, that often the timing and conduct of MoGs was beyond their control.

Urban Renewal Authority – land and housing transfers

The Urban Renewal Authority (URA) was established on 1 March 2012. It subsumed the activities of the Land Management Corporation and some activities, including land and housing assets, from the South Australian Housing Trust (SAHT) and Defence SA. The proposed process to complete these transfers included payments from the URA to the SAHT and Defence SA.

Audit noted that it was not clear from the Cabinet approval and the gazettal transfer notices that there was authority for all the proposed land and housing transfer transactions. In particular, the recommendations approved by Cabinet only referred to the transfer of land and housing assets with no mention of payment arrangements. Audit suggested that all proposed transactions needed to be reviewed to ensure that there was an appropriate legislative and/or administrative authority for the transactions. The Treasurer approved a number of transactions to clarify the Government's intention for the transactions.

I subsequently wrote to the Under Treasurer in June 2012 observing that it did not appear that the Cabinet approval and Treasurer's approval were sufficient to authorise the execution of all the various proposed transactions. Any proposed disbursement or commitment of funds by the various agencies must be authorised in accordance with the PFAA, the related Treasurer's Instructions and the legislation under which the various statutory authorities were established.

There was a risk that transactions would be processed that did not comply with the various legislative and governance requirements. It was therefore imperative that the appropriate authority to execute the various transactions be clearly established and appropriate documentation be maintained to support the authority.

The Under Treasurer advised in reply that on 28 June 2012, payments were made consistent with approvals granted by the Minister for Housing and Urban Development and the Minister for Defence Industries. The Under Treasurer indicated that legal advice determined that there was no authority under the SAHT legislation for the SAHT to make a payment to the Consolidated Account. Accordingly, agreement was reached between SAHT and DTF that a part of the transaction would not proceed as originally envisaged. Approval would be sought from the Treasurer to resolve this matter in 2012-13.

Correspondence to agency chief executives

As mentioned in the previous section of this Part of this Report, in June each year, I write to all chief executives of agencies that have a 30 June financial reporting year setting out the statutory timeframes and other requirements for financial reporting. This year I highlighted the matter of the MoGs. I reported that various administrative and reporting arrangements and obligations arose from these changes. I noted that they would, if not properly planned and addressed, increase the risk of agency financial statements not meeting the necessary quality standards and the risk of agency statements not being included in my Annual Report.

The various matters discussed above did impact on a number of agencies increasing their complexity and the resources required for agencies to finalise their financial statements and audits to be completed.

Concluding comments

Administrative restructures of the public sector are an infrequent but natural occurrence in government administration. As DTF advised, there are established standing policies and guidance to support their implementation. Audit review indicated the need for improvement for future MoG changes.

Improvement is needed in planning restructures to ensure all relevant legislative and supporting administrative instructions are understood and proposed actions are in compliance with the statutory requirements and powers. Once restructures are approved, coordination between affected agencies including DTF and Shared Services SA (SSSA) should be a priority with the intent of transferring all relevant staff, net assets and financial data on or within a short time of the transfer date. To evidence that an agreed position is reached between agencies, an agreement setting out the details of transfers including assets, liabilities and personnel should be prepared and signed be the respective chief executives at the earliest opportunity.

At the time of preparing this Report a number of activities announced in October 2011 have not yet transitioned in all respects. Costly administrative processes continue until they are concluded.

Effective governance and financial control and accountability practices: Commitment and endeavour to continuous improvement

An important statutory obligation for those parties that have governance responsibility for an agency (board, chief executive, senior management) is to ensure that the agency has in place the abovementioned practices and that they continuously operate in an effective manner. There must be demonstrated commitment and endeavour to this obligation and outcome.

As previous Reports have conveyed, the Auditor-General is required by the PFAA to assess and give an opinion on the adequacy of internal controls of auditee agencies. Any deficiencies or shortcomings in the abovementioned practices can result in qualification (exception) comment to the 'assessment of controls' opinion given for each agency in Part B of this Report.

Consistent with previous Reports the 2011-12 'assessment of controls' opinions for many agencies include a qualifying (exception) comment, that reflects a weakness or control gap, or inappropriate process, or a significant shortcoming, in one or more aspects of the abovementioned practices.

The audit commentary that follows the 'assessment of controls' opinion in each of the agency reports in Part B of this Report describe the specific nature of the particular shortcoming or deficiency that should be addressed by the agency under guidance or direction of the parties that have governance responsibility for the agency.

Shared Services SA: Financial systems and processes: Reform and remediation: Robust control environments not yet evident

Introduction

SSSA operates core common systems for the purpose of servicing the financial accounting and reporting needs for around 50 government agencies. In doing so, it is critical that SSSA maintains strong internal control environments and specific system and process controls, to ensure the integrity of daily processing of the financial transactions of the Government agencies using SSSA services.

The last two Annual Reports have included specific comment on focused reviews by Audit of the control environments relating to major areas of financial system and transaction processing within SSSA. In 2009-10, Audit reviewed electronic funds transfer (EFT) payment arrangements and found major weaknesses in controls which required significant corrective action. In 2010-11, Audit focused on the control arrangements applying to the then newly introduced e-Procurement system. Again, Audit found weaknesses and aspects of a sound control environment that had not been established.

Due to the importance of these two control environments to the overall integrity of government financial transaction processing; the serious nature of the deficiencies previously identified; and further reform being undertaken of systems and processes (for other areas of accounts payable), Audit has further reviewed these control environments for change and remediation of earlier identified deficiencies.

The following commentary provides the position status of these control environments as a result of the 2011-12 Audit reviews.

Accounts payable (e-Procurement) control environment

As mentioned, the e-Procurement system was largely implemented in 2010-11. It represented the first major new system reform area of SSSA.

Since last year, SSSA has reformed several Masterpiece accounts payable (MPAP) processes including implementing consistent controls for each MPAP environment. In recognition of these changes my 2011-12 audit was extended to consider the MPAP control environment (rather than assessments on an individual agency basis).

