

The Auditor-General
Audit Report No.4 2005–06
Performance Audit

Post Sale Management of Privatised Rail Business Contractual Rights and Obligations

© Commonwealth
of Australia 2005

ISSN 1036-7632

ISBN 0 642 80861 9

COPYRIGHT INFORMATION

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth.

Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration,
Attorney-General's Department,
Robert Garran Offices,
National Circuit
Canberra ACT 2600

<http://www.ag.gov.au/cca>

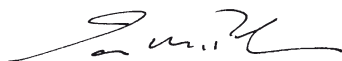
Canberra ACT
4 August 2005

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit across agencies in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is titled *Post Sale Management of Privatised Rail Business Contractual Rights and Obligations*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely



Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:

The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Telephone: (02) 6203 7505

Fax: (02) 6203 7519

Email: webmaster@anao.gov.au

ANAO audit reports and information about the ANAO are available at our internet address:

<http://www.anao.gov.au>

Audit Team

Tina Long
Brian Boyd
Alicia Hall

Contents

Abbreviations/Glossary.....	6
Summary and Recommendations	7
Summary	9
Introduction.....	9
Audit objectives	9
Overall audit conclusions	10
Recommendations and agency responses	10
Key Findings.....	12
Management of contractual exposures and purchaser commitments	12
Concessional rail travel	13
Recommendations.....	15
Audit Findings and Conclusions	17
1. Introduction.....	19
Background	19
Approach to current audit.....	21
2. Management of Contractual Exposures and Purchaser Commitments.....	23
Post sale monitoring of indemnities and warranties.....	23
Environmental remediation.....	25
Capital expenditure	27
3. Concessional Travel.....	36
Background	36
Cost of concessional travel arrangements.....	39
Financial management and accountability	43
Appropriation arrangements.....	60
Series Titles	64
Better Practice Guides.....	65

Abbreviations/Glossary

AN	Australian National Railways Commission
ANAO	Australian National Audit Office
ARG	Australian Railroad Group Pty Limited
ASR	Australia Southern Railroad Pty Limited
CCeS	Customer Confirmation e-Service
CCS	Customer Confirmation Service
CRN	Customer Reference Number
CSHC holder	Commonwealth Seniors Health Card holder
DoTARD	Department of Transport and Regional Development
DoTARS	Department of Transport and Regional Services
DSS	Department of Social Security
DVA	Department of Veterans' Affairs
FaCS	Department of Family and Community Services
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMA Regulations	<i>Financial Management and Accountability Regulations 1997</i>
FMIS	Financial Management Information System
GSR	Great Southern Railway Limited
GST	Good and Services Tax
IPP	Information Privacy Principles
NPP	National Privacy Principles
Pax Rail	Pax Rail Pty Limited
PCC holder	Pensioner Concession Card holder
Privacy Act	<i>Privacy Act 1988</i>
SA Rail	SA Rail Pty Limited
Special Veterans	Certain types of veterans grouped as one concession category in the 1999 and 2002 concessional travel Agreements.
Tasrail	Tasrail Pty Limited
TPI veteran	Totally and Permanently Incapacitated veteran

Summary and Recommendations

Summary

Introduction

1. The three rail businesses of the former Australian National Railways Commission were sold to separate purchasers in 1997. Two of these rail businesses (SA Rail Pty Limited and Tasrail Pty Limited) were intrastate freight operators. The other (Pax Rail Pty Limited) operated interstate passenger services on *The Indian Pacific*, *The Ghan* and *The Overland*. The sales raised aggregate proceeds of \$95.4 million for the Commonwealth. In 1998, the Australian National Audit Office (ANAO) conducted a performance audit of the sale of the three rail businesses.
2. As well as providing for the sale of shares in the rail businesses, the Sale Agreements placed ongoing rights and obligations on the purchasers of the rail businesses, and the Commonwealth.
3. Each of the Sale Agreements contained a number of indemnities and warranties. Also common to each of the Agreements was a requirement for the purchaser to undertake a certain amount of capital expenditure. The Department of Transport and Regional Services (DoTARS) has had responsibility for administering these aspects of the Sale Agreements.
4. One of the major obligations placed on the purchaser of Pax Rail through the Pax Rail Sale Agreement related to the provision of concessions to certain passengers. Prior to the sale, a substantial proportion of passengers on *The Indian Pacific*, *The Ghan* and *The Overland* travelled on concession tickets. The Government decided that these concessions should continue post-sale. The original Sale Agreement, and subsequent contractual arrangements, required the Commonwealth to contribute to the cost of providing these concessions.
5. DoTARS was responsible for administering the delivery of rail concessions until 30 June 1998. From 1 July 1998, the Department of Family and Community Services (FaCS) assumed responsibility for the delivery and administration of the rail concession process for social welfare recipients and veterans.

Audit objectives

6. The objectives of the audit were to assess the Commonwealth's management of contractual rights and obligations under the Sale Agreements. In particular the audit sought to:
 - assess the Commonwealth's management of contractual warranties and indemnities;

- assess DoTARS' management of each purchaser's compliance with contractual commitments to capital expenditure; and
- examine the effectiveness of the development and management of contractual arrangements for concessional rail passenger travel provided by the Commonwealth.

Overall audit conclusions

7. In terms of the audit objectives, ANAO concluded as follows:
- to date, the Commonwealth's post sale exposures under the Sale Agreements' warranties and indemnities have not resulted in any financial cost to the Commonwealth;
 - there is evidence that the purchasers' capital expenditure commitments have been met, although DoTARS could have better managed this aspect of the Sale Agreements; and
 - concessional travel has continued to be provided under various contractual arrangements. However, FaCS' management of the passenger concession arrangements has not complied with the Commonwealth's financial framework, which has led to an increased risk that the Commonwealth is not obtaining value for money from the contractual arrangements.

Recommendations and agency responses

8. ANAO has made two recommendations to improve ongoing management of passenger concession arrangements. FaCS agreed with both recommendations. In addition, DoTARS, FaCS and the Department of Veterans' Affairs (DVA) provided summary comments on the report, as follows.

DoTARS

9. DoTARS considers that the outcomes of the sale of the three rail operating entities (SA Rail, Tasrail and Pax Rail) were successful. The sales fully met the Government's objectives including receipt of a good price for the assets and rail industry reform that would allow rail to compete with road transport, with the sales resulting in the introduction of strong and proven private sector companies that increased the competitiveness of rail on pricing and the quality of operations.

10. Since the sale of these rail assets, and in conjunction with other reforms, the rail industry has increased its share of the land transport freight market between the east coast and Perth from 69 per cent in 1997–98 to over 80 per cent currently.

11. In relation to the post sale obligations on the purchasers, the department notes that they have been fully complied with and the finding of the ANAO is that the Commonwealth's post sale exposures under the Sale Agreements' warranties and indemnities have not to date resulted in any financial cost to the Commonwealth.

12. The department also notes that the ANAO found evidence that the purchasers' capital expenditure commitments had been met in the case of each of the three sales. The value of capital expenditure required under the three sales agreements was \$86.6 million. The actual investment undertaken by the three purchasers totalled \$112.9 million, more than 30 per cent in excess of the investment the purchasers were required to undertake.

13. Nevertheless, the department acknowledges that there should have been tighter administration of processes including better procedures to ensure the timeliness of reporting by the purchasers. The ANAO report provides valuable lessons for the department in the future especially as to the importance of having appropriate follow up arrangements and clear, consistent and documented internal procedures in place for handling ongoing issues in a "post asset sale" environment.

FaCS

14. The audit investigations have assisted FaCS in ensuring it meets its obligations under the Commonwealth purchasing framework. Indeed many of the recommendations of the report have already been addressed or are being addressed in the process of renewing contractual arrangements. In this context FaCS broadly agrees with the recommendations of the report.

15. FaCS believes provision of further information regarding: reasons for the reimbursement method chosen; reasons for changes in the average cost per client; technical constraints with use of customer confirmation systems; and data sources underlying contract variations, would have assisted in contextualising a number of the issues raised.

DVA

16. The Department of Veterans' Affairs (DVA) notes the recommendations to improve ongoing management of passenger concession arrangements. The recommendations will not affect access to concessions by eligible veterans and their dependents. It is not expected that the recommendations will have any significant effect on DVA's procedures. However, to the extent necessary, DVA will provide what assistance it can to help the Department of Family and Community Services implement agreed recommendations.

Key Findings

Management of contractual exposures and purchaser commitments

Post sale monitoring of indemnities and warranties

17. Each of the Sale Agreements contains a number of indemnities. These are promises whereby a party undertakes to accept the risk of loss or damage another party may suffer. To date, no claims have been made against any of the Commonwealth indemnities.

18. A warranty is a promise whereby a vendor provides certain assurances to the purchaser. There were a number of warranties provided by both the purchasers and the Commonwealth in each of the Sale Agreements. There are no ongoing purchaser warranties to be monitored by the Commonwealth, and Commonwealth warranties made to the purchasers have not led to any additional cost to the Commonwealth.

Capital expenditure

19. Total capital expenditure required of purchasers under the Sale Agreements was \$86.6 million. The importance of the capital expenditure commitments was evident from the conduct of the 1997 sales process. In particular, one of the main reasons the Commonwealth did not accept the highest bid for SA Rail Pty Ltd was the commitment made by the successful bidder to undertake \$52.3 million of capital expenditure by 31 December 2002.

20. Capital expenditure was to be made in accordance with definitions specified in each Sale Agreement, and verified through periodic audits performed by the purchasing company's auditors. ANAO found that DoTARS did not develop and document any procedures for assessing the rail capital expenditure commitments. This adversely impacted upon:

- the timeliness with which audit certificates were obtained;
- the level of assurance obtained from the audit certificates;
- DoTARS' ability to assess whether reported expenditure was in accordance with the Sale Agreement requirements; and
- DoTARS' finalisation of the achievement, or otherwise, of the contractual commitments.

21. Nonetheless, from the available documentation, it appears that each purchaser met its capital expenditure commitment by the date specified in the respective Sale Agreement.

Concessional rail travel

22. The Commonwealth sold Pax Rail to Great Southern Railway Limited (GSR) in 1997 for \$16 million. Since the execution of an amended Sale Agreement on 31 October 1997, at the time of audit fieldwork there had been three different contractual arrangements in relation to the provision of concessional rail travel by GSR. Each of these contractual arrangements has provided that GSR would offer certain concessions on its trains, with the Commonwealth contributing to the cost of providing these concessions.

23. ANAO found that FaCS was not sufficiently well informed in its contractual negotiations for concession arrangements to reliably conclude on the value for money of the agreed outcome. In particular, FaCS did not examine the reasons why costs were increasing whilst usage was falling.¹ In this context, for the major contracts, FaCS agreed to make fixed payments based on forecast patronage without provision to adjust for the actual passenger journeys.

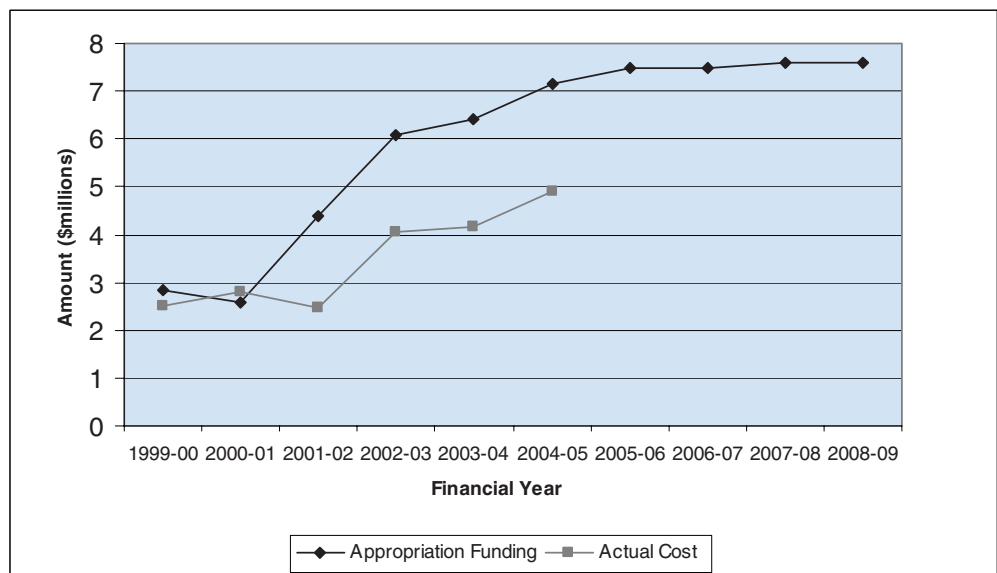
24. In response to concerns raised by ANAO, FaCS has suggested that reasons for the increased costs may include natural cost increases and an increase in the number of the concessional passengers travelling that are more expensive for the Commonwealth to purchase, such as Special Veterans and Commonwealth Seniors Health Card holders. However, ANAO considers it would have been sound administrative practice for such questions to have been addressed prior to the contracts being signed.²

25. FaCS receives funding for payments to GSR as part of its administered annual appropriations. FaCS has consistently over-estimated the amount of funding it has required, even where contracts have provided a cap on total payments. In total, the amounts appropriated to FaCS in respect of GSR payments have, over six years, been \$8.4 million (40 per cent) more than that required. Actual costs and amounts appropriated are illustrated in Figure 1.

¹ Annual expenditure on passenger concessions rose from \$2.7 million in 1998–99, to \$4.9 million in 2004–05. Between 1999–2000 and 2003–04, the number of trips taken by eligible clients fell from more than 90 000 to less than 72 000.

² In this context, FMA Regulations 9 and 12, taken together, require a documented assessment, prior to contract signature, of whether the proposed expenditure represents an efficient and effective use of public money.

Figure 1
Amount appropriated to FaCS for payments to GSR and actual cost



Source: ANAO analysis of FaCS financial data, 2004–05 deed of variation, FaCS Portfolio Budget Statements and 2005–06 Budget Papers.

