

AUDITOR-GENERAL'S REPORT – 27 Nov 08

Agriculture, Food and Fisheries - Forests

The Hon. R.J. McEWEN (Mount Gambier—Minister for Agriculture, Food and Fisheries, Minister for Forests, Minister for Regional Development) (15:41): I move:

That standing orders be and remain so far suspended as to enable the Supplementary Report of the Auditor-General for the year ended 30 June 2008 entitled Agency Audit Report—November 2008, to be referred to a committee of the whole house and for the Minister for Agriculture, Food and Fisheries, Minister for Forests and Minister for Regional Development to be examined on matters contained in the report for a maximum of 30 minutes.

Motion carried.

In committee.

Mr PEDERICK: I refer to the Supplementary Report, page 2, 'Expenditure', dot points Nos 4, 5 and 6. Given the department's decision not to implement an electronic workflow system in anticipation of the introduction of Shared Services, why was appropriate contract delegation not implemented before the 2007-08 follow-up audit?

The Hon. R.J. McEWEN: There is no reference to the fact that we did not appropriately follow procedure in relation to that matter.

Mr PEDERICK: Dot point No. 4 clearly states:

a review to evidence that appropriate contract delegation was exercised prior to committing the department to expenditure had not been implemented.

The Hon. R.J. McEWEN: There was no evidence one way or the other. There was no evidence to say that we were not doing it appropriately.

Mr PEDERICK: Why were spot checks of invoices to ensure that they were appropriately authorised not implemented until May 2008?

The Hon. R.J. McEWEN: That is a good question. We were implementing controls, and it took some time to fully implement it. So, we were responding in an appropriate manner, but we did not fully implement it until May.

Mr PEDERICK: Why has the review of financial management still not been formalised, and when will it be done?

The Hon. R.J. McEWEN: They were doing it: it just was not in a formal policy. However, that matter has now been corrected.

Mr PEDERICK: Given these matters, what assurance can the department give that it did not remain at risk from further invalid payments?

The Hon. R.J. McEWEN: There are two points here. The first is that it is very low risk, because we are talking about very low levels of expenditure; less than \$2,200. Secondly, there has been no evidence of any fraudulent behaviour. So, it was considered—although we obviously take every direction of the independent audit and examine it in an appropriate way—that it was a very low order issue, in terms of risk.

Mr PEDERICK: I refer to the Supplementary Report, page 2, 'Expenditure', the seventh dot point (and I note that the minister has referred to the \$2,200 figure). The department advised that *'Regular reporting would be established to identify purchases greater than \$2,200 that do not have a purchase order or the purchase order date is later than the invoice date.'*

I have two questions on these lines. First, what assurance can the department give that contractors who accept orders from departmental staff in good faith will not suffer loss or delayed payment as a result of the subsequent refusal to authorise or delay issuing the order?

The Hon. R.J. McEWEN: Our policy has always been that any invoice is paid in a timely manner, as long as it can be verified that the goods or service were received.

Mr PEDERICK: Will the department compensate any contractor who suffers a loss as a result of the refusal to authorise an order after work has been done or materials ordered?

The Hon. R.J. McEWEN: That has never arisen. I explained the process in answering the previous question. If we found ourselves in those circumstances some time in the future, we would take crown advice.

Mr PEDERICK: I refer to the Supplementary Report, page 4, 'Cash'. The last paragraph states that the operating account reconciliation as at 30 June 2008 was performed using an inappropriate reconciliation methodology. Why was it that an inappropriate reconciliation methodology was used in the first instance?

The Hon. R.J. McEWEN: The word 'inappropriate' was a word used by the Auditor-General. We believed that we were doing it in an appropriate way but, obviously, after further consultation with the Auditor-General, we have amended the way in which we do it. However, we never believed that what we were doing was inappropriate.

Mr PEDERICK: So, with advice from the Auditor-General, reconciliation is not carried out in an appropriate manner, according to the Auditor-General; is that what the minister is now telling me?

The Hon. R.J. McEWEN: No; the methodology we were using, which we believed was satisfactory to them, was not, so obviously we have done it in a different way.

Mr PEDERICK: I refer to the same line. Was this the reason that the report was not delivered with the rest of the Auditor-General's Report on 14 October 2008?

The Hon. R.J. McEWEN: It was because it was a minor matter and therefore it was missed by three days.