The 2011-12 audit of SSSA accounts payable concluded that further work is required to achieve a robust control environment. The details about the review of SSSA accounts payable, including e-Procurement, are provided in the section of Part B of this Report titled 'Department of the Premier and Cabinet'.

Electronic payment (EFT) control environment

Background

Before the introduction and audit in 2010-11 of the new e-Procurement system, Audit in 2009-10 assessed key controls for electronic payment arrangements for various accounts payable and payroll systems operated by SSSA.

In reporting on this audit outcome in the two previous Annual Reports, it was emphasised that because the majority of financial payment transactions for government are processed by SSSA, the serious nature of the control weaknesses arising from the audit exposed the Government to considerable loss of monies through fraudulent activity and malicious behaviour.

The following commentary provides a brief recap of the previously raised concerns and the follow-up remediation position status for this control environment.

Recap of 2009-10 control weaknesses

As mentioned, the 2009-10 audit focused on the SSSA electronic payment arrangements (EFT). This covered the payment of accounts and payroll expenses for selected agencies using Masterpiece, CHRIS HRMS, Empower HRMS, e-Procurement Basware and Westpac Corporate Online systems.

Agencies reviewed by Audit were DTF, the Department of Further Education, Employment and Technology (DFEEST) and the Department of Health, now known as the Department for Health and Ageing.

In brief, serious control weaknesses from the audit which have been subject to comment in previous Reports can be grouped into six general themes, notably:

- user access was insufficiently controlled
- segregation of duties was insufficient

- understanding of user access profiles needed improving
- processing and reconciliation controls needed to be improved
- policies and processes needed to be updated and/or documented
- logging and log monitoring needed to be increased.

At the time of last year's Report all remediation activity by SSSA was expected to be completed by April 2012.

2011-12 Audit review

Given the importance of the matters raised, Audit and SSSA have maintained regular contact on both SSSA's remediation approach and the completion timeframes. Audit's follow-up examination for 2011-12 consisted of a review of documentation, including project status reports, an internal validation audit report and a project closure report provided by SSSA during the year. It also involved meetings and discussions with key SSSA team representatives involved in the remediation process.

Shared Services SA EFT remediation

The EFT matters initially raised by Audit are being addressed by SSSA as a component part of a comprehensive EFT organisational-wide review. The review principally consists of two main projects, a User Access and Controls Project (UAC Project) and a payroll remediation project.

At the time of preparation of this Report, SSSA advised that for the 2010 EFT related issues for DTF, Department of Further Education, Employment, Science and Technology (DFEEST) and DHA, the majority of issues had been fully remediated. Outstanding components include the finalisation of some aspects relating to user operating procedures, final approval of service level determinations, review of payroll user profiles and completion of dual payroll authorisation controls. These outstanding issues form components of the overall organisational-wide remediation.

In terms of the organisational-wide remediation, the majority of issues have been addressed for the Masterpiece, Basware and Westpac Corporate Online systems. Further work is being initiated however to address issues identified regarding the set-up and configuration of Westpac Corporate Online.

The outstanding accounts payable related issues include finalising approval of the new service level determinations with the respective agencies and the completion of certain procedure documentation for e-Procurement and Westpac Corporate Online.

For the payroll related issues (Empower HRMS and CHRIS HRMS), including segregation of duties and user access issues, the anticipated completion timeframe is December 2012.

Internal audit validation review

SSSA initiated an internal audit review to validate the UAC Project's remediation processes and controls. This involved the examination of SSSA UAC Project and system/process documentation, including user access policies and procedures and segregation of duties matrices. It also assessed the design of controls that had been developed for implementation.

The internal audit report focus specifically addressed the Basware, Masterpiece and Westpac Corporate Online systems. CHRIS HRMS and Empower HRMS were excluded. A copy of the review report was provided to Audit in July 2012.

This internal validation review concluded that SSSA (for the in-scope systems) have defined processes for user access administration, developed segregation of duties matrices across business processes and have defined model profiles to be used as the basis for configuring and managing user access.

The internal validation report, however, did raise certain major matters that did have the potential to adversely affect SSSA achieving its business outcomes, notably the following:

- The UAC Project remains in ‘project mode’, rather than moving completed project tasks into normal operations.
- There were deficiencies in the management of segregation of duties. In particular SSSA were unable to provide a complete listing of segregation of duties conflicts across each of the in-scope systems and the associated treatments to address the conflicts.
- There was a lack of well-defined roles and responsibilities for user access management for Westpac Corporate Online and Masterpiece.
- Sensitive access transactions were not appropriately identified and monitored. SSSA could not provide a formalised list of sensitive access transactions. They also had no evidence of reports that can be used by SSSA to monitor user activities relating to sensitive access transactions on an ongoing basis.

Shared Services SA response

In late August 2012, SSSA confirmed its EFT remediation status and approach.

The majority of remediation activities for accounts payable related issues have been completed. Attention is also being given to the matters arising from the internal audit validation review (listed previously). Remediation work for the internal audit validation review is expected to be completed by March 2013.

SSSA is progressing the remaining components of remediation for payroll services, including segregation of duties and user access issues to payroll systems. These are targeted for remediation by December 2012.

At the time of writing this Report, SSSA advised that it was considering internal audit testing of the operating effectiveness of user access management processes and controls during 2012-13.

SSSA will continue to liaise with Audit during 2012-13 regarding its remediation program and status.

Concluding comments

Consistent with the comments made last year, the operations of SSSA are a major part of the overall control environment of financial transaction processing of government agencies. As such, there is a need for ongoing review and confirmation of the soundness of the SSSA control environments.

The EFT matters raised by Audit in 2009-10 were serious issues exposing individual agencies and the Government to loss of monies.

SSSA has treated the remediation of the range of issues raised by Audit in relation to the two abovementioned control environments as a high priority.