Recommendations

**Recommendation
No.1
Para. 3.73**

ANAO *recommends* that, prior to entering into future passenger concession contracts, the Department of Family and Community Services:

- (a) analyse alternative approaches to reimbursing the contracted provider so as to identify the approach that maximises value for money; and
- (b) document the approval of the spending proposal and the basis on which the decision was taken to spend public money.

Agreed: FaCS.

**Recommendation
No.2
Para. 3.94**

ANAO *recommends* that the Department of Family and Community Services adopt more rigorous budgeting procedures for concessional travel that reflect the best available estimate of likely payments, including by accurately reflecting the terms of the contractual arrangements.

Agreed: FaCS.

Audit Findings and Conclusions

1. Introduction

This chapter outlines the background of the sale of the Commonwealth's intrastate freight and interstate passenger rail businesses; summarises the major contractual rights and obligations of the purchasers and the Commonwealth; and explains the audit approach.

Background

1.1 The Commonwealth sold the intrastate freight and interstate passenger rail businesses of the Australian National Railways Commission (AN) in 1997. At the time of sale, AN assets were vested in three companies, as follows:

- SA Rail Pty Limited (SA Rail): a vertically integrated rail operator that managed all of South Australia's intrastate freight over three networks. The sale included 17 narrow and 71 standard and broad gauge locomotives, rolling stock, track infrastructure, maintenance equipment, some workshops and specified freight contracts. Freehold property, including rail corridors, was transferred to the South Australian Government, with the purchaser being granted a 50 year lease, and an option for a further 15 years, for the use of the land. Further, certain land was sold to Australian Railroad Group Pty Ltd (ARG), being land at Parkeston and Cook;
- Tasrail Pty Limited (Tasrail): a vertically integrated rail operator that provided bulk and containerised freight haulage services in Tasmania. The sale included 32 operational locomotives, rolling stock, track infrastructure, workshops and terminals, plant and equipment, and specified freight contracts. Operational railways land was excluded from the sale and transferred to the Tasmanian Government, with the purchaser being granted a 50 year lease for the use of the land and existing facilities; and
- Pax Rail Pty Limited (Pax Rail): operator of *The Indian Pacific*, *The Ghan* and *The Overland*. The sale included rolling stock, the Alice Springs passenger terminal and a rolling stock maintenance depot. The South Australian Government granted the purchaser a 50 year lease for the use of the Keswick passenger terminal.

1.2 Sale agreements providing for the sale of shares in the businesses were signed on 28 August 1997, with SA Rail being sold for \$57.4 million, Tasrail for \$22 million, and Pax Rail for \$16 million.

The purchasers

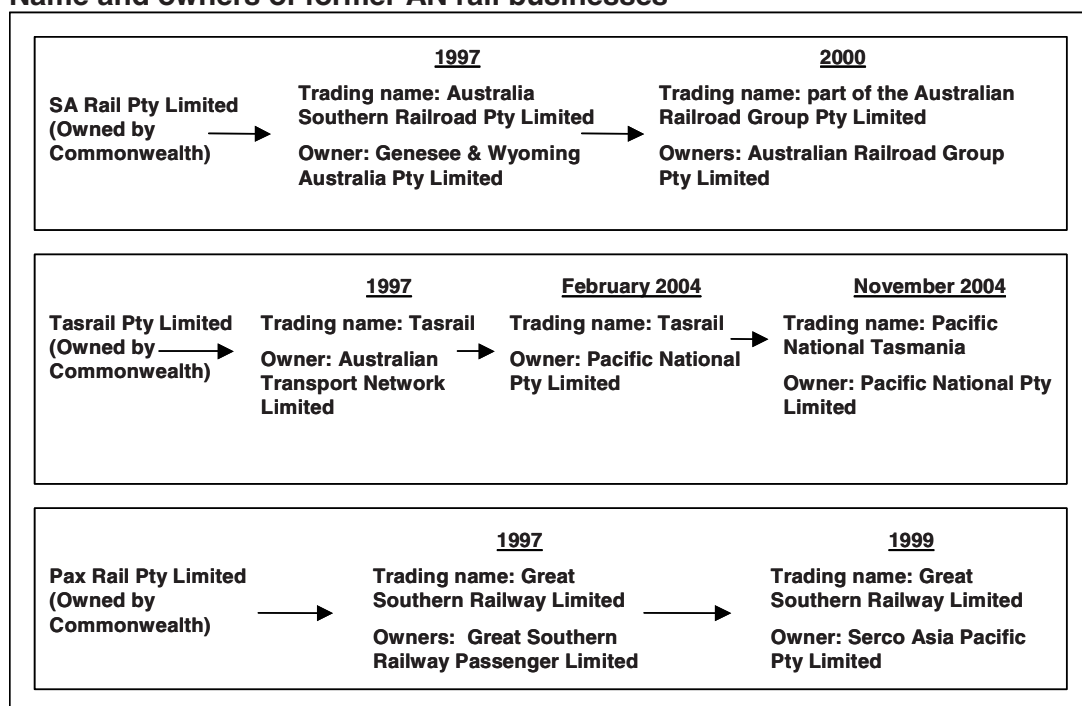
1.3 AN's rail businesses were sold to three separate purchasers, as follows:

- SA Rail was sold to Genesee and Wyoming Australia Pty Limited;
- Tasrail was sold to Australian Transport Network Limited; and
- Pax Rail was sold to Great Southern Railway Passenger Limited (GSR).

1.4 Since then, the rail businesses have changed names and owners as set out in Figure 1.1.

Figure 1.1

Name and owners of former AN rail businesses



Source: Sale Agreements, <<http://www.gwrr.com>>, <<http://www.serco.com>>, <<http://www.pacificnational.com.au>> and Department of Transport and Regional Services Submission to ANAO 30 November 2004.

Performance audit of the sale process

1.5 A performance audit of the sale of SA Rail, Tasrail and Pax Rail was carried out in 1998.³ ANAO's objectives in auditing the sale were to: assess the extent to which the Government's sale objectives were achieved;⁴ review the effectiveness of the management of the sale process; and identify principles of sound administrative practice to facilitate improved administrative arrangements for future trade sales. ANAO made seven recommendations in the audit, all of which related to the management of future Commonwealth asset sales.

Approach to current audit

1.6 As well as providing for the sale of shares in the relevant business, each of the Sale Agreements placed a number of ongoing obligations on the purchaser and the Commonwealth. The Sale Agreements also contained a number of warranties and indemnities.

1.7 At time of sale, the then Department of Transport and Regional Development (DoTARD) was responsible for administering all warranties, indemnities and undertakings arising from each Sale Agreement. With effect from 21 October 1998, the Department became the Department of Transport and Regional Services (DoTARS). In this report, DoTARS is referred to by its current name and acronym.

1.8 From July 1998, responsibility for the delivery and administration of the rail concession process for Commonwealth social welfare recipients was transferred to the then Department of Social Security (DSS). The Department of Family and Community Services (FaCS) was established under a new Administrative Arrangements Order in October 1998. FaCS was created out of four different agencies, including the former DSS.

1.9 The objectives for this audit were to assess the Commonwealth's management of contractual rights and obligations under the Sale Agreements. In particular, the audit sought to:

³ ANAO Audit Report No.28 1998–99, *Sale of SA Rail, Tasrail and Pax Rail*, Canberra, 21 December 1998.

⁴ The Government's sale objectives were to: enter into an agreement with the successful purchasers by 30 June 1997 or as soon as possible thereafter; provide efficient, competitive, dynamic and reliable transport services; contribute to the establishment of a viable and competitive rail system; promote private sector investment in the rail industry; contribute to regional development; obtain a financial return to the Commonwealth that represents fair and reasonable value; and divest the Commonwealth from ongoing responsibility for the operation of rail in Australia, except for its involvement in track access.

- assess the Commonwealth's management of contractual warranties and indemnities;
- assess DoTARS' management of each purchaser's compliance with contractual commitments to capital expenditure; and
- examine the effectiveness of the development and management of contractual arrangements for concessional rail passenger travel provided by the Commonwealth.

1.10 The audit was conducted in accordance with ANAO auditing standards. The cost of the audit to the ANAO was approximately \$245 000.

2. Management of Contractual Exposures and Purchaser Commitments

This chapter discusses DoTARS' monitoring of indemnities and warranties contained in the Sale Agreements, as well as sale obligations associated with environmental remediation. The chapter also includes an examination of DoTARS' administration of purchaser capital expenditure obligations.

Post sale monitoring of indemnities and warranties

2.1 The Sale Agreements contain a number of indemnities and warranties. These represent types of contingent liabilities that may give rise to actual liabilities by the occurrence or non-occurrence of one or more possible future events. Each carries with it risks and obligations that may be called on in the future. They are not necessarily costless and need to be managed carefully.

Indemnities

2.2 An indemnity is a promise whereby a party undertakes to accept the risk of loss or damage another party may suffer.

Purchaser indemnities

2.3 The Sale Agreements each contain purchaser indemnities that protect the Commonwealth from losses or claims that arise if the purchaser fails to perform certain duties contained in the sale contracts. For instance, in the SA Rail Sale Agreement, the purchaser indemnifies and agrees to keep indemnified the Commonwealth and AN against each loss or claim against the Commonwealth or AN arising from, or in connection with, any breach or non-performance after sale completion by the company of any provision of any defined contract.⁵

2.4 Other purchaser indemnities contained in the Sale Agreements protect the Commonwealth from:

- liabilities that arise as a result of post sale environmental contamination; and
- any losses or claims arising from debts and liabilities incurred by the purchaser's company on and from sale completion.

⁵ Similar provisions are included in the Pax Rail and Tasrail Sale Agreements.

2.5 In respect of the purchaser indemnities provided in the Sale Agreements, DoTARS advised ANAO in November 2004 that:

While the purchasers are required to keep the Commonwealth and AN indemnified against any loss or claim arising after the completion of the sales, to date, no such claims against the Australian Government have been made.

Indemnities provided by the Commonwealth

2.6 The Sale Agreements also require the Commonwealth to provide certain indemnities to each of the purchasers of the rail businesses. However, time limits exist on claims made by a purchaser against the Commonwealth, as follows:

- The SA Rail Sale Agreement stated that no proceedings under or in connection with the Agreement for any loss or claim may be commenced or maintained by the purchaser unless the purchaser gave the Commonwealth written notice of intention on or before 31 December 1998.
- The Tasrail Sale Agreement required that, subject to Clause 11,⁶ no proceedings under or in connection with the Agreement for any loss or claim may be commenced or maintained unless the purchaser gave the Commonwealth written notice of the general nature of the claim in question on or before one year after the date of completion.
- The Pax Rail Sale Agreement provided that no proceedings arising out of a breach of warranty, or any fact or matter which would cause any warranty to be untrue or misleading, for any loss or claim may be commenced or maintained by the purchaser unless the purchaser gave the Commonwealth written notice of intention on or before the first anniversary of the completion date.

2.7 In this context, DoTARS advised ANAO in November 2004 that:

The timeframes allowable under the share Sale Agreement for any potential claims by the purchasers have expired without any such claims being made.

2.8 However, on 30 June 2005, ARG, the current owner of the former SA Rail, advised ANAO as follows:

The reference to the expiry of timeframes under the share sale agreement for any potential claims to be made having expired is correct to the extent that claims fall within clause 15 of the sale agreement, but not to the extent that the Commonwealth is required to indemnify the purchaser pursuant to clause 12.7 of the share sale agreement. In this respect, DoTARS has been notified of

⁶ Clause 11 relates to environmental matters.

potential claims by Australia Southern Railroad Pty Limited (ASR) and ARG in relation to asbestos contamination at Islington, relevantly by letter dated 18 August 2003. The Commonwealth responded on 3 November 2003 that the remediation responsibility now remains with the State of South Australia. All parties remain in dispute in relation to this issue and the position of ASR and ARG is that the Commonwealth's arrangements with the State of South Australia do not abrogate the Commonwealth's responsibilities to ASR and ARG. ASR and ARG also reserve their rights in relation to the failure by the Commonwealth to remediate groundwater contamination at Islington (and related leaching of heavy metal contamination). The State of South Australia has recently removed a purification and monitoring system from the site and is yet to advise either ASR or ARG as to what it or the Commonwealth intends to do.

2.9 This is an issue that DoTARS will need to address.

Warranties

2.10 A warranty is a promise whereby a party provides certain assurances, for example, that an item sold is the vendor's to sell, is fit for use, and that for a specified period defective parts will be replaced or otherwise rectified.

2.11 The Commonwealth warrants, in each of the Sale Agreements, that all of the statements set out in a schedule to each Agreement are true, complete and accurate at the date of the Agreement and at sale completion. There is no record of any claims being made against the Commonwealth in respect of each Agreement.

2.12 The purchasers also made certain warranties within the Agreements. These relate to issues including the purchaser's minimum level of assets, and the mechanics of the actual sale transaction. There are no purchaser warranties outstanding.

Environmental remediation

2.13 The Commonwealth signed Agreements with the South Australian and Tasmanian Governments in 1997 that provided for the environmental remediation of land transferred from AN to those States as part of the AN sales

process. Some of this land was subsequently leased by the States to the purchasers of AN.⁷

2.14 Under each of the Sale Agreements providing for the sale of the AN rail businesses, the Commonwealth was required to notify the purchasers when each of the Remediation Programmes was complete, and provide the purchasers with documentation from independent experts certifying the standard and/or conduct of the Remediation Programme.

2.15 In August 2002, and again in December 2002, DoTARS wrote to the consultants managing the Remediation Programmes requesting advice on what progress had been made in notifying the purchasers that the Remediation Programmes had been completed. In this context, DoTARS advised ANAO in May 2005 that the Department's files indicate that no response had been received.

