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Performance Audit

Agencies' Oversight of Works Australia Client Advances

Australian National Audit Office

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2 October 2001

Dear Madam 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.* I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Agencies' Oversight of Works Australia Client Advances.*

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—http://www.anao.gov.au.

Yours sincerely

P. J. Barrett
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.

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Abbreviations/Glossary

ANAO	Australian National Audit Office
ATO	Australian Taxation Office
ATSIC	Aboriginal and Torres Strait Islander Commission
DCITA	Department of Communications, Information Technology and the Arts
Defence	Department of Defence
DHAC	Department of Health and Aged Care
DISR	Department of Industry, Science and Resources
DTRS	Department of Transport and Regional Services
Finance	Department of Finance and Administration
FMA Act	Financial Management and Accountability Act 1997
TSRA	Torres Strait Regional Authority

Summary and Recommendations

Summary

Background

1. In August 1997, Works Australia, a former business unit of the former Department of Administrative Services,[1] was sold by the then Office of Asset Sales (OAS)[2]. For a price of $4.2 million, the purchaser acquired the assets of Works Australia and accepted certain liabilities. At the time the sale was completed, Works Australia held $43.7 million in cash belonging to Commonwealth agencies. The cash had been provided to Works Australia as an advance payment for work to be undertaken on behalf of the client. The advance payments were known as 'client advances'.

2. Works Australia was offered for sale on the basis that the client advances, which comprised the majority of Works Australia's assets, would be assigned in trust to the new owners with the purchaser obliged to manage the completion of the work to which the advances pertained. Transferring the advances meant that the business was more attractive to potential purchasers. Alternatives to transferring the advances were not considered during the sales process.

Audit approach

3. The sale of Works Australia was examined by ANAO in Audit Report No.26 1998–99. This report found that: there had been no detailed assessment of the changed commercial environment including analysing alternatives to transferring the advances to the new owners; and provisions were not introduced into the sale agreement to ensure appropriate stewardship of Commonwealth funds until shortly before the sale agreement was signed. As a consequence, ANAO recommended improvements to sale management processes to maximise the Commonwealth's overall position in future trade sales that involve the possible transfer of stewardship responsibility for significant Commonwealth funds to the private sector.

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1 Works Australia was a Commonwealth owned and operated business that provided project, architectural and engineering design and documentation services to the Commonwealth and State Governments and private enterprise.

2 OAS later became the Office of Asset Sales and IT Outsourcing (OASITO). The 2001–02 Budget Papers stated that, effective from 1 July 2001, OASITO is to be known as the Office of Asset Sales and Commercial Support (OASACS) to more appropriately reflect the core activities of the Office as it is now structured by the Government following the acceptance of the recommendations of the Humphry review which saw the IT outsourcing initiative responsibilities devolved to department and agency heads.

4. In these circumstances, and having regard to the amount of public money involved, ANAO programmed an audit to examine oversight of the post-sale contractual arrangements for each of the 307 Commonwealth client advances totalling $43.7 million transferred to the purchaser. The specific objectives of the audit were to:

- assess compliance with the relevant terms of the sale agreement;
- assess the risk management framework put into place by Commonwealth agencies to protect these public monies; and
- identify opportunities for improvements to administrative processes.

Overall audit conclusion

5. The $43.7 million in client advances transferred to the purchaser of Works Australia in August 1997 has been effectively accounted for as of July 2001 by the Commonwealth agencies concerned. Only two departments were unable to provide ANAO with details of use of $70 384 in advances that were transferred and later spent. A further $61 276 relating to one of these two departments remains unspent as at July 2001, almost four years after the sale date.