SSSA's remediation activity has resulted in a number of changes to the internal SSSA organisational structure and operational procedures for these environments. This remediation has been undertaken against a background of MoG changes, including those resulting from the establishment of the Government Services Group within the DPC. These have affected SSSA organisational reporting responsibilities and key personnel arrangements.

Until all remediation activities are completed, government and agencies financial and information security controls cannot be considered satisfactory. Remediation activities need to continue to be an important focus for SSSA during 2012-13.

The Government shared services initiative: Progress of initiative and savings

Introduction

Since the implementation of this government initiative in 2008-09, my Annual Reports have included specific commentary on the implementation progress and savings related to this initiative. A further update is provided in this section of this Part of this Report.

Nature of the initiative

SSSA is the Government established central service provider agency to most other government agencies. It provides high volume administrative functions of payroll, accounts payable, accounts receivable and other services such as financial accounting and reporting.

These functions were initially transitioned from other agencies to SSSA in their current state with the current agency employees and systems. SSSA to streamline and simplify administrative and technology services bringing significant efficiencies and savings across all government agencies.

Organisational arrangements

In February 2012, as part of the MoG changes, SSSA transferred from DTF to DPC. At the same time information and communications technology (ICT) services that were part of DTF but managed by SSSA transitioned into SSSA (72.5 FTE) and ICT infrastructure services provided to DPC by DTF transitioned into SSSA (8 FTE).

Prior to the transfer of SSSA to DPC, and also as a result of MoG changes, in January 2012 Service SA was transferred from the Department of Planning, Transport and Infrastructure to DPC. Service SA operates a distributed network of centres to service the community regarding government information and services, including matters relating to driver licence and motor vehicle registrations.

Effective from 12 June 2012, DPC changed internal reporting arrangements by establishing a Government Services Group within DPC by bringing together SSSA and Service SA under the Executive Director, Government Services. The position of Executive Director, SSSA was abolished.

Cabinet was advised that the merger of the two groups provides an opportunity to achieve efficiencies through spreading overheads over a larger scale of operations and maximising synergies in the use of technology and business processes and training. Further, it was indicated that embedding the strong customer service culture of Service SA provides potential for further productivity gains.

SSSA advised that the:

- FTE employees as at 30 June 2012 were 49 (61) in shared services reform and 746 (638) in shared services operations
- amount expended on contract agency staff in 2011-12 was $8.9 million ($12.6 million) which equated to 115 FTEs (149 FTEs).

DPC reports total expenses of operations for SSSA in 2011-12 of $104 million and total income was $93 million. Details are reported in the financial statements of DPC in Part B of this Report.

2011-12 reform activity

Last year's Report conveyed that in December 2010, Cabinet approved proceeding with the transition of ICT services (Tranche 4). This included functions such as ICT user support and client equipment for most agencies, as well as communication, hosting, data and network services for some smaller agencies.

As a part of the 2011-12 MYBR, the ICT reform (Tranche 4) component was abandoned. As reported in the MYBR, an alternative approach to the savings included the introduction and approval of an ICT efficiency measure (phased in from 0.75% in 2012-13 rising to 1.5% in 2013-14) applied to agency ICT expenditures.

Last year, e-Procurement was implemented for agencies excluding the health and ageing sector. SSSA advised that the implementation for health and ageing sector is dependent on their deployment of the Oracle Corporate System (OCS). As reported in the 2012-13 Budget, previously budgeted savings are reduced as a result of delays in the implementation of the e-Procurement initiative within the DHA. It is now expected that these savings will be achieved from 2015.

Future reform activity

Payroll reform strategy

The 2010-11 Report also communicated that SSSA has commenced development of a payroll reform strategy and is presently undertaking a business process review. This review aimed to identify opportunities to improve the functionality, usability and effectiveness of the CHRIS payroll system, which should lead to improved efficiency and effectiveness across SSSA payroll teams.

SSSA completed the development of a draft payroll reform strategy. The strategy was provided to the Minister of Finance for review in June 2012. SSSA advised it was expected that after consultation the strategy will be presented to the Senior Management Council and then to Cabinet.

The draft payroll reform strategy indicates the existing payroll environment in the public sector is highly complex, with SSSA using four different payroll systems. The system used by most agencies (CHRIS 5) is characterised by the following:

- it was mandated for most agencies and had limited guidelines as to how CHRIS should be deployed and configured

- it has had minimal effort or investment made at an agency or across government level to enhance the functionality delivered since it was introduced

- is now a legacy version soon to be unsupported by the vendor.

The draft payroll reform strategy provides a range of options and recommendations for government to consider.

SSSA advised that funding by agencies of $4.2 million was approved as part of the 2012-13 Budget process to enable the CHRIS 5 to CHRIS 21 migration project to be progressed. Funding for other payroll reforms was not approved.

Financial services reform strategy

It was also communicated in last year's Report that SSSA were developing a financial services reform strategy. The draft financial services reform strategy was completed and provided to the Minister for Finance in January 2012.

The draft financial services reform strategy indicates:

- while Masterpiece is the mandated financial system for most government agencies, minimal guidelines were established as to how Masterpiece should be deployed. This resulted in a high degree of diversity including separate databases, various infrastructure platforms, different charts of accounts, vendor and customer master files

- there was minimal effort or investment made at an agency or across-government level to enhance the functionality delivered by Masterpiece since it was introduced. Agencies preferred to implement third party tools and interface them with Masterpiece rather than develop the system

- these factors resulted in the evolution of a highly complex financial systems environment across government, with minimal commonality between systems

- this complexity and diversity creates real barriers to realising the substantial efficiencies that can be derived from process simplification and standardisation under a shared services model. It also creates a high risk and cost profile, particularly in supporting and maintaining the raft of legacy systems which currently interface with Masterpiece.

The draft financial services reform strategy provides a range of options and recommendations for government to consider. As part of the 2012-13 Budget process a proposal to fund an option (the least cost) was not approved.

SSSA advised it is considering which (if any) of the projects will be progressed and funded from the available budget. Further, SSSA noted that it would only be possible to fund a few of the projects.