2.16 DoTARS subsequently advised the purchaser of SA Rail on 3 November 2003, in connection with another matter, that the Remediation Programme in South Australia was complete.⁸ However, DoTARS did not provide the purchaser with documentation from independent experts certifying the standard and/or conduct of the Remediation Programme. In respect to DoTARS' obligations to notify the other purchasers when each of the Remediation Programmes had been completed, DoTARS informed ANAO in May 2005 as follows:

While DoTARS did not directly notify all purchasers of the businesses of the completion of the Remediation Programme, DoTARS wrote to the South Australian and Tasmanian Governments, as the owners of the land involved, notifying them of the completion of the Programme.

⁷ In relation to indemnities arising from environmental contamination, the purchaser of SA Rail advised DoTARS in August 2003 that 'widespread dilapidation of the asbestos containing materials' had been identified on land previously owned by the Commonwealth, and now leased by the purchaser from South Australia. DoTARS advised ANAO in May 2005 that: 'The advice provided to DoTARS by Australia Southern Railroad Pty Ltd (ASR) in August 2003 was provided pursuant to the Commonwealth's agreement with the State of South Australia for the provision of a Remediation Programme to conduct agreed remediation of contaminated railway land. The Programme was capped to a funding limit of \$50 million. Significantly, ASR did not seek, nor would they necessarily have been entitled to seek, to be indemnified for any loss suffered under the terms of the Sale Agreement. DoTARS would also like to advise ANAO that this matter was considered to be closed by DoTARS as evidenced by its letter to ASR of 3 November 2003. In that letter DoTARS advised ASR that the Remediation Programme had been completed, with all funds expended by the end of 2002, and consequently the Commonwealth's liability for that programme of work had ceased as of 13 December 2002. DoTARS files do not indicate any further correspondence from ASR on this issue.'

⁸ In July 2005, ARG advised ANAO as follows: 'As articulated in the letter from ASR to DoTARS dated 18 August 2003, the Commonwealth has failed to notify either ASR or ARG of the completion of the Remediation Programmes in the time, form and manner required by clause 12.5 of the share sale agreement. ASR and ARG consider that the Commonwealth is in breach of its obligations and fully reserves their rights, including but not limited to, the contamination issue referred to above.' (See paragraph 2.8).

2.17 Under the Pax Rail and SA Rail Sale Agreements, the Commonwealth was also required to provide the purchasers with the relevant Environmental Protection Authority's Agreement, that the methodologies applied in carrying out and completing the Remediation Programmes were reasonable to achieve the purposes of the Remediation Programmes. However, DoTARS advised the Pax Rail and SA Rail purchasers, in January 1999, that the required documentation from the South Australian and Northern Territory Environmental Protection Authorities could not be provided, as the Authorities had advised that the provision of the Agreement fell beyond what they considered to be their role and beyond their resource capability. It is in the Commonwealth's interests to resolve such issues.

Capital expenditure

2.18 One of the government's objectives in the sale of AN was to contribute to regional development.⁹ This was reflected in the tender evaluation process, with each bidder addressing regional development issues in its tender including minimum service levels, capital expenditure and employment.¹⁰ In this context, when announcing the sale, the then Ministers for Finance, and Transport and Regional Development stated:

The three Agreements result in combined payments to the Commonwealth of \$95.4 million with the consortia contracted to spend a further \$97 million (sic) on capital expenditure programmes for the businesses over the next four to six years.¹¹

2.19 As part of the Sale Agreements, each of the purchasers was required to undertake a specified level of capital expenditure. Capital expenditure was to be made in accordance with definitions specified in each Sale Agreement, and verified through periodic audits performed by the purchasing company's auditors. The precise obligations were as follows:

- The SA Rail purchaser was obliged to undertake, or cause to be undertaken, capital expenditure totalling not less than \$52.3 million between sale completion and 31 December 2002. The purchaser further undertook to ensure that any maintenance or refurbishment of locomotives and wagons was carried out in South Australia.
- The Pax Rail purchaser was required to undertake, or cause to be undertaken, capital expenditure of \$14.3 million between sale

⁹ ANAO Audit Report No.28 1998–99, op. cit., pp. 15–16.

¹⁰ *ibid.*, p. 57.

¹¹ Press Release by Minister for Finance (The Hon John Fahey, MP) and Minister for Transport and Regional Development (The Hon John Sharp, MP), *Australian National Sale Success*, 28 August 1997.

completion and 31 October 2003. The capital expenditure was required to be undertaken within South Australia unless the purchaser could show, to the reasonable satisfaction of the Commonwealth, that the commercial benefits from the expenditure would be higher if that expenditure was undertaken elsewhere.

- The Tasrail purchaser was required to undertake capital expenditure of \$20 million between sale completion and 14 November 2001. The commitment was to be undertaken in accordance with the following schedule:
 - locomotives and rolling stock: \$10 964 000;
 - track infrastructure: \$4 719 000;
 - buildings and workshop plant and equipment: \$247 000; and
 - unallocated/other: \$4 070 000.

2.20 The importance of the capital expenditure commitments was evident from the conduct of the 1997 sales process. In particular, one of the main reasons the Commonwealth did not accept the highest bid for SA Rail was the commitment made by the successful bidder to undertake \$52.3 million of capital expenditure by 31 December 2002.

Administrative procedures

2.21 DoTARS also administers capital expenditure commitments relating to the leasehold sale of 10 Federal Airports.¹² Similar to the rail sales, the airport sale documentation did not specify a standard reporting format or identify content requirements for purchasers' reporting against the commitment obligations. For the Federal Airport commitments, DoTARS considered it important that assessment of purchaser performance in meeting capital expenditure commitments be carried out in a consistent and fair manner. For this reason, it developed and documented a staged approach to assist departmental officers undertake their assessments.¹³

2.22 In comparison, DoTARS did not develop and document any procedures for assessing the rail capital expenditure commitments. ANAO considers that DoTARS would have benefited from developing, documenting and implementing procedures to administer the capital expenditure commitments.

¹² ANAO Audit Report No.50 2003–04, *Management of Federal Airport Leases*, Canberra, 4 June 2004, pp. 56–79.

¹³ *Development Obligations for Leased Federal Airports—Procedures & Guidelines*, 24 December 2003, p. 9.

2.23 Under the Sale Agreements, each purchaser was required to provide the Commonwealth with annual statements from its auditor certifying capital expenditure during the relevant year. However, the Agreements did not prescribe the nature of the assurance the audit certificates were to provide.

2.24 According to the Australian Auditing Standards, there are three forms of audit and audit related services, each of which provides a different level of assurance, as follows:

- Audits provide the highest level of assurance as they involve the positive expression of an opinion. An audit requires the accumulation of audit evidence necessary for the auditor to conclude whether there are any material misstatements in the subject matter taken as a whole.
- Reviews involve the auditor providing a moderate level of assurance, being a lower level of assurance than that provided by an audit. The auditor states whether anything has come to the auditor's attention that the information is not presented fairly in accordance with identified criteria.
- Agreed upon procedures involves the auditor providing a report of the factual findings of procedures agreed with management with no assurance provided. Instead, users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions from the auditor's work. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.

2.25 In this context, audit reports were provided to DoTARS in respect of Tasrail and Pax Rail's capital expenditure commitments. However, the reports relating to SA Rail's capital expenditure were stated to be the result of 'agreed upon procedures' rather than audits. As a result, these reports are, by definition, unable to provide DoTARS with assurance that the capital expenditure commitment has been met. However, DoTARS has advised the SA Rail purchaser that the approach taken was satisfactory to the Department. The basis for that assessment was not documented. In this respect, DoTARS advised ANAO in May 2005 as follows:

In regards to the format that the capital expenditure reports were required to be provided in, the SA Rail Sale Agreement at Clause 19.3 was not clear. The clause simply requested a statement certified by the Company's auditors. Consequently, ASR submitted a statement based on an audit prepared by the Company's auditors. Since the capital expenditure reports were prepared on the basis of "agreed upon procedures" in accordance with the Australian Auditing Standards, DoTARS' files suggest that DoTARS considered that they complied with the requirement as expressed by the Sale Agreement.

2.26 ANAO considers that it would have been preferable for DoTARS to have discussed with the purchasers the level of assurance the Department desired, with the level of assurance being commensurate with the importance of the contractual undertaking.

Timeliness

2.27 For the purchaser of SA Rail, statements were to be lodged within three months of the end of each financial year. For the purchasers of Tasrail and Pax Rail, these statements were to be provided at the same time as the company's accounts were lodged with the Australian Securities Commission.¹⁴ However, as illustrated in Table 2.1, ANAO found that many of the auditors' statements were not obtained by DoTARS in a timely manner.

Table 2.1

Timeliness of lodgement of auditors' statements

	Lodgement period after end of relevant year		
	Purchaser of Tasrail	Purchaser of Pax Rail	Purchaser of SA Rail
Year One	8 months	4 months	On time
Year Two	6 months	On time	On time
Year Three	13 months	5 months	On time
Year Four	On time	5 months	On time
Year Five	N/A	13 months	N/A

Source: ANAO analysis of DoTARS data.

2.28 In November and December 1997, DoTARS wrote to the three purchasers drawing their attention to various clauses in the respective Sale Agreements relating to the capital expenditure commitments. This approach, adopted shortly after the completion of the sales, was a useful reminder to the purchasers about the importance of the capital expenditure commitments to the Commonwealth.

2.29 Subsequently, however, DoTARS' monitoring was not sufficiently timely. In particular, reflecting the absence of documented administrative procedures, DoTARS did not adopt a consistent or timely approach to pursuing the receipt of auditor statements.¹⁵ For example:

¹⁴ Under Section 319 of the *Corporations Act 2001*, disclosing entities and registered schemes must lodge annual reports with the Australian Securities and Investment Commission within 3 months after the end of the financial year. For anyone else, annual reports must be lodged within 4 months after the end of the financial year.

¹⁵ In comparison, for the Federal Airport lease expenditure commitments, DoTARS' procedures require that the Department write to the purchaser within twenty business days of a report not being received.

- In October 2003, DoTARS recognised that it had not received a capital expenditure statement from the purchaser of Pax Rail for the 12 months ended 31 December 2002. Prior to October 2003, DoTARS had not pursued the receipt of this statement.
- Until the final year of its commitment period, the purchaser of Tasrail was consistently late in providing its capital expenditure statements. For the first statement (relating to 1997–98), DoTARS wrote to the purchaser seeking the statement in March 1999. DoTARS' follow-up action was more timely the following year, when it wrote in December 1999 seeking the statement for 1998–99. The 1999–2000 report was also late, with DoTARS writing to the purchaser and the purchaser responding in November 2000 advising that the report would be provided when it was finalised. DoTARS did not follow this matter up again until May and June 2001. The report for 1999–2000 was eventually provided in August 2001, together with the report for 2000–01.

Expenditure within South Australia

2.30 As mentioned, the Sale Agreements for SA Rail and Pax Rail required capital expenditure to be undertaken within South Australia.¹⁶ However, there were two key differences in the clauses, as follows:

- The obligation on the SA Rail purchaser was limited to expenditure on maintenance or refurbishment of locomotives and wagons. For Pax Rail, the obligation related to the entire capital expenditure commitment.
- For Pax Rail (but not SA Rail), the Sale Agreement provided DoTARS with the discretion to agree to some or all of the capital expenditure being undertaken outside South Australia, where the commercial benefits would be greater than undertaking the expenditure within South Australia.

2.31 ANAO found no evidence of DoTARS actively monitoring this aspect of the capital expenditure commitments for SA Rail and Pax Rail. In particular, DoTARS did not require the auditor statements to clearly state that expenditure had been made within South Australia or, alternatively, identify expenditure made outside South Australia. DoTARS also did not itself seek to assess compliance with this requirement.

¹⁶ There was no equivalent clause in the Tasrail Sale Agreement requiring capital expenditure to be undertaken within Tasmania.

Capital expenditure definitions

2.32 Each of the Sale Agreements took a different approach to defining the capital expenditure commitment, as follows:

- The SA Rail Agreement defined capital expenditure as expenditure incurred in connection with the operation of the business in respect of:
 - the acquisition of locomotives and wagons;
 - the major overhaul including regearing of locomotives and wagons;
 - the upgrading including resleeping of track infrastructure; and
 - any other item of a capital nature as determined in accordance with generally accepted accounting principles.
- The Tasrail Agreement defined capital expenditure as including:
 - expenditure on the refurbishment of old locomotives and wagons;
 - the refurbishment or replacement of track infrastructure;
 - the purchase of new locomotives, rolling stock, buildings, terminals, workshop plant and equipment and information technology; and
 - other items of a capital nature in accordance with Australian generally accepted accounting principles.
- The Pax Rail Agreement defined capital expenditure as expenditure (including by way of purchase or lease) on any premises, plant, IT systems, machinery, implements, rolling stock or like assets of a capital nature in accordance with the generally accepted principles of the *Income Tax Assessment Act 1936*.

2.33 There was limited evidence of the extent to which DoTARS satisfied itself that claimed expenditure met the relevant definition. In the first instance, DoTARS placed reliance on the statements provided by the auditors. However, ANAO considers that in a number of instances it was not possible for DoTARS to obtain the necessary assurance from the auditors' certificates. For example:

- Three audit certificates provided by the purchaser of SA Rail, relating to the period from 7 November 1997 until 31 December 2000, stated:

We have not assessed whether capital works undertaken by [*a consortium partner*] fall within the definition of ‘capital expenditure’ under the terms of the Agreement.¹⁷

- The SA Rail audit certificate for the period ending 31 December 1999 included items titled ‘in-house materials used in the Bowman’s Project’. There was no evidence of DoTARS explicitly considering whether the supply of ‘in-house materials’ constituted capital expenditure within the relevant definition.
- The purchaser of Pax Rail classified expenditure totalling \$329 435 for ‘furniture and fittings’ as capital expenditure. DoTARS documentation indicates that the Department internally questioned the validity of including expenditure of this nature in July 2002, over three and a half years after the submission of the first capital expenditure certificate including such items. However, this issue was not raised with the purchaser.
- Tasrail’s auditor included \$4 131 000 in Commonwealth funding for track infrastructure within its calculations on capital expenditure. DoTARS did not include this component when calculating the purchaser’s achievement against its capital expenditure commitments. However, DoTARS did not advise the purchaser that these amounts were not valid claims and had been excluded.¹⁸ Although, as it eventuated, this amount did not affect the purchaser’s achievement of its commitment, ANAO considers that the risk of an adverse impact warranted DoTARS raising the issue with the purchaser when it first arose in March 1999.