6. After examining agencies' documentation, ANAO considers that at least $11.3 million (26 per cent) of the $43.7 million in Works Australia client advances should have been returned to the relevant agencies prior to the 1997 sale as it was not needed for the projects in respect of which the advances had originally been made. This amount comprises:

- Some $5.9 million that was transferred to other projects being managed by the purchaser on behalf of the relevant agency rather than being used on the projects for which the public money had originally been advanced, often because the original project had been completed with excess funds remaining. Indeed, some projects had been completed <u>prior</u> to the sale to the new owner.
- A total of $5.4 million that has been, or is still in the process of being, repaid to the relevant agencies. The majority of these repayments occurred prior to ANAO's performance audit. In addition, three agencies initiated recovery action in relation to $38 583 as a result of ANAO's performance audit. (A further $61 276 in unused advances not included in the $5.4 million are also available for recovery.)

7. In addition, given the long delay in the use of some funds,[3] it is arguable that some of the advanced funds eventually spent should have been returned to the Commonwealth prior to the sale and only paid out closer to the time when they were actually required. ANAO found that the interest costs to the Commonwealth of the delay in using the advances amounted to some $1.9 million.[4] The Department of Finance and Administration (Finance) commented to ANAO in August 2001 that the transfer of the client advances and the associated interest was an explicit factor in tenderers determining their bid prices for Works Australia and that, had these advances been returned prior to sale, it is likely that the sale price would have reduced.

8. The relevant financial security arrangements over the Works Australia client advances have been effectively administered in accordance with the terms and conditions of the Works Australia Sale Agreement by Finance.

9. As at August 2001, a total of $1.57 million in client advances subject to bank guarantee arrangements remain outstanding in respect of the 1997 sales of four former business units of the Department of Administrative Services, including some $489 000 in Works Australia advances. Although the outstanding amount of $1.57 million is less than 2 per cent of the original amounts transferred and guaranteed in respect of these four sales, the continued existence of unspent advances four years after the sales is an issue that needs to be reviewed by relevant agencies. Individual Commonwealth agencies are responsible for assessing whether their advances should be returned.

Agencies' compliance with the sale agreement

10. Under the terms of the Works Australia sale agreement, the client advances were transferred in trust to the Works Australia purchaser with different arrangements applying to the different types of Commonwealth agencies. Approximately 70 per cent of the funds transferred belonged to ten Commonwealth departments and agencies subject to the *Financial Management and Accountability Act 1997* with the remainder belonging to two Commonwealth statutory authorities. Figure 1 summarises the governance framework for these advances.

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3 By August 1998, one year after the sale, only 50 per cent of the $30.5 million in Commonwealth departments' advances had been spent, transferred or recovered. By August 1999, the amount outstanding was still significant at 28 per cent of the total transferred in late 1997.

4 Calculated using the daily balance of outstanding client advances and the daily equivalent of the three year Commonwealth bond rate for the relevant month.

Figure 1

Governance framework for Works Australia client advances

Agency category	*Advances*		*Prior consent to transfer of advances?*	*Interest paid to the Commonwealth?*	*Financial security arrangements*
	No.	*$m*			
Commonwealth departments	156	30.5	No	No	Trust account with bank guarantees
Commonwealth statutory authorities	151	13.2	Yes	Yes	Largely unsecured
Total	**307**	**43.7**			

Source: ANAO analysis of Finance data

11. The Works Australia sale agreement permits the purchaser to apply the advances as follows:

- apply the advances towards work managed by the purchaser as authorised under the contract to which the advance related. At the time of ANAO's audit fieldwork, a total of $32.3 million or 74 per cent had been spent, or was in the process of being spent, on the projects for which the funds had originally been advanced; or
- refund the advance amount to the agency on whose behalf the purchase was holding the funds. At the time of ANAO's audit fieldwork, a total of $5.4 million or 12 per cent has been repaid to the relevant agencies; or
- otherwise disburse the amount at the agency's discretion (for example, transfer the funds for use on other projects) At the time of ANAO's audit fieldwork, $5.9 million or 13 per cent had been transferred to other projects being managed by the purchaser on behalf of the relevant agency.