Cost of implementation

On a number of occasions in past years Cabinet was advised that funding provided for the implementation of shared services was not sufficient to allow the full range of business and corporate services, identified as potentially in-scope in October 2007, to be transitioned to SSSA.

Audit has previously reported that significant additional funds in excess of the original $60 million implementation budget would be required to transition all in-scope activities.

SSSA has estimated the implementation costs to complete the approved implementation activities and indicated that $13.6 million remains as at 30 June 2012 for further reform and transition activities.

	$'million
Implementation funding	60.0
2010-11 budget additional funding	8.3
Wakefield House appropriation	5.0
e-Procurement	20.4
Other	0.2
Total	93.9
Costs to 2011-12	80.3
Balance for reform and transition activities	13.6

Last year the total expected costs was $114.4 million. The decrease in expected costs is due to Tranche 4 (ICT reform component) implementation not proceeding and e-Procurement operating costs from 2012-13 (previously disclosed in transition activities) being included in the service delivery pricing and the costs recovered from agencies.

The implementation of e-Procurement is the first major system reform initiative of SSSA. The delay in implementation of this system in the health and ageing sector has resulted in lowering the estimated savings of this initiative. Audit is to follow-up the post-implementation of this system and related arrangements in 2012-13.

Achievement of savings

Previous Annual Reports have discussed the savings target at the time of implementation of shared services arrangements. These aimed to save $130 million (including savings from future ICT and associated changes) over four years to 2009-10 offset by implementation costs of $60 million over the same period. The reported savings achieved for this period was $87 million. Of this, $82 million was from savings allocated to SSSA for such measures as 'future ICT savings' rather than as a result of SSSA reform initiatives.

It was reported last year that the shortfall against the original budgeted savings through to 2014-15 amounted to $93.5 million. It was also noted that budget savings targets were revised downward due to factors related to transition delays, reduced employees, accommodation 'dead rent' and potential redeployment costs.

The savings targets were revised again during 2011-12. As discussed above, the 2011-12 MYBR indicated the transition of ICT services to SSSA will not proceed resulting in:

- reduced funding of $6.3 million over the three years to 2013-14 to SSSA (for the transition)
- budgeted savings of $1 million in 2013-14, 3 million in 2014-15 and $6 million per annum from 2015-16 associated with this measure will not be achieved.

In addition the delay in implementing e-Procurement in the DHA resulted in reduced savings of $2 million in 2011-12, $2 million in 2012-13, $2.1 million in 2013-14 and $1.1 million in 2014-15. This amounts to $7.2 million over the four years.

The original budgeted savings up to 2010-11 were $190 million. My previous Report showed savings achieved up to 2010-11 were $127.2 million, a shortfall of $62.8 million.

In response to an Audit request, DPC provided details of all savings amounts included in the Budget up to 2015-16 for the shared services initiative since its announcement. The following table presents revised savings targets from 2011-12 to 2015-16:

	2011-12 Estimate $'000	2012-13 Budget $'000	2013-14 Budget $'000	2014-15 Budget $'000	2015-16 Budget $'000	**Total $'000**
Revised savings budget	48 348	54 489	57 900	60 423	63 038	**284 198**
Savings allocated to initiative prior to reform:						
Future ICT savings	26 601	27 266	27 948	28 647	29 363	**139 825**
Supply SA warehouses	1 417	1 004	1 029	1 055	1 081	**5 586**
ICT mobile carriage services	2 272	2 329	2 387	2 447	2 508	**11 943**
	30 290	30 599	31 364	32 149	32 952	**157 354**
Savings allocated to reform initiatives:						
Tranche 1 services	2 629	2 721	2 816	2 886	2 959	**14 011**
Financial systems savings	869	890	912	935	958	**4 564**
e-Procurement	10 429	14 169	14 489	15 927	17 429	**72 443**
Procurement savings	1 333	1 366	1 400	1 435	1 471	**7 005**
Other savings	1 565	-	-	-	-	**1 565**
	16 825	19 146	19 617	21 183	22 817	**99 588**
Total estimated savings achieved	47 115	49 745	50 981	53 332	55 769	**256 942**
Current balance of savings – shortfall	(1 233)	(4 744)	(6 919)	(7 091)	(7 269)	**(27 256)**

The overall reduction effect of revisions to the original budgeted savings to 2014-15 of $431.5 million as reported in my last Report is $83.1 million. This comprises $62.8 million shortfall in savings achieved to 2010-11 and further budget downward revisions from 2010-11 to 2014-15 of $20.3 million.

The savings allocated to the SSSA initiative prior to reform activities represent those savings which were included in the initiative submitted to Cabinet, however those savings were attained without any transition or reform activities occurring. For example, a major element of these savings target is ICT. Agency expenditure budgets were reduced overall by $25 million each year in the 2007-08 Budget to achieve these savings.

The savings allocated to the SSSA initiative reform activities represent those savings which were through the creation and transition to SSSA. These include significant savings estimated to be achieved through the implementation of e-Procurement, which will be realised through agency budget adjustments.

The following table compares the budgeted SSSA reform savings to the budgeted implementation costs.

Reform initiatives budget savings and expenses	Total up to 2010-11 $'000	2011-12 Budget $'000	2012-13 to 2015-16 Budget $'000	**Total $'000**
Total of savings from reform initiatives	15 381	16 825	82 763	**114 969**
Total implementation budget	71 678	8 652	13 610	**93 940**
Net (cost) savings from reform	(56 297)	8 173	69 153	**21 029**
Accumulative net (cost) savings from reform	(56 297)	(48 124)	21 029	

The table indicates that to 30 June 2012 the costs of the reform have exceeded savings achieved through the shared services reform process. The net saving result of $21 million by the end of 2015-16 is achieved by estimated savings of $22.8 million and no costs in 2015-16.

As noted, the main contribution to the SSSA reform savings achievement is e-Procurement which is expected to save $77.5 million to 2015-16. As at 30 June 2012 the e-Procurement savings were $15.4 million compared to budgeted costs of $20.1 million. These indicate savings benefit from initiatives can be substantial, even though they make take several years to realise.