2.34 In addition, DoTARS did not appear to identify, or resolve, anomalies in capital expenditure reported by the Pax Rail purchaser, GSR. In particular, ANAO analysis revealed that total capital expenditure reported in the purchaser’s Special Purpose Financial Reports over the relevant five year period was less than that reported to DoTARS in relation to the capital expenditure requirements contained in the Sale Agreement. These differences are illustrated in Table 2.2.

¹⁷ In comparison, for the Federal Airport lease expenditure commitments, DoTARS’ procedures require that the audit opinion include a statement that the auditor is satisfied that the expenditure identified has been spent in accordance with the capital expenditure definition.

¹⁸ In comparison, for the Federal Airport lease expenditure commitments, DoTARS’ procedures require that the Department write to the purchaser within twenty business days of receiving a report acknowledging receipt of the report, identifying deficiencies and seeking a response within twenty business days. These procedures state that, even where the discount of non-acceptable expenditure does not reduce expenditure below the relevant commitment, the purchaser should be advised of the Department’s concerns in writing to ensure future reports comply with the requirements.

Table 2.2**GSR Reported Capital Expenditure**

Year	Capital expenditure reported in Special Purpose Financial Report \$	Capital Expenditure reported in Auditor's Certificate provided to DoTARS \$	Difference \$
31 October 1997 to 30 June 1998	1 300 000	1 853 389	553 389
1 July 1998 to 30 June 1999	5 000 000	4 478 795	(521 205)
1 July 1999 to 31 December 2000	2 600 000	2 987 962	387 962
1 January 2001 to 31 December 2001	2 400 000	1 953 821	(446 179)
1 January 2002 to 31 December 2002	3 600 000	3 778 411	178 411
Total	14 900 000	15 052 378	152 378

Source: Great Southern Railway Limited and Controlled Entity Special Purpose Financial Reports and Audit Certificates provided to DoTARS.

Achievement of capital expenditure

2.35 DoTARS did not document its analysis of expenditure by each purchaser against the capital expenditure commitments.¹⁹ DoTARS has also not provided written confirmation to the purchasers of Tasrail and Pax Rail that their commitments had been met.²⁰ Confirmation was provided to the SA Rail purchaser in April 2002, in response to a request from the purchaser.²¹

2.36 Nevertheless, DoTARS was satisfied that each purchaser met its capital expenditure commitment in accordance with the date specified in the respective Sale Agreement (see Table 2.3).²² In one instance (SA Rail), the

¹⁹ In comparison, documented analyses of expenditure against commitments are required, in a prescribed format, for expenditure commitments relating to the leased Federal Airports. This includes assessing whether claimed expenditure meets the definition specified in the respective Sale Agreements.

²⁰ In comparison, for the Federal Airport lease expenditure commitments, DoTARS' procedures recognise the value of providing such confirmation to the purchaser.

²¹ In March 2002, when providing its final capital expenditure statement (for the year ended 31 December 2001), the purchaser of SA Rail requested confirmation that its commitment had been met.

²² The Tasrail Sale Agreement further specified the amounts that were to be spent by the purchaser on different types of capital. Based on an analysis of capital expenditure certificates provided by the purchaser to DoTARS, DoTARS appears to be satisfied that each of these cost allocations were also met.

purchaser had sought, in 1999, a three-year extension of time to meet its commitment.²³ DoTARS did not agree to this request and the purchaser ultimately reported that it more than met its commitment by the due date.

Table 2.3

Actual Capital Expenditure Commitments

	Capital Expenditure required under Sale Agreement \$	Actual Capital Expenditure Reported by Purchaser \$	Excess/(Shortfall) \$
SA Rail	52 300 000	63 169 612	10 869 612
Tasrail	20 000 000	34 695 000	14 695 000
Pax Rail	14 300 000	15 052 378	752 378
Totals	86 600 000	112 916 990	26 316 990

Source: Sale Agreements and capital expenditure certificates provided by purchasers to DoTARS.

²³ The February 1999 extension request was based on the fact that SA Rail had been unsuccessful in retaining two significant contracts that provided significant revenue at the time of its sale bid. In May 1999, DoTARS advised the purchaser that it was reluctant to agree to an extension for two reasons: only the first year of the five year period had been completed; and the rail industry was going through rapid changes and this may result in the purchaser securing new contracts and thus increase the potential for additional capital investment in the future.

3. Concessional Travel

This chapter discusses the management of the provision by GSR of concessional rail travel to various Commonwealth income support recipients and veterans, and the payment to GSR of Commonwealth contributions to the cost of the fare discounts provided.

Background

3.1 Passenger concessions are a recognised adjunct to income support arrangements.²⁴ A 1993 Premiers' Conference Agreement confirmed that both Commonwealth and State governments jointly recognised transport as one of four major core concessions to be funded.²⁵

3.2 Prior to the 1997 sale of AN's rail businesses, the Commonwealth, New South Wales, Western Australian and South Australian governments funded the provision of concessional fares to a number of different groups for travel on the passenger rail services run by Pax Rail. A substantial proportion of Pax Rail passengers travelled on concession tickets, with the funding received from governments historically providing an important source of revenue for that business.²⁶

3.3 The funding provided by the Commonwealth related to the provision of concessional travel for a range of Commonwealth income support recipients and veterans. At the time of the sale of Pax Rail, the then DSS and the Department of Veterans' Affairs (DVA) were of the view that, because the Commonwealth Government had not decided to alter concession entitlements, any new arrangement for concessional travel post-sale should ensure the maintenance of existing arrangements. In that context, DSS advised DoTARS in June 1997 that concessions were a part of the Government's 'core promise' to maintain the income safety net at existing levels.²⁷

3.4 However, the 1998 performance audit of the sale of Pax Rail found that the sale tender process did not fully address the issue of passenger concessions. In particular, the Tender Panel's evaluation report did not quantify bidders' concession proposals in the event the Commonwealth

²⁴ ANAO Audit Report No.28 1998–99, op. cit., p. 74.

²⁵ The other core concessions the Commonwealth and States agreed to fund were motor vehicle registration, rates and energy.

²⁶ ANAO Audit Report No.28 1998–99, op. cit., p. 71.

²⁷ *ibid.*, p. 73.

required concessional travel to continue to be provided at existing levels to existing categories of recipients.²⁸

3.5 On 28 August 1997, the then Ministers for Finance, and Transport and Regional Development issued a joint press release announcing the three successful purchasers of the AN intrastate freight and interstate passenger businesses. As part of this announcement, the Ministers stated as follows:

... travel concessions will continue for those who currently receive them.

3.6 To that end, the Sale Agreement for Pax Rail signed the same day included provisions requiring the purchaser, GSR, to provide passenger fare concessions to certain persons, with the Commonwealth agreeing to pay GSR a supplement in respect of each concession provided. However, the terms under which Commonwealth funding for those concessions would operate were not finalised at that time. The Sale Agreement provided that, prior to completion of the sale, the Commonwealth and the purchaser must negotiate in good faith to agree the specific basis and mechanism by which the Commonwealth supplement was to be payable to the purchaser.

3.7 Over the subsequent period to 2005, a series of contractual arrangements have operated in relation to the provision of concessional rail travel by GSR. Following the execution of the original Sale Agreement, the provision of concessional travel has been managed through:

- an Amended Sale Agreement made on 31 October 1997 that operated until 29 June 1999;
- a three year Agreement that operated between 30 June 1999 and 30 June 2002;
- an extension to the 1999 Agreement made on 3 October 2001 to provide concessional travel to Commonwealth Seniors Health Card (CSHC) holders, operating from 1 November 2001 until 30 June 2002; and

²⁸ *ibid.*, p. 14.

- a second three year Agreement (and associated Deeds of Variation), incorporating travel by CSHC holders, that operated from 1 July 2002 and expired on 30 June 2005.²⁹

3.8 Table 3.1 outlines the total number of concessional clients and client journeys reported by FaCS since 1998–99.

Table 3.1

Clients using concessional travel on GSR services

Year	Number of Clients using Concessional Travel on GSR services	Number of Trips Taken By Eligible Clients ^B
1998–99	>140 000	No figure available
1999–00	No figure available ^A	90 683
2000–01	102 751	No figure available
2001–02	80 000	No figure available
2002–03	45 000	73 000
2003–04	47 451	71 669
Notes: A The 1999–00 figure was not reported in the FaCS Annual Report. For the other years, the number was obtained from the relevant Annual Report. B Figures obtained from the relevant Annual Report. For 1998–99, 2000–01 and 2001–02, no figure was reported and data on the number of trips was also not held in records examined as part of this audit.		

Source: ANAO analysis of FaCS Annual Reports.

Administrative responsibility

3.9 Prior to the sale of AN's rail businesses, DoTARS was responsible for administering the delivery of Commonwealth rail concessions. DoTARS continued to administer this function until 30 June 1998, when a change in administrative arrangements resulted in the then DSS, now FaCS, taking

²⁹ The following groups receive concessions under the current Agreement: Victoria Cross and George Cross Holders and their wives or widows in possession of an Australian Standard Book Pass issued by the Australian Railways Association; 40 Totally and Permanently Incapacitated (TPI) veterans per annum and their partners or Carers as selected by ballot conducted by the TPI Federation; Blinded Disability Veterans and their Carers; Totally and Permanently Incapacitated Veterans and their Carers; Veterans entitled to the extreme disablement adjustment and their Carers; Intermediate Rate Disability Pensioners and their Carers; 100 per cent General Rate Pensioners in South Australia and their Carers; World War 1 Veterans, their spouses or widows and their Carers; Blinded Disability Pensioners and their Carers; Veterans Receiving the Disability Pension for Pulmonary Tuberculosis Class B and Class C and their Carers; Veterans receiving the special disability amount Items 1-14 (listed under section 27 of the *Veterans Entitlements Act 1986*) and their Carers; Blind Pensioners; Blinded Service Pensioners; Accompanying Carers for Blind Pensioners and Blinded Service Pensioners; Pensioners; South Australian Pensioners surrendering SA pensioner travel vouchers issued by Centrelink or DVA; and CSHC holders.

responsibility for delivery and administration of the rail concession process for Commonwealth social welfare recipients. FaCS also administers GSR concessions for veterans on behalf of DVA, whilst consulting DVA on policy issues.

Cost of concessional travel arrangements

3.10 Prior to the sale of Pax Rail, the Commonwealth reimbursed AN the full cost of fare concessions provided to Commonwealth pension recipients (50 per cent of the rail component for the applicable fare) and Totally and Permanently Incapacitated (TPI) veterans (100 per cent of the rail component). In 1996–97, the last full year prior to sale, the Commonwealth paid AN \$5.4 million for its provision of concessional rail travel.

3.11 As a consequence of the sale process, GSR was required to contribute to the cost of fare concessions. In relation to the sale outcome, DoTARS commented as follows to ANAO at the time of the 1998 audit of the sale process:

The Australian National passenger sale resulted in the complete cessation of Commonwealth responsibility for this business and the associated significant operating subsidies. There was also a substantial decline in the Commonwealth's concession expenditures which now properly fall within the responsibility of a social welfare portfolio.³⁰

3.12 The original Sale Agreement provided that the amount paid by the Commonwealth was not to exceed \$2.5 million per annum, adjusted for movements in the Consumer Price Index. However, the amount payable by the Commonwealth has changed under subsequent Agreements. Consequently, although Commonwealth expenditure on passenger concessions initially fell following the sale, it has subsequently risen (see Table 3.2).

³⁰ ANAO Audit Report No.28 1998-99, op. cit., p. 73.