Mr PEDERICK: I refer to the Supplementary Report, page 5, 'Legal Compliance'. The first paragraph states that in previous years Audit has recommended that the department implement a legal compliance framework that focuses on several areas of concern. The 2007-08 report noted that the framework that had been introduced remained incomplete and/or unsatisfactory in two areas, to which the department replied that it had either implemented the required changes since then or still intended to do so. Given the long time frame since they were first noted, why were the auditor's earlier recommendations not satisfactorily implemented in full before the 2007-08 report was prepared?

The Hon. R.J. McEWEN: The legal compliance framework was new both to us and to the Auditor-General. So, we were working with the Auditor-General through the implementation of that to his satisfaction. At the time of the last report, there were still two units that had not fully implemented the procedure to his satisfaction. Those matters have now been resolved.

Mr PEDERICK: I refer to the Supplementary Report, page 7, 'Highlights of the Financial Report—Controlled Items', and item 2, 'Grants and Subsidies', with further reference to the last paragraph. Grants and subsidies increased from \$34.1 million in 2007 to \$85.4 million in 2008. The explanation lies largely in the payment of \$39 million for the Exceptional Circumstances/Drought Assistance program. Can the minister detail where the other \$12 million was applied, given that by itself it represents a 35 per cent increase on the 2007 figure?

The Hon. R.J. McEWEN: I can quickly explain where most of that comes from, but I can certainly give you all the details. About \$1 million was PACE, \$1.5 million was FarmBis 3 and \$6.5 million was drought recovery money. However, you are right; if you put all that together, you will see that there was an increase of 150 per cent over the year before.

Mr PEDERICK: There is still a gap of several million dollars. Do you have any more information at this stage?

The Hon. R.J. McEWEN: There are quite a few other little rats and mice in there. I have already indicated on the record that I will reconcile the whole lot, but 20 or 30 other small grants have come in that constitute the rest of that.

Mr PEDERICK: I refer to the Supplementary Report, page 8, 'Statement of Administered Expenses and Income', at dot point 2. Administered revenue from fees and charges increased by \$8 million, attributable partly to fishing licence fees received by the Fisheries Research and Development Fund. Will the minister detail precisely what amount was realised from licence fees and how it compares to the previous year and, if it differs, why it differs?

The Hon. R.J. McEWEN: I will need to take that on notice. If you go to page 26 in relation to the previous question you will see the whole list of grants there. The \$85.405 million is set out there and you can see the difference because the \$34.072 million in 2007 is in the other column. In relation to the increase here it is not listed so I will get that for you.

Mr PEDERICK: I refer to the Supplementary Report, page 30, 'Bad and Doubtful Debts'. The department has recognised the bad and doubtful debt of \$143,000 in the income statement. Will the minister detail what debt or debts are contained in this amount and how did those bad debts come to be incurred? That is to say, were they caused by the unfortunate circumstance of the debtor or were they a product of poor credit management processes?

The Hon. R.J. McEWEN: No, obviously it is not a case of poor management on our part—and I know that you would not even seriously suggest that. However, there are quite a few small debts there. We do follow up in an appropriate way ourselves and, if necessary, we use the Crown in that regard. Again, because I get a few minutes and because my staff are on their toes, I can indicate that on page 52 you will find the answer to the previous question in relation to the increase in fishing licences. However, I will still get you a further summary of that.

Mr PEDERICK: I refer to the Supplementary Report, page 26, 'Grants and Subsidies Paid or Payable'. Item 5 is exceptional circumstances and item 25 is state drought 2006. The amount paid in 2008 was \$49,038,000 and \$6,830,000 respectively. It was understandably higher than the previous year's figures of \$9,603,000 and \$250,000 respectively. The conditions that caused those increases remain dire, or even worse.

My question is: has the government factored this in its calculations for this coming year and, if so, what amounts have been set aside for this contingency?

The Hon. R.J. McEWEN: \$100 million has been set aside. Obviously, that is partly state and partly federal in relation to our joint programs, where we pay 10 per cent. We have set aside \$15 million ourselves in terms of the other matters which relate directly to us.

Mr PEDERICK: I am done, Madam Chair.

The Hon. R.J. McEWEN: The examination is complete, and I thank my team for the fact that this year we have received an unqualified audit of the 2007-08 financial statements.