Concluding comments

The original significant savings targets anticipated from the SSSA initiative were not met and this was recognised through the downward revision of these targets in the 2010-11 Budget. Further saving target reductions or delays for ICT and e-Procurement in the course of 2011-12 continue to demonstrate the challenge of realising some savings measures. The major measure for effecting savings has been the direct reduction of agency budgets. The e-Procurement experience nonetheless indicates reforming financial systems can lead to a net benefit although it may take several years to attain.

My previous Report noted that SSSA was at the initial stages of potentially significant reform changes in the payroll and financial services areas. SSSA's reviews found complexities in the existing systems and barriers to realising the substantial efficiencies that can be derived from process simplification and standardisation under a shared services model. The diversity of these systems is unsurprising given they have existed for many years in individual agencies as suited to their specific requirements. Centralising systems into SSSA has highlighted the differences.

Reform strategies were prepared in 2011-12 but not fully approved. The Government has considered funding for SSSA reforms against other current budget pressures and priorities. SSSA has moved to DPC and merged with Services SA to provide an opportunity to achieve efficiencies through larger scale of operations. The SSSA initiative has not realised the originally significant envisaged savings. Any efficiencies gained from the new structure may support other SSSA projects and business plans. Should an appropriate business case exist in the future, improving prevailing financial systems is a logical long-term progression when seeking efficiency improvements across the public sector and targeted reductions in administrative support areas.

ICT systems projects: Timely and effective implementation remains a matter of concern

Introduction

For a number of years Annual and Supplementary Reports to Parliament have included specific commentary on major ICT system developments of government. Last year's Report again provided an update on some major ongoing system developments, including those experiencing difficulties.

Demonstrated shortcomings in some projects included matters such as weaknesses in governance and management, inconsistencies in approvals, no benefits realisation plans, lack of timely updates to Cabinet, delays in implementation, defects at go-live, non-operating functionality, and the continuing operation of agencies' legacy systems.

Audit reviews of system projects in 2011-12

This year Audit continued its review of system projects and detailed comments are provided on certain projects in Part B of this Report. Of particular note are the following system projects.

Department of Treasury and Finance RISTEC project

The taxation revenue management system project, RISTEC, is to develop a replacement integrated taxation system for RevenueSA's existing legacy taxation systems.

Last year's Report noted that in December 2008 Cabinet was advised of an overall cost for the project of around $44 million with full implementation expected by September 2011.

There have been continued delays in the phases of implementation of this system. Only this year in June 2012 has the first component of the system, base system and payroll tax module been implemented. There are further phases of the project but these phases also have delayed timeframes.

More specific details are provided in the section of Part B of this Report titled 'Department of Treasury and Finance'.

Department for Health and Ageing Oracle Corporate System project

The OCS project is to replace the DHA legacy general ledger and financial systems with a whole-of-health integrated system.

Last year's Report noted that Cabinet approved investment expenditure for the system of about $21 million. If supported over a 15 year period the cost of the system would be over $33 million.

The system has only had partial implementation of its intended functionality with full rollout put on hold. Further rollout is dependent on a Cabinet submission which is yet to be finalised.

As the full project rollout had not been completed the health unit legacy systems were not able to be decommissioned. Costs continue to be incurred with the comprehensive mapping of health unit general ledgers to the OCS integrated general ledger system and for the operation and maintenance of health unit legacy systems. Also, DHA and health services continue to be deprived of the full financial management and reporting benefits that are expected to be available from the OCS.

There have also been certain OCS security control deficiencies associated with the implementation and operation of the system.

Further, specific details are provided in the section of Part B of this Report titled 'Department for Health and Ageing'.

Department of Further Education, Employment, Science and Technology student information system project

This is a new enterprise system that is core to DFEEST's and TAFE Institutes' administration and financial operations.

The system went live in June 2011 with core elements of the student's lifecycle, such as registering for classes, paying of fees and viewing of results. Additional functionality will be delivered in 2012-13.

The project planning and implementation of the system is anticipated to total around $20 million.

Given the importance of the system, DFEEST initiated certain internal audit reviews of the implementation and operation of the system. In particular, a May 2012 post-implementation review identified a significant number of matters that required remedial action to ensure the system operated with the required functionality and control. The matters included business process deficiencies and a large number of defects.

More details are provided in the section of Part B of this Report titled 'Department of Further Education, Employment, Science and Technology'.

Concluding comments

Significant amounts of money are incurred in the planning and implementation of large systems of government. It is important that such large system developments are delivered on time and achieve anticipated benefits, including the early decommissioning of ageing legacy systems. A prerequisite to this is that exemplary governance and control arrangements are in place and enforced. These two matters are clearly not happening in a number of projects examined by Audit.

In the absence of this happening, large system projects of government will continue to experience delays, additional costs and loss of benefits.

As an example to help in addressing these matters, the RISTEC project has introduced an independent quality assurance advisor to assist in governance and management of the project. That initiative has contributed towards the achievement of the implementation of the first system module.

There is still concern over the adequacy of arrangements in place to ensure the timely and cost effective implementation of large systems of government and the achievement of planned benefits.

Significant improvement required for the management of government telecommunications use and costs: Benefits/Cost savings missed

Introduction

Last year's Report provided comprehensive comment on specific reviews undertaken of aspects of telecommunication services and expenditure management within government.

The reviews communicated matters of concern at whole-of-government and agency management levels. These concerns, which have been confirmed through reviews this year, relate to the achievement of benefit/cost savings in this significant cost area of government operations. In particular, cost savings that should be realised through the government-wide telecommunications services panel (TSP) agreement with telecommunication service providers and expenditure management of service provision by government agencies.

It was indicated in the previous Report that this matter would be a continuing area of focus by Audit. Improvement in overall government and agency management of telecommunication usage and costs can achieve significant savings to the taxpayer.