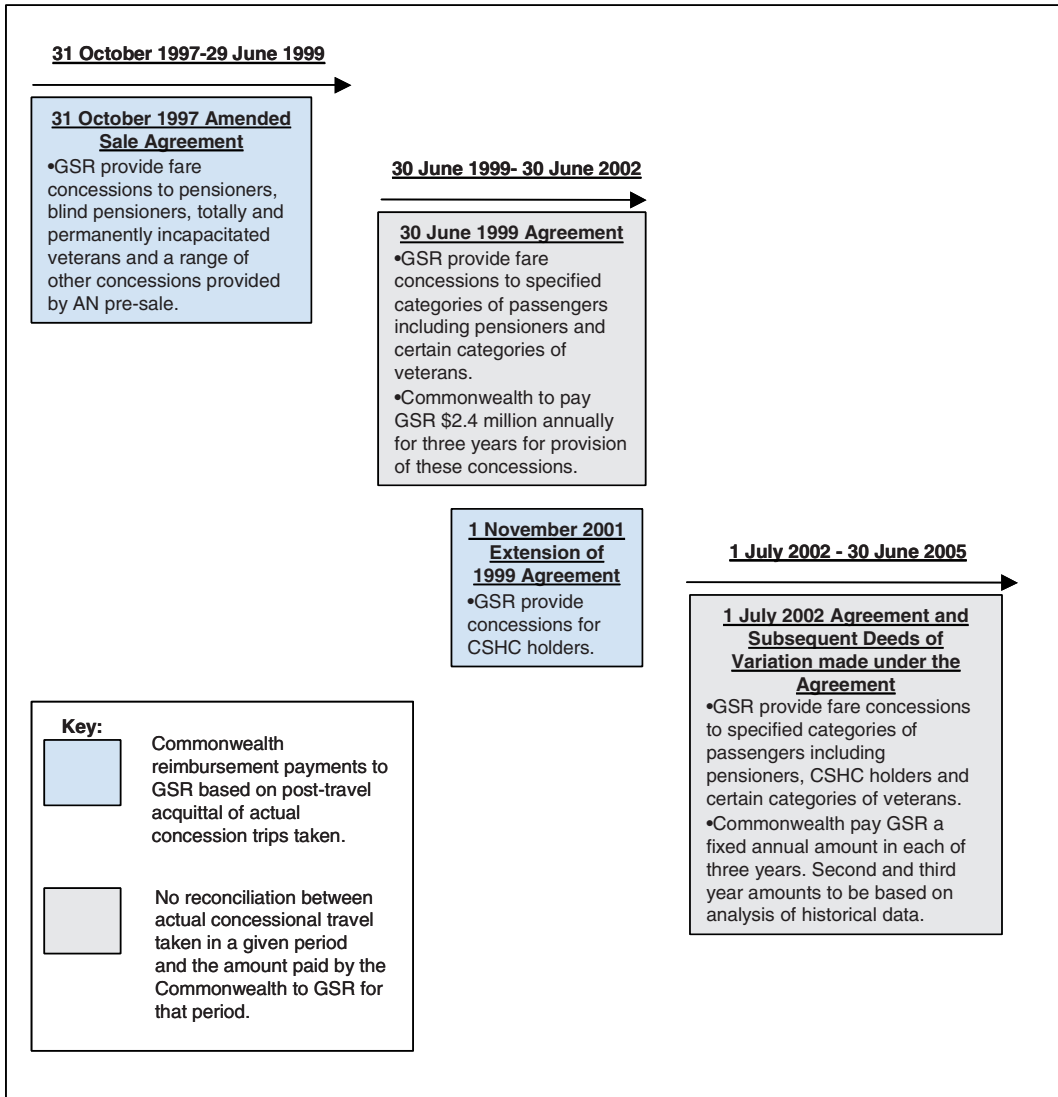
Table 3.2**Total fare concession contribution payments made to GSR**

Financial Year	Total Payments made to GSR^A \$
1997–98	1 937 000 ^B
1998–99	2 664 000
1999–00	2 508 678
2000–01	2 800 000
2001–02	2 482 644
2002–03	4 060 177
2003–04	4 181 818
Total Payments Made	20 634 317
<p>Notes:</p> <p>A The figures in this table for the financial years 1999–00 to 2003–04 are taken from FaCS' Financial Management Information System (FMIS). Payments to GSR as reported in the FMIS exceed the payments reported in FaCS' Annual Reports for the relevant years. In total, FaCS under-reported expenditure by some \$320 000. As FMIS data was not available for 1998–99, the amount reported in the FaCS' Annual Report is used for that financial year. On 6 July 2005, FaCS advised ANAO that: 'FaCS believes that it has reported correct expenditure figures in Annual Reports. Differences between expenditure figures examined by ANAO and Annual Report figures relate to accrual reversals, payments to other vendors, and expenses apportioned to other cost centres.'</p> <p>B This figure, obtained from the DoTARS 1997–98 Annual Report, relates to 'reimbursement to the Australian National Railways Commission for free or concessional fares.'</p>	

Source: ANAO analysis of FaCS payment data, FaCS 1998–99 Annual Report and DoTARS 1997–98 Annual Report.

Methods of reimbursement

3.13 The method by which GSR has been reimbursed for the Commonwealth's contribution to concessional travel has varied significantly across each of the contractual arrangements used for the management of passenger concessions. Under the 1997 Amended Sale Agreement, and the CSHC Extension to the second Agreement, payments to GSR were to be based on post-travel reconciliation of actual concession trips taken. However, under the 1999 and 2002 Agreements, GSR was paid a fixed amount for a given year, in equal monthly instalments, which was based on an estimate of the cost of future travel by eligible passengers. There was no provision for post-payment acquittal against actual travel undertaken. The various methods of reimbursement are set out in Figure 3.1.

Figure 3.1**Post-sale concessional travel reimbursement arrangements**

Source: ANAO analysis of relevant Agreements.

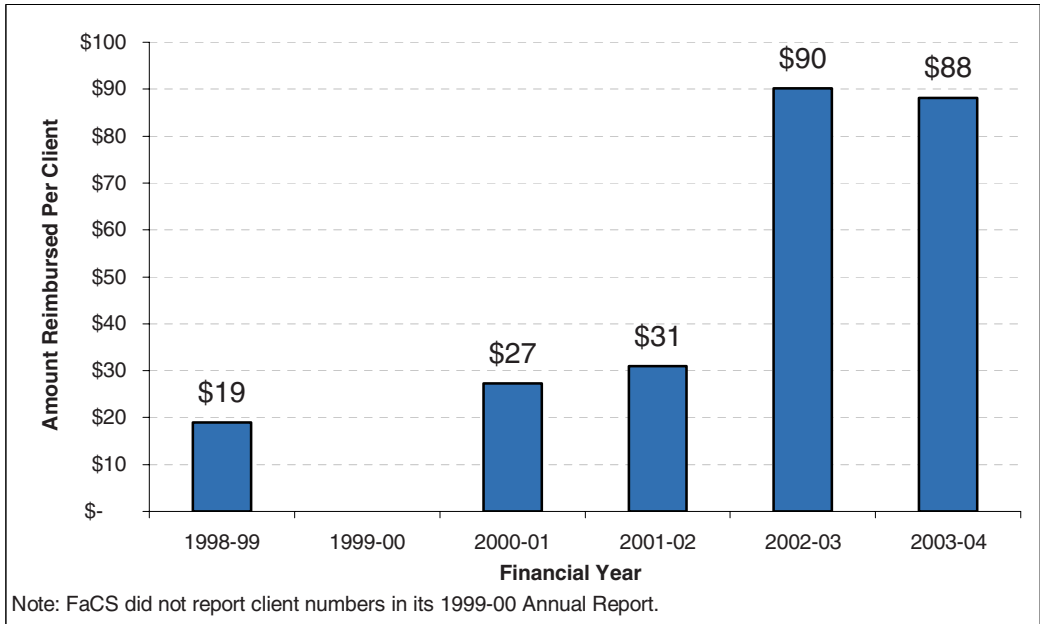
Cost per client

3.14 Overall, since privatisation, the number of clients reported as using concessional rail travel has fallen considerably. However, over that same period, the amounts paid to GSR for concessional travel rose substantially. Figure 3.2 shows the amount reimbursed to GSR by the Commonwealth per rail travel concession client between 1998–99 and 2003–04. This analysis

indicates that the current contract with GSR, which commenced on 1 July 2002, is by far the most expensive on a per client basis.³¹

Figure 3.2

Commonwealth reimbursement to GSR per client



Source: ANAO analysis of FaCS Annual Reports.

Commonwealth reimbursement to GSR per client

3.15 FaCS advised ANAO in May 2005 that reasons for this increase might include natural cost increases, and an increase in number of the concessional passengers travelling that are more expensive for the Commonwealth to purchase, such as Special Veterans and CSHC holders. In this respect, FaCS emphasised the 2001 Government decision to extend concessions to CSHC holders from November 2001. These concessions were made available over the whole of the GSR line, not just the formerly owned (SA) track, and the Government was liable to fully fund these concessions (as this was a new arrangement GSR were not required to contribute towards it).

³¹ The client numbers that underlie Figure 3.2 were taken directly from FaCS Annual Reports. However, in May 2005, FaCS advised ANAO that: 'There is some confusion over pre 2002-03 data as to whether it reports 'trips taken' or individual 'clients' serviced under the contract. Using 'trips' rather than clients as the basis for analysis of current cost per client would give an average cost per trip in 2003-04 of \$58 rather than \$88. Data post 2002 has been reported specifically in both terms to avoid this misunderstanding.'

3.16 However, FaCS did not explicitly analyse the above factors before signing the relevant contracts. ANAO considers it would have been sound administrative practice for issues such as the significant increase in the cost per client to have been addressed prior to the contracts being signed. In July 2005, FaCS advised ANAO as follows:

In relation to ANAO remarks about 'sound administrative practice' FaCS notes that analysis of changing 'cost per client' is not an overt consideration prior to entering into a contract of this nature. The Australian Government's commitment to recognising and rewarding the achievements of self funded retirees in providing for their retirement saw the introduction of concessional travel for Commonwealth Seniors Health Card (CSHC) holders in 2001, through the *Acknowledging Older Australians* initiative. This group was not previously included in any contract with GSR, so there was no obligation or requirement for GSR to jointly fund these concessions. The Australian Government bears all costs for the concessions for this group who have the time and resources to travel by train. ANAO has not provided an analysis of these factors as they impact on cost. Passenger data has been provided to ANAO that demonstrates the 'reasonableness' of the general level of reimbursements under the contract.

3.17 In that respect, ANAO notes that the increase in costs is only partly attributable to the introduction of Commonwealth funded concessional travel for CSHC holders. For example, FaCS has advised ANAO that \$1.4 million was paid in respect of CSHC concessions between March 2004 and February 2005. The total cost of concessions in 2004–05 was \$4.9 million.

3.18 FaCS did not undertake value for money assessments at the time of entering into each contract. Nor did it document analysis of the reasonableness of the cost per client over time. Accordingly, FaCS has been unable to provide the information required in order for ANAO to analyse the reasonableness of the substantial increase in costs that have occurred at the same time as concession clients and journeys have fallen.

Financial management and accountability

3.19 For entities governed by the *Financial Management and Accountability Act 1997* (FMA Act), a proposal to spend public money must be approved prior to officials entering into a contract. In this respect, FMA Regulations 9 to 13 set out the requirements that must be satisfied before a person can enter into commitments to spend public money by executing a contract, agreement or arrangement. Table 3.3 provides a summary of the power and constraints on those entering into contracts on behalf of the Commonwealth.

Table 3.3

Summary of power to enter into contracts

Exercise of executive power of the Commonwealth	Delegation or authorisation of executive power to officials	Legislative constraints on the exercise of executive power to enter arrangements to spend public money
<p>Constitution, Section 61 Executive power of the Commonwealth, exercisable by the Governor-General</p> <p>Constitution, Section 64 The Governor-General may appoint Ministers of State for the Commonwealth <i>Ministers may exercise executive power on behalf of the Commonwealth</i></p> <p>FMA Act, Section 44 Chief Executives are responsible for promoting the proper use of Commonwealth resources. <i>The power to enter into contracts is an inherent power of Chief Executives under section 44 of the FMA Act.</i></p>	<p>The Minister may authorise a person, under general legal principles, to act in his or her name for the purposes of exercising executive power under s.64 of the Constitution, including to enter into an agreement on behalf of the Commonwealth.</p> <p>Typically, the authorisation, and its specific scope, would be made in writing, although this is not mandatory.</p> <p>The power of the Chief Executive to enter an agreement on behalf of the Commonwealth can be delegated to officials under s.53 of the FMA Act.</p> <p>As with a Minister, Chief Executives can also authorise another person to act on behalf of the Chief Executive. This may also be done through an agency's Chief Executive's Instructions issued under s.52 of the FMA Act.</p>	<p>FMA Regulation 13 A person must not enter into an arrangement under which public money is or may become payable unless a proposal to spend public money has been approved (Reg 9) and, if necessary, authorised (Reg 10).</p> <p>FMA Regulation 9 An approver must not approve a spending proposal without being satisfied that the expenditure: (a) accords with Commonwealth policies; (b) is efficient and effective; and (c) if related to special public money, is consistent with any terms applying to that money.</p> <p>FMA Regulation 10 Approvers must not approve spending proposals that are not covered by sufficient appropriation unless authorised in writing by the Finance Minister.</p> <p>FMA Regulation 11 An official must not approve a proposal to spend public money unless authorised by a Minister, a Chief Executive, or by or under an Act to approve the proposal.</p> <p>FMA Regulation 12 Approval of spending proposals must be recorded in writing as soon as practicable.</p> <p>FMA Regulation 3 Approvers include a Minister, a Chief Executive, the Auditor-General and the Presiding Officer(s).</p>

Source: Department of Finance and Administration, Finance Circular 2004/05, *Regulation 12 of the Financial Management and Accountability Regulations 1997*, 10 June 2004, p. 5.

3.20 ANAO examined the various contracts that have been used in the management of concessional rail travel in the context of the framework provided by the FMA Act and associated Regulations.

Amended Sale Agreement: 31 October 1997 to 29 June 1999

3.21 The original Sale Agreement with GSR was amended on 31 October 1997 to take account of the Ministers' announcement that travel concessions would continue post sale for all those who had previously received them. Under the Amended Sale Agreement, GSR was required, subject to certain volume constraints, to offer the same concessions as those provided by AN at the time of sale completion, defined as 'Government Concessions'.

3.22 The Commonwealth and GSR were each required to contribute a proportion of the fare concessions offered. For pensioners, blind pensioners and TPI veterans, GSR was contractually required to offer, and fund, at least a 25 per cent discount off the full adult fare.³² The Commonwealth was required to reimburse GSR the difference between the value of the Government Concession, and that of the initial 25 per cent discount.³³ For other eligible travellers, the Commonwealth was to reimburse GSR for the full value of the concession offered. GSR was only obliged to offer concessions above their contracted contribution for as long as the Commonwealth continued to reimburse it for their cost. The Commonwealth's contributions were to be paid to GSR on the basis of periodic reconciliations of actual travel taken.