12. At the time of ANAO audit fieldwork, 99.7 per cent of the $43.7 million transferred to the purchaser had been accounted for by the Commonwealth agencies concerned, either being spent on the projects for which the funds had originally been advanced, transferred to other projects or repaid to the Commonwealth. However, the Department of Defence (Defence) and the Department of Communications, Information Technology and the Arts (DCITA) did not provide ANAO with details of use of $70 384 in public money that was transferred and later spent. In addition, $61 276 in public money relating to Defence advances remains unspent as at July 2001, almost four years after the sale date. ANAO has recommended that Defence take appropriate steps to recover outstanding funds from the Works Australia purchaser.

Bank guarantee arrangements

13. The Works Australia sale agreement included bank guarantee arrangements for $30.5 million of the $43.7 million in Commonwealth client advances transferred to the purchaser of the business. The guarantee arrangements provided security for these public moneys, with the remaining $13.2 million in advances being largely unsecured.

14. Finance is responsible for administering the bank guarantee arrangements under the Sale Agreement on behalf of all departments. ANAO found that the bank guarantee arrangements have been effectively administered in accordance with the terms and conditions of the Works Australia Sale Agreement.

Departmental risk management

15. Advances of $30.5 million belonging to Commonwealth departments were transferred by the then OAS to the Works Australia purchaser without the relevant departments being given the opportunity to consent to the transfer. However, departments were advised by the OAS on 27 May 1997, some 11 weeks prior to the Sale Agreement being signed, of the proposed post-sale arrangements for their advances and given the opportunity to have the funds returned prior to the sale, if the department did not wish to have them transferred. The Office of Asset Sales and Commercial Support advised ANAO in September 2001 that it is not aware of any departments arranging for the return of funds.

16. As the Commonwealth is not paid interest on these funds and individual agencies are responsible for the efficient and effective use of public money, ANAO considers that it was important that Commonwealth departments examine, as soon as practicable after the sale was effected, whether their advances should be repaid to the Commonwealth or left with the purchaser. Two departments have undertaken such a review, with some $2.9 million in advances subsequently returned to one of these departments as well as improvements being made to financial management procedures in both departments.

17. Advance payments, such as client advances, raise cash management issues for the Commonwealth because of the interest cost that advance payment incurs, either through funds leaving the Commonwealth's bank accounts earlier, or because the Commonwealth must borrow funds earlier than otherwise. In this context, there has been a long delay in the use or return of many of the non-interest bearing advances transferred to the Works Australia purchaser resulting in estimated interest costs to the Commonwealth of $1.9 million.

Ongoing governance issues

18. There are two significant steps in any system for the payment of public moneys: approval of proposals to spend public moneys (the procurement function); and payment of accounts. There is an opportunity cost associated with making payments before they need to be paid and, of course, added risk. After examining agencies' documentation, ANAO considers that at least $11.3 million (26 per cent) of the $43.7 million in Works Australia client advances should have been returned to the Commonwealth prior to the sale as it was not needed for the projects in respect of which the advances had originally been made.

19. If payment of accounts functions are to be administered efficiently and effectively, ANAO considers each agency should include in its Chief Executive's Instructions processes to be followed before authorising advance payments of public moneys. As a general rule, internal controls should ensure payments are only made where goods and services have been received. Where advance payments and/or prepayments are permitted, procedures should address cash management implications for the Commonwealth, management of financial risk exposures and accountability arrangements for the funds.

20. Client advances transferred to purchasers of a further three former Department of Administrative Services business units were also protected by bank guarantee arrangements. In all three cases, as with the Works Australia Sale Agreement, there is no specified timeframe within which the client advances or bank guarantees are required to be finalised. Including the Works Australia guarantees, the balance of all client advances was some $85 million in 1997 when each of the sales occurred. As of July 2001, advances outstanding for these four sales remained significant at $1.57 million, or some 2 per cent of the original total amount (see Figure 2). ANAO considers that, having regard to the significant period of time that has elapsed since the four sales occurred in 1997, outstanding funds should either be spent on necessary works or returned to the relevant agencies. This is a matter for individual agencies to decide, although there is a role for Finance to play in informing each relevant agency of any oustanding advances given Finance's ongoing relationship with the various purchasers and the risk that agencies may not be aware that they have unspent advances.