The commentary that follows provides a brief recap of last year's reviews and presents further observations and comments arising out of the follow-up and additional review work undertaken by Audit in 2011-12. It also reports on review work that has been undertaken by the Office of the Chief Information Officer (OCIO) to identify cost benefit/savings opportunities for government and agencies.

Last year's reviews

The 2010-11 Report included comment on Audit reviews of voice and data telecommunication service arrangements within government, primarily through the whole-of-government TSP contract agreements.

The reviews included the OCIO governance arrangements and responsibilities in the management of the TSP. They also included the governance arrangements of selected agencies in their initial procurement and ongoing management of the TSP Customer Agreements (CA) for both voice and data.

Agencies selected for review were the Department for Health and Ageing (DHA), Courts Administration Authority (CAA), South Australian Water Corporation (SA Water) and the Attorney-General's Department (AGD).

The following briefly describes the key matters arising from the reviews:

Whole-of-government – Office of the Chief Information Officer matters

- There were significant delays in agencies transitioning to the TSP arrangements, thus reducing the perceived benefits of the TSP.

- There was a subsequent dilution (change) of the original TSP recompete process. Under the change while the agency was required to engage with each TSP provider at the end of their CA (three year term), if value for money could not be guaranteed then the agency was not required to adopt an extensive TSP competition approach for their next three year CA.

- The estimated TSP costs supplied to Cabinet were incorrect.

Audit concluded that the above matters reduced the anticipated cost savings and had the potential to weaken competition within the tender environment.

Agency matters

- Most agencies had weaknesses in their invoice verification process.
- Some procedures were not documented or current.
- Deficiencies existed in the original TSP selection evaluation.
- The AGD in particular had a slow transition to the TSP arrangements.

Audit concluded that agencies were reliant on the accuracy of the vendor invoice and supporting reports. This meant that government agencies were at risk of being overcharged for telecommunication services provision or for paying for telecommunication services not provided.

This year's reviews

This year's reviews examined the accuracy of TSP invoice charging by external suppliers to StateNet[1] for landline voice telecommunication services. In particular, the aim of the review was to highlight any external supplier TSP charging discrepancies. This could include call usage errors or the incorrect application of TSP rates to individual calls.

Audit also sought information in relation to StateNet telecommunication procedures and rates charged to agencies to recover the associated call costs from the external suppliers.

Separate to the StateNet reviews Audit followed up the remediation status of telecommunication matters raised for the selected agencies in last year's review. CAA was excluded from this follow-up as the agency had a number of compensating controls and Audit was advised that many CAA remediation activities had either since been actioned or were expected to be finalised by the end of 2011-12.

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[1] StateNet is a generic name for all of the across-government ICT networks. The data network is composed of the Central Data Network and also Local Data Networks. StateNet Services (SNS) (a directorate of the OCIO) is responsible for the Central Data Network, whilst agencies are responsible for their individual Local Data Networks.

In addition to Audit's telecommunication reviews, Strategic Sourcing, a directorate of the OCIO within DPC commissioned an external telecommunication specialist firm to conduct two reviews on their behalf.

The commentary below advises observations and findings which have been identified in the following telecommunication reviews:

- external supplier charging of landline voice service
- recharging to government agencies of landline voice services
- agency telecommunication management arrangements – follow-up review
- OCIO initiated telecommunication reviews.

The first three mentioned reviews were undertaken by Audit.

External supplier charging of landline voice services

StateNet's call log records are populated in its Call Accounting and Billing (CAAB) database. This database extracts call log details from approximately 75 PABX systems throughout the StateNet network. The database is used by StateNet Services (SNS) to help allocate call charges to the various agencies and to perform some ad hoc limited monitoring of external carrier call charges.

Audit engaged a specialist external audit firm to perform data analytics of external voice carrier telecommunication service charges against SNS' call collection log records for a selected month. The purpose of the analysis was to highlight any potential external supplier TSP charging discrepancies in sample invoices from three external suppliers. The initial validation of test findings was performed in consultation with representatives from the SNS.

Key audit findings

Whilst the analysis and reconciliation of the external supplier call charging invoices, supporting reports and internal telecommunication log records did not identify systemic anomalies or material overcharging by the external suppliers for the sample month selected, it did identify issues in relation to the quality of available CAAB data. It also highlighted invoice charging to the value of about $23 000 that could not be matched against the CAAB and noted a number of call charges that were considered unusual by Audit.

A summary of the findings are outlined below.

Data quality

The quality of data within the CAAB was not sufficient to allow SNS to perform regular and rigorous assessments of external call charging by external suppliers. In particular:

- call type data for each call could not be accurately assessed from the CAAB. This meant that supplier contract rates applied to each call could not be readily confirmed

- the CAAB carrier field used in the matching of supplier invoices was not always reliable

- supplier invoice call types did not always line up with the call type field in the CAAB.

In addition, Audit noted that there was no master register of valid lines that could be utilised by the different agencies for the purposes of validating invoice charges.

Supplier invoice charges not matched against the Call Accounting and Billing database

Detailed reconciliation of call transactions for each of the providers to the CAAB records identified a number of invoices charges that could not be matched.

Analysis of one of the supplier's monthly invoice highlighted 4.6% of total calls that could not be matched against the CAAB. This mismatch totalled approximately $13 000 of potentially incorrect charging for that selected month.

Overall, for the monthly sample period reviewed for all three suppliers there was over one million calls. Of these calls approximately 2.7% could not be matched against the CAAB. This mismatch totalled 27 000 calls or potential overcharging of over $23 000. Assuming this monthly sample adequately reflects annual usage then the annual call mismatch could be estimated at over $270 000.

Unusual call charges

Audit also identified a number of unusual call charges that could indicate either carrier charge errors or potential inappropriate phone usage behaviour by government users.

For example during the sample invoice month there were:

- a number of calls that were greater than one hour
- a number of calls that had a high dollar value
- 26 matched records that had a cost greater than $100
- 36 extensions responsible for making a total number of calls greater than $100.