3.23 The 1998 performance audit of the sale of Pax Rail found that the successful bidder's proposed discount of 25 per cent on the total fare was viewed favourably in the context of the Pax Rail tender evaluation. DoTARS advised ANAO that:

It should be noted that the unsuccessful bidder's offer of a 30% discount for the subsequent 3 years was to be calculated on the sit up economy fare component only. In contrast, the successful bidder's offer of a 25% discount was to be calculated on the total fare and berth component, which in the majority of classes results in a superior result for the Commonwealth. Accordingly, as the ongoing Commonwealth subsidy payments would be less under the preferred bidder, the price differential between the two bids would be further reduced over time.³⁴

³² Subject to certain limitations set out in the Amended Sale Agreement on the percentage of total tickets on which GSR was required to offer discounts.

³³ Calculation of the value of the concession AN would have provided was to be based on an amount equal to the relevant fare used at completion of the sale, increased by a proportion equivalent to any increase after completion in the amount ordinarily payable.

³⁴ The purchase price offered by the successful bidder was \$16 million. The unsuccessful bidder's purchase price offer was \$25 million: ANAO Audit Report No.28 1998–99, op. cit., p. 77.

Calculation of reimbursement payments

3.24 To comply with the requirements of the Amended Sale Agreement, the amount of reimbursement payable to GSR should have been calculated by reference, in the first instance, to the full fare applicable to a given journey (less food and drink), from which the GSR 25 per cent discount could be calculated. The amount payable by the Commonwealth should then have been calculated as the difference between the value of the Government Concession AN would have provided, and the value of the 25 per cent discount provided by GSR.

3.25 However, ANAO found that at no stage over the term of the Amended Sale Agreement were reimbursement payments to GSR calculated as specified in the Agreement. This was due in large part to the inability of the existing AN computer system to support the necessary calculations. This risk had not been properly assessed in formulating the concessional travel clauses included in the Amended Sale Agreement.

3.26 There is no evidence of DoTARS or FaCS having obtained advice from GSR as to the value of the 25 per cent rail and berth discount provided to a given traveller. Instead, from November 1997 until June 1999, various proxy methods were used to estimate the reimbursement payments to be made by the Commonwealth.

3.27 The invoices provided to DoTARS for concessional travel taken by pensioners in November 1997, December 1997 and January 1998 calculated the amount payable by the Commonwealth by assigning half of the value of the Government Concession to GSR and half to the Commonwealth. This appears to have overstated the amount owing by the Commonwealth for travel that included sleeping berths.³⁵ In providing each of those invoices, GSR advised DoTARS as follows:

As you are aware this is not the correct methodology as defined in the Agreements between Great Southern Railway Limited and the Commonwealth. An adjustment will be made at a later date when the method for calculating and lodging concessional claims has been agreed by ourselves.³⁶

³⁵ The Government Concession previously provided to pensioners by AN was a 50 per cent discount on the rail component of a fare only, regardless of the class of travel. GSR was required to contribute a 25 per cent discount on both the rail and fare components. Therefore, the Commonwealth's top-up obligation could be expected to be less than half of the previous Government Concession for a given fare that involved a sleeping berth.

³⁶ In January 1998, GSR advised DoTARS that the interim accounts for the reimbursement of concessions were prepared following discussions with [DoTARS] as a reasonable attempt to calculate an approximate amount due to GSR. GSR further advised that: 'We were unwilling to submit a final claim, calculated in accordance with the contract, until we had agreed a format with yourselves. As you will know, the actual phraseology of the contract is somewhat convoluted and we want to ensure that both parties agree on the calculation methodology before the actual calculation is done. The actual calculations involve the MIDAS computerised revenue system [*the billing and invoicing system GSR inherited from AN*], and the programming of this system may need substantial updating to do a precise calculation. We obviously do not wish to embark on this until the requirements are agreed.'

3.28 DoTARS raised a number of concerns about the billing approach with GSR, but paid the invoiced amounts as an interim arrangement pending agreement on a final methodology. There is no evidence of those payments being reviewed or adjusted at any later date.

3.29 In April 1998, GSR advised DoTARS that the AN computer system taken over by it was incapable of calculating the concessions to be reimbursed by the Commonwealth under the terms of the Agreement, and requested that DoTARS agree to continuing to make payments calculated on the interim basis used to date. DoTARS agreed, but advised GSR that it would not continue paying half of the AN Government Concession amount for pensioners. In this context, DoTARS informed ANAO in April 2005 that:

With regard to the concern that the 50% payment based on assigning half of the value of the government concession to GSR and half to the Commonwealth, it appears that this was an overstatement of the amount owing by the Commonwealth for travel that included sleeping berths. Our file records demonstrate that DoTARS recognised this and on future invoices paid only 40% of the total value of the concessions in an attempt to rectify the potential overstated amount.

3.30 For the remainder of the term of the Amended Sale Agreement, the reimbursement payments made by the Commonwealth were either 40 or 43 per cent of the total value of concessions identified by GSR as having been provided. ANAO was unable to determine from the documentation available whether the percentage reimbursed represented an amount greater or less than the entitlement provided for in the Agreement.³⁷ DoTARS advised ANAO in April 2005 that it had assessed that the actual refund figure would be between 40 per cent and 50 per cent of the total value of these concessions.

Contractual ambiguity

3.31 The effective management of the concessional travel arrangements under the Amended Sale Agreement was significantly impeded by the ambiguity surrounding the terms of the relevant contractual clause. In particular, the Agreement required GSR to offer 'Government Concessions.' These were defined as those concessions provided by AN or reimbursed by the Commonwealth as at the date of sale completion, and which were recognised and administered by AN's billing and invoicing system (MIDAS). However, these concessionary fares were not explicitly identified within the contract, and there is evidence that DoTARS did not adequately investigate the concessions that were recognised by the MIDAS system until some months after the sale.

³⁷ In that respect, ANAO noted that a May 1998 review by DSS of some of the invoices paid by DoTARS during its period of administration identified a number of instances where the amount owing by the Commonwealth had been overstated. It is unclear from the documentation available whether these potential errors were corrected and amounts returned to the Commonwealth.

As a result, it was unclear which categories of traveller were covered by the Agreement.

3.32 FaCS (and formerly DSS), DVA and GSR each had concerns about the lack of clarity and clear definitions of concessional fares in the Amended Sale Agreement. For example, an internal DSS minute of 6 July 1998 commented that the relevant clause:

...has caused us many problems – i.e. the language is complex, it contains no definitions and fails to specify which groups of persons are included. As a consequence, considerable work has been required to establish a new concessions regime with GSR...

3.33 A new Agreement was developed in 1999.

1999 Agreement

3.34 The 1999 Agreement superseded the relevant concession provisions of the Amended Sale Agreement. Although offering similar types of concessionary fares, it provided greater specificity as to those groups who were to receive concessions, and the rate of concession they were to receive. The new Agreement was also intended to provide greater equity in the concession regime, by fixing the Commonwealth contribution for pensioners and certain other concession categories³⁸ as a proportion of the standard coach class fare.

3.35 GSR introduced a new booking system as from June 1999. Although this system was expected to significantly improve the parties' ability to account for concessional travel in the manner originally envisaged, the 1999 Agreement dispensed with payment based on post-travel reconciliation, and introduced a different concept for the payment of Commonwealth contributions to GSR.

3.36 As early as February 1998, GSR had suggested to DoTARS that, for the longer term, the parties move from the existing provision of reimbursement for actual travel. GSR suggested a system based on an upfront determination of likely GSR entitlements for the impending year, with a reconciliation of actual figures at the end of the year to allow shortfalls/overpayments to be factored into the next year's calculation. The 1999 Agreement took up the concept of annual funding being paid on estimates of future travel, with FaCS agreeing to pay GSR fixed monthly instalments totalling \$2.4 million per annum for each of the next three financial years. However, the Agreement included no

³⁸ Accompanying Carers for Blind Pensioners, Blinded Service Pensioners, and South Australian Pensioners surrendering SA pensioner travel voucher/s issued by Centrelink or DVA.

provision for reconciling actual travel taken or for subsequent adjustment to the payments made if this estimate proved to be incorrect.

3.37 This method of reimbursement exposed the Commonwealth to the financial risk of the cost of providing future concessional rail travel being overestimated and, consequently, the Commonwealth paying GSR more than it would have been obliged to pay if payment was based on actual travel taken. ANAO considers that FaCS should have assessed the likelihood and consequences of this risk. Other contractual arrangements with a potentially lower financial risk for the Commonwealth (such as reimbursing GSR based on actual concessional travel taken) also needed to be considered within this context. Analysis of this nature would have satisfied the requirement under Regulation 9 that approvers undertake reasonable inquiries in order to inform a view that the arrangement being contemplated will make efficient and effective use of the public money involved.

3.38 ANAO was unable to determine from the documentation available the basis on which FaCS decided on the particular reimbursement method chosen. FaCS developed an Issues and Options Paper, finalised in January 1999, which formed the basis of discussions with GSR about new policy and procedures for the delivery of rail concessions. This Paper compared four possible reimbursement options for the new Agreement. These were:

- GSR reimbursed in arrears on the basis of providing regular billing detailing concessional travel provided;
- GSR reimbursed an agreed monthly amount, with provision for adjustment, in return for providing concessional travel. GSR provides a list of customer data on a monthly basis;
- GSR reimbursed an agreed monthly amount in return for providing concessional travel, with provision for adjustment after review. GSR provide routinely, or on request, customer data.
- GSR reimbursed an agreed quarterly amount in return for providing concessional travel, with the potential to adjust for actual numbers carried.

3.39 The approach adopted whereby a fixed amount was paid without provision for adjustment either within or between years, was not considered within the context of the Paper. ANAO was unable to locate further documentation to support the decision to use the particular reimbursement method chosen.³⁹ FaCS was unable to provide ANAO with any contemporaneous documentation that examined and assessed the relative merits, including value for money, of the approach taken.

3.40 The basis of the annual funding figure contained in the 1999 Agreement is partially outlined in a letter from FaCS to GSR of 26 February 1999. In that letter, FaCS proposed a figure of \$2.32 million per annum. The total three year figure of \$6.96 million (\$2.32 million per annum) proposed by FaCS was composed of three amounts:

- a 'base amount' of \$5.31 million over three years, based on 1996–97 passenger data obtained from GSR, adjusted for passenger movements in 1997–98;
- \$0.45 million over three years to account for 'Special Veterans',⁴⁰ based on an estimate of 'approximately' \$150 000 per annum. It is unclear on what basis this estimation was made,⁴¹ and
- provision for increases in the cost of providing concessional travel over the term of the Agreement, valued at \$1.2 million.

3.41 FaCS did not perform any validation testing on the passenger data provided by GSR that was used as the basis for the costing. As a result, it is uncertain whether the passenger numbers used were an accurate and reasonable basis for deriving a funding figure for future years. In July 2005, FaCS commented to ANAO that extensive validation of data was not possible at the time the 1999 contract was developed.

3.42 As noted, the costing proposed by FaCS included \$1.2 million to account for increases in the cost of providing concessional travel over the term

³⁹ The simplification of administrative procedures does however appear to be a factor within the decision. FaCS' 1998–99 Annual Report states: 'FaCS has negotiated a new agreement with Great Southern Rail that simplifies administrative procedures and policy while providing an adequate audit trail.'

⁴⁰ These are defined in the 1999 Agreement as those persons issued with a travel warrant or a travel concession card by DVA and being: totally and permanently incapacitated veterans; veterans entitled to the extreme disablement adjustment; intermediate rate disability pensioners; 100 per cent general rate pensioners in South Australia; World War 1 veterans, their spouses or widows; blinded disability pensioners; veterans receiving the disability pension for pulmonary tuberculosis class B and class C; and veterans receiving the special disability amount Items 1-14 (listed under section 27 of the *Veterans' Entitlements Act 1986*).

⁴¹ Great Southern Rail provided an estimate of \$50 000 for providing concessional travel to the 40 balloted totally and permanently incapacitated veteran passengers per year. However, this did not include concessional travel taken by Special Veterans.

of the Agreement. FaCS advised GSR that this increase in costs related to a variety of factors, including, in the first year, ‘...the likely price rise of 8% and changes to the Ghan services’ and, for the second and third years, ‘...possible fare increases, changes in services, increase in customer base numbers and the consumer price index’. However, as records from this period relating to the 1999 contract are incomplete, there was no evidence that FaCS assessed the likelihood of these events occurring.

3.43 FaCS did not record the approval of the proposal to spend public money by entering into the 1999 contract with GSR, contrary to FMA Regulation 12. The absence of documentation of such approval, including analysis of the nature discussed above, means that FaCS is unable to demonstrate that the expenditure incurred under this contract represented efficient and effective use of the public money involved (FMA Regulation 9). There was also no evidence that a proposal to spend public money had actually been approved under FMA Regulation 9, contrary to FMA Regulation 13.

Commonwealth Seniors Health Card Holders extension

3.44 The Government announced its intention to extend to holders of the CSHC, some or all of the concessions available to pensioners, as part of the 2001 ‘Acknowledging Older Australians’ Budget package. On 1 October 2001, the Government approved funding of \$1.7 million to secure GSR concessions for CSHC holders for the period 1 November 2001 to 30 June 2002. An extension to the 1999 Agreement for GSR to provide the CSHC concessions was finalised on 3 October 2001.

3.45 Under this extension, the Commonwealth agreed to reimburse GSR for providing one concessional return trip per year for each CSHC holder over both Commonwealth and State Rail lines.⁴² Based on estimates provided by GSR of the number of seniors then travelling on GSR trains who might be eligible for a CSHC, and the average cost of subsidising individual CSHC holders, FaCS estimated that the costs to the Commonwealth of providing this service would be \$2.6 million per annum.

3.46 However, due to the absence of reliable travel statistics for this class of traveller, it was agreed to run a reimbursement system that would then form the basis for funding a longer agreement. Payments for CHSC holder travel were to be made on the basis of periodic reconciliation of actual travel taken, unlike the arrangement set out in the main 1999 Agreement. Similar to the 1999

⁴² This is different from pensioner and veteran concessions offered by GSR, where New South Wales, Victoria and Western Australia provide funding for concessional travel on GSR trains operating within their respective States.