Audit recommendations

In consideration of these findings, Audit recommended that OCIO conduct a high level investigation of unmatched sample supplier invoice charges, documented in detailed excel files provided to OCIO by Audit. In some cases this may require the service providers to confirm the validity of sample invoice call charges that do not appear in the CAAB log records.

It was also recommended that OCIO assess options to improve the general data quality in the CAAB and to develop and maintain a master register of valid StateNet lines. Improving data quality issues would then allow OCIO to conduct formal regular reviews of external invoice charges and develop exception reporting.

Furthermore, OCIO should investigate negotiating further discounts to reduce telecommunication costs associated with high volume and cost dialled numbers.

Office of the Chief Information Officer's response

In June 2012, the results and supporting analysis files from the audit were provided to the OCIO. A detailed response was provided in July 2012.

OCIO's response indicated that the current internal data quality issues would need to be addressed in consultation with the supplier of the CAAB. In addition, to ensure that all service provider call charges were sent to the CAAB, SNS would need to first examine the viability of installing additional collection facilities (buffer boxes) on the PABXs. An estimated completion time of most issues was July 2013.

In relation to investigating an option for further service discounts, the OCIO stated that such negotiations would need to fit in with the repricing provisions of the TSP contracts. The estimated completion date was March 2014.

Recharging to government agencies of landline voice services

During 2011-12, Audit investigated how SNS of the OCIO, recharge agencies for StateNet related telecommunication costs. This included external supplier charging of landline voice telecommunication services.

The aim was to ensure full telecommunication service costs were appropriately recovered from agencies using these services.

In examining this process, Audit noted that the SNS telecommunication rates charged to agencies had not been reviewed internally since 2004. This is despite the cost of providing the infrastructure and associated services changing significantly. As a result, Audit noted that the current recharge rates used by SNS were inconsistent and resulted in cross-subsidisation between the services.

In response to this issue, Audit was advised in February 2012 that SNS was preparing a Cabinet Submission outlining proposed new SNS pricing arrangements. The OCIO was also preparing service level agreements between SNS and agencies.

SNS originally advised that both the Cabinet submission and service level agreements were to be completed by the end of June 2012. SNS advised Audit in mid-July 2012 that the Repricing Cabinet Submission was in the process of being submitted to the responsible Minister, with the service level agreements completed as a first draft. SNS currently has a project to implement the service level agreements with agencies by approximately April 2013.

Agency telecommunication management arrangements – follow-up

Department for Health and Ageing

The 2010-11 Audit review of DHA telecommunication management arrangements revealed deficiencies in invoice administration. DHA was reliant on the accuracy of the telecommunication vender invoices and their supporting reports.

DHA initially responded to these matters in August 2011 and advised that Audit's findings had either been remediated or had an action plan in place. DHA also advised that they had initiated a high level review of its telecommunication systems and arrangements by an external telecommunication specialist firm.

Audit has been liaising with DHA regarding their remediation progress and the findings from the external telecommunication specialist firm. Details of this activity were commented on in my April 2012 Supplementary Report to Parliament.

The external specialist firm's report concluded that billing management for telecommunications appeared to be in a state of confusion, with a number of hospitals not receiving any billing information at all. It also raised issues with the poor management or information on mobile radio systems, lack of consistency in vender engagement, deficiencies in business continuity and disaster recovery and concluded that many PABXs were old and/or at capacity.

In August 2012, DHA provided a status update of the remediation of the matters raised from both Audit's 2011 review and the external specialist's report findings. This update indicated that many of the issues are being addressed.

At the time of preparation of this Report DHA's remediation activities include:

- a proposal for centralising the management of telecommunications which is to be tabled to DHA's Portfolio Executive meeting for approval
- discussions with OCIO regarding consolidation of telephony infrastructure and the refreshing of ageing PABXs
- updating of business continuity plans at Local Health Networks to include telephony failure
- development of processes and procedures to consistently manage external supplier engagement.

South Australian Water Corporation

Audit's 2010-11 review of SA Water's TSP voice and data service arrangements raised that:

- the SA Water initial TSP evaluation did not produce information that would allow an informed decision on pricing
- SA Water had a supplier classification scheme that potentially did not include all major telecommunications contracts, which may have implications for the way in which particular contracts are managed
- there were opportunities for improvement concerning the verification of telecommunication invoices
- SA Water needed to enhance procedural documentation that covered the key essential areas concerning the verification of supplier telecommunication invoices and their reconciliation.

SA Water's 2011 response to the above matters advised that a new telecommunication acquisition strategy was under development and a new supplier framework had been instituted. Additionally, SA Water would examine methods of enhancing invoice verification along with performing annual audits of data services and performing active monitoring of fixed voice services, and enhancing procedural documentation.

During 2011-12, Audit sought updates and relevant documentation on the progress of remedial actions. In July 2012 SA Water advised:

- an annual review of the classification of suppliers through the recently instituted Supplier Management Framework had taken place. This framework verified the current list of major suppliers
- action to enhance the telecommunication invoice verification processes for both data and voice services would be finalised in August 2012
- action to enhance documentation would be completed in August 2012.

It was evident that certain remedial action had been delayed since SA Water's earlier status advices. The delays related to improvement of invoice verification for voice services and also documentation enhancements. Implementation had been delayed from March 2012 to August 2012.

Audit was advised in August 2012 that outstanding actions concerning invoice verification (voice and data) and procedural documentation had been completed. Active services are documented, a monthly voice and data invoice review and sign off process has been established, and processes introduced to enable active review to disconnect services that are deemed inactive or no longer required. Further, annual audit cycles have been established for data and voice services and review of non-use. A biannual audit cycle has been established for review of the mobile contract.

A new TSP arrangement for data services is to be implemented in September 2012.

In August 2012, Audit was also provided with a review report commissioned by the OCIO. The report reviewed billing and service level compliance for telecommunication services provided by an external supplier for a number of sample agencies, including SA Water.