Agreement, FaCS did not meet its FMA Regulation 12 obligation to document the approval by an authorised approver of this spending proposal.

3.47 The total amount paid to GSR under the reimbursement provisions for the provision of concessional travel to CSHC holders was far less than initially anticipated. In the period from 1 November 2001 to 30 June 2002, \$142 829 was paid to GSR for CSHC travel. This was eight per cent of the amount estimated for the part-year period.⁴³ FaCS advised ANAO in May 2005 that:

current data shows that CSHC concessions cost over \$1.4 million under the contract (50% of original estimate) between March 2004 and February 2005. FaCS acknowledges that the initial estimate was inaccurate, given the complete lack of data on which to base it. However FaCS notes that the costing methodology was approved by central agencies in 2001 suggesting that it was based on the best available information at the time.

3.48 The CSHC travel data reported by GSR was subjected to data-matching to validate the eligibility of the travellers prior to payment being made. GSR provided FaCS with data on each traveller, including Centrelink Customer Reference Numbers (CRNs). That data was then passed on to DVA and Centrelink for client confirmation. The data-matching process revealed significant data problems. The first set of data, relating to the period November and December 2001, included incorrect and invalid CRNs. The second set of data, relating to the period from January to April 2002, contained similar errors. This delayed the payment process, but improved the accuracy.

3.49 This example demonstrates the value that can be obtained from a post-travel reconciliation process in ensuring the Commonwealth pays the correct amount in accordance with its contractual obligations. In July 2005, FaCS advised ANAO that:

ANAO is aware that FaCS has been moving towards a contract that bases payments on a reconciliation of passenger data post travel. FaCS believes that this is the most timely and accurate way of providing funding under these contract arrangements. However due to legal and system constraints, this system has not been possible on a large scale before now. It is hoped to introduce this new system from 1 July 2005.

⁴³ The estimated cost for the part year from 1 November 2001 to 30 June 2002 was \$1.73 million.

2002 Agreement

3.50 A new Agreement was signed 28 June 2002. This Agreement consolidated the concessions provided under the 2001 CSHC Extension into the main Agreement. The 2002 Agreement operates for a period of three years, from 1 July 2002 until 30 June 2005.⁴⁴

3.51 FaCS internal documentation indicates that, in developing the 2002 Agreement, the Department held general concerns about the accuracy of the data on concessional passengers being provided by GSR. FaCS records indicate that:

GSR has experienced problems in providing accurate data to FaCS on the number of PCC [*Pensioner Concession Card*] and CSHC travellers. This means that it has been difficult to ascertain the actual cost to the Commonwealth especially for PCC holders.

3.52 A further internal minute of 11 June 2002 noted that:

GSR have been experiencing ongoing systems problems in providing accurate data to FaCS on the number of CSHC holders utilising concessional rail travel since the Agreement was signed in 2001.

3.53 In this context, FaCS incorporated a review mechanism into the 2002 Agreement. The Commonwealth continued to pay GSR a fixed amount per annum, but the amount paid in the second and third years was to be determined on the basis of analysis of actual travel statistics in a preceding period. This analysis was to be based on statistics from 31 March 2002 to 31 March 2003 for the 2003–04 payment, and 31 March 2003 to 31 March 2004 for the 2004–05 payment. A deed of variation to the Agreement would set each year's funding amount.

3.54 There was, however, no provision included for adjustment within or between years if the amount paid in relation to a prior period was found to have been under- or overstated as compared to actual travel taken. Despite the financial implications that could arise for the Commonwealth if any of the estimates were incorrect, FaCS did not document the rationale for the approach taken.⁴⁵

2002–03 Annual Funding Amount

3.55 The amount to be paid by the Commonwealth in 2002–03 was calculated with reference to advice provided by GSR as to the estimated value

⁴⁴ Or until such time as the Commonwealth gives at least nine calendar months notice to GSR in writing that the Commonwealth is no longer funding concessional travel under the Agreement.

⁴⁵ This is contrary to the requirements of FMA Regulations 9 and 12.

of the concessional travel actually provided for the period from July 1999 to December 2001.⁴⁶

3.56 Based on these estimated values, FaCS agreed to provide \$4.4 million to GSR for the 2002–03 financial year, based on estimates of \$2.3 million for pensioner travel, \$1.7 million for ‘DVA and CSHC travellers,’ and \$0.4 million in Goods and Services Tax (GST).

3.57 ANAO considers that given FaCS’ inability under the Agreement to adjust past payments to take account of the actual value of concessional travel taken in the relevant period, it was important that the original data used to derive the fixed annual funding amount be accurate and reliable. In that context, it is not apparent that FaCS undertook any form of verification of the data provided by GSR, even though, as noted, the Department held general concerns about the accuracy of the passenger data being provided by GSR.

3.58 It was also uncertain whether the figures provided by GSR were representative of future passenger numbers. Concessional passenger numbers, and associated costs, increased dramatically during the 2001 calendar year from those of the previous year. Special Veteran and TPI veteran passenger numbers increased by 87 per cent⁴⁷ and pensioners by 11 per cent.⁴⁸ It was unclear if these movements were ‘one off’s’ or indicative of future trends in passenger numbers. In that respect, ANAO notes that FaCS commented in an internal minute of 11 June 2002 that:

FaCS has since contacted DVA regarding this increase and were advised that a huge media campaign was launched last year (June 2001) by DVA promoting GSR travel for this target group. FaCS believes this media launch by DVA partially explains the increase in travel numbers in this group but FaCS is concerned however that this sudden increase may only represent a temporary fluctuation (ie because of the media launch) rather than an emerging trend.

3.59 ANAO also noted that the data provided by GSR was based on bookings taken, not actual travel. There is a risk, therefore, that the data provided overstated the extent of concessional travel taken in the relevant periods. In May 2005, FaCS advised ANAO that:

⁴⁶ GSR advised FaCS that: ‘It is necessary to estimate the value of the concession as the Commonwealth is only responsible for part of the concession provided for certain fares (eg for a journey across State boundaries it is necessary to allocate the revenue from a particular fare in some manner between that which the Commonwealth is responsible for and that which States are responsible for); and the large numbers of combinations of minor routes for which relatively few journeys are undertaken make it more efficient to calculate figures over the major routes only and estimate figures in relation to minor routes.’

⁴⁷ From 2 450 in 2000 to 4 575 in 2001.

⁴⁸ From 67 418 in 2000 to 74 565 in 2001.

GSR has assured FaCS that data provided since early 2002 is based on 'travelled revenue by train', ie the people who have travelled and the fare information that relates to that journey. GSR is unable to confirm the basis of data provided before this time, and concede that it possibly did relate to bookings held rather than actual travel. However differences between bookings and actual travel are likely to be minimal.

2003–04 Deed of Variation

3.60 The 2003–04 funding amount was calculated with reference to data provided by GSR on travel undertaken during the period March 2002 to February 2003. GSR provided FaCS with a list of travellers' names with the associated concession entitlement, class and segment travelled. That data was then subjected to the first data-matching process aimed at verifying travel by pensioner concession cardholders. FaCS engaged Centrelink to undertake the data-matching process for pensioner travel on its behalf. DVA undertook the data-matching in respect to travel by veterans.

3.61 Both DVA and Centrelink found a large number of exceptions during that process. For instance, of the 9 826 DVA pensioner concessions granted, there were 1 140 instances (12 per cent) where there was no PCC found for that person, and 168 instances (two per cent) where a PCC had been issued to the person travelling, but there was no eligibility on the date of travel. Furthermore, in June 2003, DVA advised FaCS that:

there have been a number of interesting issues to come out of our analysis of our data cleanse run. One of great significance to GSR is the large number of cases (could be up to 800) where there was no PCC but the pensioner had a Gold Card. Gold Card does not entitle the holder to concessional travel. GSR should be informed of this as a matter of some urgency.

3.62 In relation to this issue, in May 2005 FaCS advised ANAO that:

DVA and FaCS discussed this issue separately with GSR when each looked at the 2002 customer data supplied by GSR. DVA and FaCS also discussed the data problems at a meeting with the GSR Chief Financial Officer in Canberra on 8 July 2003. GSR was informed of the possible number of incorrect concessions for Gold Card holders and agreed to remind its staff and booking agents of the relevant concession cards. On June 2003 FaCS emailed to GSR a link to the Centrelink website for images of concession cards and information.

3.63 For the same period (March 2002 to February 2003), invalid formats amounted to approximately half the total CRNs reported in the data reviewed by Centrelink. FaCS advised ANAO in May 2005 that the main reason for the large number of invalid CRNs reported in the test data was the formatting of the data submitted to the Customer Confirmation Service (CCS) by GSR. FaCS also advised ANAO that after further work with GSR to ensure clean data was run by CCS, the number of invalid CRN's was reduced to approximately 3.5 per cent, and this was the data set used as the basis of the following year's variation.

3.64 From that data, FaCS reached an agreed position with GSR as to the Commonwealth funding liability for the 2003–04 financial year. As noted, however, the 2002 Agreement did not provide for any adjustment to be made to the 2002–03 payment based on the outcome of the data-matching exercise.

3.65 The documentation made available to ANAO did not provide a clear explanation of the basis on which the funding amount for 2003–04 was agreed. On 24 June 2003, FaCS advised GSR that its estimate of the Commonwealth's liability for 2003–04 was in the order of \$3.6 million.

3.66 In early July 2003, FaCS discussed with GSR an estimated annual funding figure for 2003–04 of \$4 160 612, and on 11 July 2003 proposed an annual funding of \$4.4 million (inclusive of GST). This maintained the annual funding at the amount agreed for 2002–03, despite the outcomes of the data-matching exercise. FaCS advised ANAO in December 2004 that: 'the amount of \$4 400 000 was...agreed through negotiation with GSR based on likely increases in patronage and fare costs.' These variables were not quantified. Further, the documentation provided to ANAO by FaCS did not identify the basis on which the Commonwealth's agreed liability for 2003–04 increased from the initial estimate of \$3.6 million. In this context, FaCS advised ANAO in May 2005 that:

The agreed basis for the calculations for the contract is the data set underlying the estimate of \$4.16 million from early July 2003. Several iterations of data had been passed back and forth between GSR and FaCS to clarify the correct basis for charging and fare liabilities for various routes, etc between mid June and the final agreed data set in early July. The \$3.6 million amount was not used as a basis for contracting and should be disregarded, except as evidence that FaCS and GSR were working together with the passenger data to find an agreed starting position for contract negotiations.

Ghan Deed of Variation

3.67 The extension of *The Ghan* passenger service between Alice Springs and Darwin commenced operations in February 2004. A contract variation was signed in May 2004 for an amount of \$200 000 (inclusive of GST) to provide funding for travel by CSHC holders on the extended service for the remainder of the 2003–04 financial year, backdated to the commencement of the first regular service on 8 February 2004. The contract amount was calculated using data provided by GSR on actual travel and bookings made during the period from February to June 2004. An amount of \$226 292 was initially calculated, which was then revised downwards. ANAO was unable to ascertain the basis on which the contracted figure was eventually derived. FaCS advised ANAO in December 2004 that:

the data is sampled to look for inconsistencies or invalid CRN's and a process of negotiation is undertaken with GSR to arrive at the final figure (in this case \$200,000).

3.68 FaCS further advised ANAO in May 2005 that:

FaCS believes that its relationship with GSR helped it achieve excellent value for money for the Commonwealth in subsequent negotiations.

2004–05 Deed of Variation

3.69 The agreed annual funding amount for 2004–05 was \$4.6 million, inclusive of GST. That amount was derived using travel information provided by GSR relating to the period March 2003 to February 2004. FaCS initially calculated an amount of \$4 230 706 to be paid to GSR for the 2004–05 period. FaCS indicated to ANAO that this amount was then adjusted for known variances, for instance an increase in numbers travelling on the new Alice Springs to Darwin route and regular fare increases. However, the quantum and source of these variances was not documented. In this context, FaCS advised ANAO in May 2005 that:

All GSR contracts have been based on estimates and projections based on previous years' data. FaCS agrees that in future it will document the calculations used to quantify any such variances.

3.70 The Deed of Variation stated that:

the variations contained in this Deed of Variation are intended to be an interim arrangement and do not necessarily reflect the final Agreed Annual Funding for the year 2004–05. The parties intend that they will execute a further Deed of Variation if and when any additional variations to the contract are agreed.

3.71 In May 2005, FaCS advised ANAO that at that time, the only formal variation to this Agreement since 2004 had been an administrative variation impacting on the 40 balloted TPI's (contract group 2) to allow a veteran living in Darwin to use the balloted trip from Darwin on the new Ghan line if their name comes up. FaCS confirmed that there was no additional funding specified in this variation.

3.72 On 6 July 2005, FaCS advised ANAO that a Deed of Variation to the contract was finalised on 16 June 2005 to provide additional funding to GSR based on reconciliation of data. An additional \$800 000 (including GST) is to be paid to GSR in 2004–05.

Recommendation No.1

3.73 ANAO *recommends* that, prior to entering into future passenger concession contracts, the Department of Family and Community Services:

- (a) analyse alternative approaches to reimbursing the contracted provider so as to identify the approach that maximises value for money; and
- (b) document the approval of the spending proposal and the basis on which the decision was taken to spend public money.

3.74 FaCS agreed with the recommendation.

3.75 FaCS' specific comments are set out below:

- FaCS agrees with Recommendation 1(a). FaCS is moving towards an arrangement whereby GSR will be reimbursed monthly in arrears for travel undertaken by the relevant concessional groups in the previous month. This is the most timely and accurate method of payment available under the contract, however for a variety of technical and legal reasons it has not been possible to implement before now.
- FaCS agrees with Recommendation 1(b). Considerable effort has been made in the past to ensure that GSR was reimbursed an appropriate amount for the provision of concessions. However FaCS agrees that documentation of these processes has not been properly maintained.

Privacy

3.76 FaCS did not substantively verify the eligibility of the travellers included in the data used to determine the 2004–05 funding figure. This was because the process of data-matching was discontinued for travel taken after February 2003 due to concerns regarding aspects of the *Privacy Act 1988* (Privacy Act). Pending resolution of the privacy issues, FaCS has undertaken informal, small-scale examination of the eligibility of the concessions provided

to random samples of pensioners, using data provided by GSR. No eligibility verification has been performed on data relating to DVA pensioners and veterans, other than 'Special Veterans' (in respect of whom DVA had a specific arrangement with GSR).⁴⁹

3.77 The Privacy Act places specific obligations on Commonwealth agencies to protect the privacy of personal information held, or collected, by them. Those obligations are set out in Information Privacy Principles (IPP). The *Privacy Amendment (Private Sector) Act 2000* amended the Privacy Act to extend privacy obligations to private sector entities. Relevant organisations are required to comply with a set of National Privacy Principles (NPP), or implement a privacy code approved by the Privacy Commissioner.

3.78 In general, the NPPs preclude organisations from using or disclosing personal information about an individual for a purpose other than the primary purpose of collection unless the individual has consented to the use or disclosure, or other prescribed conditions apply.⁵⁰ NPP 7.2 further provides that an organisation must not use or disclose an identifier assigned to an individual by an agency, an agent of an agency or a contracted service provider for a Commonwealth contract unless:

- (a) the use or disclosure is necessary for the organisation to fulfil its obligation to the agency; or
- (b) one or more of a series of exclusions listed in the Privacy Act apply to the use or disclosure of the personal information; or
- (c) the use or disclosure is by a prescribed organisation of a prescribed identifier in prescribed circumstances.

3.79 The CRN's assigned by Centrelink, and the file numbers assigned by DVA, to individual pensioners are identifiers within the terms of the Privacy Act. In that context, Centrelink assists concession providers to confirm the eligibility of concession applicants by providing customer confirmation services. Since September 2003, that service has been provided on a fee-for-

⁴⁹ Under the 2002 Agreement, Special Veterans and their carers receive 100 per cent concession on their chosen class fare. The eligibility of Special Veterans is able to be confirmed by GSR at the time of booking by accessing a database provided by DVA. Carers require a medical certificate to be eligible to accompany the Special Veteran. In respect to the latter, DVA advised Centrelink in June 2003 that: 'DVA is not in a position to confirm eligibility because many of the carers who travel are not on the DVA database. Aside from carers, who would most likely be non-veterans, we would be unable to confirm eligibility to [the following]...World War One Australian veterans, spouses and widows; and disability pensioners who are residents in South Australia and receive the disability pensioner at 100% of the General Rate and who are in possession of the Incapacitated Ex Service Personnel Card issued by the South Australian Passenger Transport Board.'

⁵⁰ See NPP 2.

service basis through an online system, Customer Confirmation e-Service (CCeS).

3.80 Under the data-matching arrangements used by FaCS in 2003, GSR passed passenger information, including CRNs, to FaCS via a 'flat' file and this information was then passed to DVA and Centrelink for matching. From 31 December 2003, DVA also contracted Centrelink to confirm its customer data for concession providers.

3.81 Although the amendments to the Privacy Act commenced on 21 December 2001, concerns regarding the privacy aspect of the management of concessional rail travel were not raised until 2003. In June 2003, Centrelink advised FaCS that, due to concerns about privacy, information security and confidentiality, it could no longer provide confirmation of customer data for the GSR concessional travel.⁵¹ Centrelink subsequently advised FaCS that it would no longer confirm customer data unless a concession provider signs up to CCeS, due to the need for stricter adherence to privacy, confidentiality and security guidelines by concession providers.

3.82 Consideration was given in 2004 to GSR taking up use of the CCeS to confirm eligibility online. However, doubt arose as to whether GSR would be breaching the NPPs by using the Centrelink CRNs in this manner.

3.83 FaCS advised ANAO in May 2005 in respect to privacy issues associated with customer verification that:

This was not an issue that FaCS could directly resolve or influence beyond noting that the GSR contract did include specific privacy obligations for GSR. The privacy issue has now been resolved and customer information for DVA and Centrelink customers will be verified using CCeS, with an intended start date of 1 July 2005. GSR is currently setting up the relevant IT systems to use CCeS and it is intended that the new concessional travel contract will require the use of CCeS to confirm customer concession status.

Appropriation arrangements

3.84 From 1999–2000 until 2004–05, FaCS received funding for payments to GSR as part of its Outcome 2 administered annual appropriations.⁵² The relevant Annual Appropriation Acts⁵³ have provided that amounts issued out

⁵¹ Centrelink advised FaCS that, as the 2002 Agreement, 'does not oblige FaCS to seek confirmation of data with Centrelink' and 'GSR is not actively seeking customer consent to confirm customer data' Centrelink could no longer, under the NPPs, provide confirmation of customer data.

⁵² For 2005–06, FaCS is to receive funding for payments to GSR as part of its Outcome 3 administered annual appropriations. This outcome is described as: 'Seniors, people with disabilities, carers, youth and women are supported, recognised and encouraged to participate in the community– Services and assistance that help people to: participate actively in community and economic life; access a responsive and sustainable safety net; and develop their capabilities.'

⁵³ See, for example, Section 8(2) of *Appropriation Act (No.1) 2004–2005*.

of the Consolidated Revenue Fund may only be applied for expenditure for the purpose of carrying out activities for the purpose of contributing to specified outcomes. In this context, FaCS' Outcome 2 was described as:

Communities are Strong–Services and assistance that: encourage communities to be self-reliant and to connect with their members; and promote partnerships between business, communities and governments.

3.85 Table 3.4 outlines the budgeted expenses for GSR payments reported by FaCS in its Outcome 2 administered funding each year from 1999–2000 (the year that accrual budgeting was introduced) to 2004–05. As Table 3.4 demonstrates, FaCS has consistently over-estimated the amount of funding it has required. In total, the amounts appropriated to FaCS in respect of GSR payments have been 40 per cent (\$8.448 million over six years) more than that required.

Table 3.4

Appropriation funding and actual payments: 1999–00 to 2004–05

Year	Amount appropriated (\$m)	Actual costs (\$m) (GST exclusive)	Excess/(Shortfall) (\$m)
1999–00	2.833	2.509	0.324 (13%)
2000–01	2.565	2.800	-0.235 (-8%)
2001–02	4.384	2.483	1.901 (77%)
2002–03	6.075	4.060	2.015 (50%)
2003–04	6.399	4.182	2.217 (53%)
2004–05	7.135	4.909 ^A	2.226 (45%)
Total	29.391	20.943	8.448 (40%)
Note A Estimated by ANAO based on the Deed of Variation made on 14 October 2004 which set the annual funding for 2004–05 at \$4.6 million (\$4.182 million excluding GST). A Deed of Variation to the contract was finalised on 16 June 2005 to provide additional funding to GSR based on reconciliation of data. An additional \$0.800 million (\$0.727 million excluding GST) is to be paid to GSR in 2004–05.			

Source: ANAO analysis of Portfolio Budget Statements, Appropriation Acts and FaCS data.

3.86 ANAO found that a major factor in the excess funding of FaCS for payments to GSR is that FaCS' estimates have not been based on the terms of the relevant contracts. In particular, since 1 July 2002, payments to GSR have been made under a contract that provides for:

- a cap of \$5 million on the total amount that can be paid to GSR in any one financial year; and
- annual funding amounts to be agreed in respect of each year.

3.87 Despite these contractual limits, in each financial year since the current contract commenced, FaCS has sought and obtained considerably more in appropriation funding than the maximum costs to which the Department was exposed. The amount sought in 2002–03 was 22 per cent more than the \$5 million annual cap. In 2003–04, the excess was 28 per cent. In 2004–05, the excess was 43 per cent.

3.88 As the funds appropriated in respect of the GSR contract are part of a broader outcomes appropriation, the excess can be applied by FaCS to other items within the Outcome. The Department of Finance and Administration advised ANAO on 14 July 2005 that: ‘all unspent appropriations for reimbursements to Great Southern Rail have been lapsed, and there has been no reallocation within the outcome.’

3.89 The first annual funding amount (for 2002–03) was set at \$4 million (excluding GST) in a contract signed on 28 June 2002. In the May 2002 Budget, FaCS had sought and obtained appropriation funding of \$6.075 million for payments to GSR in 2002–03. FaCS made no adjustment to this funding in its 2002–03 Additional Estimates.

3.90 A Deed of Variation to the June 2002 contract setting the payment to be made to GSR for 2003–04 was signed on 14 August 2003. This variation stated that the agreed annual funding for 2003–04 was \$4.0 million (excluding GST).⁵⁴ In the May 2003 Budget, FaCS had sought and obtained appropriation funding of \$6.399 million for payments to GSR in 2003–04. FaCS made no adjustment to this funding in its 2003–04 Additional Estimates.

3.91 A further Deed of Variation to the June 2002 contract for payments to GSR in 2004–05 was signed on 14 October 2004. This variation specified that the agreed funding for 2004–05 was \$4.182 million (excluding GST). In the May 2004 Budget, FaCS had sought and obtained appropriation funding of \$7.135 million for payments to GSR in 2004–05. FaCS made no adjustment to this funding in its 2004–05 Additional Estimates. In July 2005, FaCS advised ANAO that another Deed of Variation to the contract was finalised on 16 June 2005 to provide additional funding to GSR based on reconciliation of data, with an additional \$0.727 million (excluding GST) to be paid to GSR in 2004–05.

3.92 FaCS advised ANAO in May 2005 that:

The administered appropriation for the reimbursement of fares to GSR is largely demand driven, ie the appropriated amount has to be adequate to cover increases in costs and patronage from year to year. While in previous

⁵⁴ A further variation was made on 25 May 2004 to provide additional funding in 2003–04 of \$181 818 (excluding GST) for concessional travel from Alice Springs to Darwin.

years the appropriation has been in excess of the contract maximums, a surge in numbers travelling following the opening of the Alice Springs to Darwin line means that it is very difficult to predict future costs. FaCS intends to work with the Department of Finance and Administration to produce a more reliable estimates model when a reasonable series of data is available.

3.93 However, the 2005–06 Budget Papers stated that funding in 2005–06 and 2006–07 would be \$7.5 million, and \$7.6 million in 2007–08 and 2008–09. In July 2005, FaCS advised ANAO as follows:

Data is not yet available on which to base new estimates. However costs are likely to continue to increase in 2005–06 as the impact of GSR's new business on the Alice Springs to Darwin line is felt.

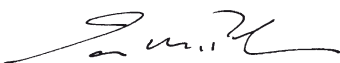
Recommendation No.2

3.94 ANAO *recommends* that the Department of Family and Community Services adopt more rigorous budgeting procedures for concessional travel that reflect the best available estimate of likely payments, including by accurately reflecting the terms of the contractual arrangements.

3.95 FaCS agreed with the recommendation.

3.96 FaCS' specific comments are set out below:

- FaCS agrees with Recommendation 2. Government commitments under the appropriation for *Reimbursement to Great Southern Rail for Concessional Fares* have been pending a number of government decisions in recent years, especially in regard to the Commonwealth liability for concessions on the new Ghan line between Alice Springs and Darwin. Now that the majority of these issues have been resolved, annual concessional usage under the contract is more likely to better reflect ongoing liability. As a result, new data will mean that FaCS will be in the position to produce a more reliable estimates model from which to manage the appropriation within the next year.



Ian McPhee
Auditor-General

Canberra ACT
4 August 2005

Series Titles

Audit Report No.3 Performance Audit

Management of the M113 Armoured Personnel Carrier Upgrade Project

Department of Defence

Audit Report No.2 Performance Audit

Bank Prudential Supervision Follow-up Audit

Australian Prudential Regulation Authority

Audit Report No.1 Performance Audit

Management of Detention Centre Contracts—Part B

Department of Immigration and Multicultural and Indigenous Affairs

Better Practice Guides

Public Sector Audit Committees	Feb 2005
Fraud Control in Australian Government Agencies	Aug 2004
Security and Control Update for SAP R/3	June 2004
AMODEL Illustrative Financial Statements 2004	May 2004
Better Practice in Annual Performance Reporting	Apr 2004
Management of Scientific Research and Development Projects in Commonwealth Agencies	Dec 2003
Public Sector Governance	July 2003
Goods and Services Tax (GST) Administration	May 2003
Managing Parliamentary Workflow	Apr 2003
Building Capability—A framework for managing learning and development in the APS	Apr 2003
Internal Budgeting	Feb 2003
Administration of Grants	May 2002
Performance Information in Portfolio Budget Statements	May 2002
Life-Cycle Costing	Dec 2001
Some Better Practice Principles for Developing Policy Advice	Nov 2001
Rehabilitation: Managing Return to Work	June 2001
Internet Delivery Decisions	Apr 2001
Planning for the Workforce of the Future	Mar 2001
Contract Management	Feb 2001
Business Continuity Management	Jan 2000
Building a Better Financial Management Framework	Nov 1999
Building Better Financial Management Support	Nov 1999
Managing APS Staff Reductions (in Audit Report No.49 1998–99)	June 1999
Commonwealth Agency Energy Management	June 1999

Cash Management	Mar 1999
Security and Control for SAP R/3	Oct 1998
Selecting Suppliers: Managing the Risk	Oct 1998
New Directions in Internal Audit	July 1998
Controlling Performance and Outcomes	Dec 1997
Management of Accounts Receivable	Dec 1997
Protective Security Principles (in Audit Report No.21 1997–98)	Dec 1997
Public Sector Travel	Dec 1997
Audit Committees	July 1997
Management of Corporate Sponsorship	Apr 1997
Telephone Call Centres Handbook	Dec 1996
Paying Accounts	Nov 1996
Asset Management Handbook	June 1996