The review found that SA Water may have had some significant fixed voice and mobile services which were unused but being billed. SA Water subsequently provided Audit with an internal report that indicated that most of the unused services identified in this review were required by the business for service continuity purposes.

Attorney-General's Department

The focus of the 2010-11 telecommunications review of the AGD was slightly different to the other agency reviews. This was because the AGD had not transitioned to the TSP arrangements at the commencement of the review.

Key findings from the 2010-11 review included the failure of AGD to comply with the Government directive for transitioning to the TSP by September 2009 and deficiencies in the ongoing management and governance surrounding the old Telecommunication Service Agreement. In addition, weaknesses existed in the invoice verification process and the level of supporting reports and documentation.

During 2011-12, Audit performed a follow-up review and communicated its updated understanding of findings associated with the newly established TSP arrangements to AGD. Key issues highlighted to AGD are outlined below.

Justice Technology Services (JTS):

- Current procedural documentation was informal and required updating.
- No formal service level agreement/memorandum of understanding existed between JTS and JustNet user agencies in relation to services provided and cross charging.
- Formal meetings with user agencies were not regularly held.
- A process did not exist for user agencies to confirm their acceptance and accuracy of service invoices submitted for payment.

Customer Service Technology:

- Current procedural documentation and processes surrounding contract administration, invoice verification, and exception reporting needed to be developed.
- The contract administrator for voice carriage services had no formal mechanism to verify the accuracy of the AGD voice invoices from the external telecommunication service provider.

In September 2012, AGD indicated that JTS was in the process of updating procedural documentation and will finalise the service level agreement/memorandum of understanding between JTS and JustNet user agencies by December 2012. JTS has also improved processes for monthly data reconciliation, exception reporting and the confirmation of user acceptance regarding the accuracy of service invoices. In addition, JTS has developed a formal meeting agenda with JustNet user agencies and meetings have been conducted with the critical JustNet agency customers.

With regard to Customer Service Technology, AGD indicated that documentation and processes surrounding contract administration, invoice verification, and exception reporting had been developed and/or were in the final stages of being approved.

Finally, AGD has consulted with OCIO to ensure that more detailed monthly invoices are produced to business units. This will assist the verification of monthly invoices.

Office of the Chief Information Officer initiated telecommunication reviews

In addition to the Audit reviews of telecommunication services, Strategic Sourcing, OCIO proactively commissioned an external telecommunication specialist firm to conduct two reviews. The first related to agency carrier billing for services under the government’s Mobile Carriage Services and TSP Purchasing Agreements. The second review related to the examination of external carrier’s reporting on service level compliance for services under the TSP Purchasing Agreements.

The first review sampled four agencies and analysed six months of billing data from an external supplier. The aim was to verify if charges have been billed correctly and to validate if the determination, collection and payment of the contract management levy for the Purchasing Agreements had been applied accurately as per the contracts.

Key findings for the four sample agencies selected included the following:

- There was a mismatch of around $230 000 between the external supplier's service summaries details against the suppliers detailed reports.
- A potential overcharge of $27 000 was estimated for one of the agencies' Public Switched Telephone Network and Frame Relay Services.
- 2335 fixed voice services charged by the external supplier did not generate any call usage in the six month billing period. This was estimated to be $670 000 per annum for potentially redundant services.
- 396 mobile services did not generate any call or data usage in the six month billing period. This was estimated to be $70 000 per annum for potentially redundant services.
- Approximately $400 000 could potentially be saved through reallocating mobile broadband plans to correct data plans that accommodate their actual usage.
- Up to $1 million per annum could be saved by migrating legacy technologies (such as Frame Relay and ATM) to more advanced telecommunication products and services.

The second review by the external telecommunication specialist firm examined the external carrier's reporting on service level compliance for services under the TSP Purchasing Agreements. The aim was to verify whether service levels were being measured and reported in a fair and appropriate manner and that rebates were applied accurately as per the contract conditions. The four sample government agencies selected for examination were the same as the first review.

In essence the second review concluded that the overall impact of reporting and rebate errors were minimal. This was due mainly to the low number of services, and service levels specified in the contracts that were eligible for rebates.

In July 2012, a high level summary of the results of the audits conducted by the external specialist telecommunication firm was communicated by OCIO in an email to all agency contract administrators, excluding the sample agencies which were instead sent extracts of the first review.

To help address the abovementioned findings Strategic Sourcing, OCIO recommended agencies conduct a thorough technical review of current data networks and consider migration to newer technologies. Strategic Sourcing also suggested that agencies review all mobile and fixed voice services that have no usage recorded to ensure that agencies are not being charged for redundant services.

In addition, Strategic Sourcing is seeking clarification with the external supplier regarding the mismatch between the external supplier's service summaries details against the supplier's detailed reports. Strategic Sourcing is also conducting a Mobile Data Plan Selection Assistance project to help assist agencies further optimise their data plans to reflect against actual usage.

Concluding comments

The provision of telecommunication services to government is significant in cost terms and a critical service which needs to be effectively managed.

Findings from Audit and the external specialist reviews have highlighted current deficiencies in invoice verification processes and the supporting call collection data. Overall telecommunication services costs could also be reduced through the upgrading of some legacy telecommunication technologies, removal of non-required charged services and the optimisation of telecommunication service plans. According to the external specialist reports upgrading of some legacy technologies could save up to $1 million per annum.

In addition, deficiencies were highlighted in the current telecommunication recharge rates used by SNS. These rates need to be kept current, consistent and minimise service cross-subsidisation.

The deficiencies in government and agency management of telecommunications identified by Audit are supported by the reports from external specialist reviews engaged by OCIO and DHA. These reviews demonstrate that the Government and agencies have been exposed to unnecessary costs and/or overcharging.

It is of fundamental importance that the OCIO continue its efforts with government agencies to achieve improvements in the management and accountability for telecommunication services provided to government. This may require the OCIO to take a harder and more authoritative approach to the implementation of future whole-of-government telecommunication arrangements.