Figure 2

Bank guarantees: former Department of Administrative Services business units as at August 2001

Business unit sold	*Sale outcome*		*Client advances*		
	Date	*Price*	*Original amount*	*Outstanding amount*	*Current bank guarantee*
Asset Services	September 1997	$18.70m	$3.96m	$0.52m	$5.00m [A]
Interiors Australia	September 1997	$0.10m	$7.07m	$0.33m	$0.33m [B]
Australian Property Group	August 1997	$2.88m	$43.13m	$0.23m	$0.39m [C]
Sub-total		**$21.68m**	**$54.16m**	**$1.08m**	**$5.72m**
Works Australia [D]	August 1997	$4.19m	$30.50m	$0.49m	$0.50m
Total		**$25.87m**	**$84.66m**	**$1.57m**	**$6.22m**

Notes:

A The purchaser only provides an audit certificate once all client advances have been applied in accordance with the Sale Agreement. The $5 million bank guarantee cannot be reduced or discharged until all monies have been applied in accordance with the Sale Agreement.

B The purchaser may, at periods it sees fit, provide audit certificates (for each month) showing the balance of the client advances. On receipt of the audit certificates and supporting invoices, Finance reduces the balance of the bank guarantee held to the balance of the client advances.

C The purchaser may, at periods it sees fit, provide audit certificates (for each month) showing the balance of the client advances. On receipt of the audit certificates, Finance reduces the balance of the bank guarantee held to the balance of the client advances rounded up to the nearest $250 000. Finance advised ANAO on 31 August 2001 that the reduction of the guarantee amount from $1.37 million to $0.39 million is in process.

D Client advance figures include only those advances subject to the bank guarantee arrangements.

Source: ANAO analysis of Finance data and Finance advice to ANAO

Improvement opportunities

21. The commercial risk environment for public sector agencies changes when they are replaced by private sector providers that generally have a higher commercial risk standing than public sector providers. Accordingly, privatisation places considerable focus and emphasis on project and contract management, including management of the underlying risks involved. In this context, ANAO has made three recommendations to agencies to:

- recover any oustanding, unspent public money;
- ensure advance payments are properly considered by agencies in the future; and
- resolve outstanding client advances in relation to all sales of former Department of Administrative Services business units.

22. Those agencies that responded to the draft report agreed with each recommendation that was relevant to them.

Recommendations

Recommendation No. 1
Para 2.7

ANAO *recommends* that the Department of Defence take appropriate steps to recover outstanding funds of $61 276 from the Works Australia purchaser.

Agreed: Defence

Recommendation No. 2
Para 2.30

ANAO *recommends* that agencies review their Chief Executive's Instructions to ensure that they have adequate procedures to address the cash management and risk management implications of making advance payments.

Agreed: ATSIC; DCITA; Defence; DHAC; DISR; DTRS; Finance

Recommendation No. 3
Para 2.36

ANAO *recommends* that, consistent with sound cash management principles:

(a) in order to assist individual agencies discharge their responsibility for the efficient and effective use of public money for which these agencies are responsible, Finance advise relevant agencies of any outstanding advances relating to former business units of the former Department of Administrative Services; and

(b) each agency with outstanding cash advances assess whether the advanced funds should be returned to the Commonwealth and, as relevant, institute appropriate recovery actions.

Agreed: ATSIC; DCITA; DHAC; DISR; DTRS; Finance (part (a) only as part (b) was not applicable to Finance)

Audit Findings and Conclusions

1. Introduction

Background

1.1 In August 1997, Works Australia, a former business unit of the former Department of Administrative Services, was sold to Gutteridge Haskins & Davey Pty Ltd (hereafter referred to as the purchaser). Works Australia was a Commonwealth owned and operated business that provided project, architectural and engineering design and documentation services to the Commonwealth and State Governments and private enterprise. The sale process was managed by the then Office of Asset Sales (OAS), now known as the Office of Asset Sales and Commercial Support (OASACS).

1.2 For a price of $4.2 million,[5] the purchaser acquired the assets of Works Australia and accepted certain liabilities. At the time the sale was completed, Works Australia held $43.7 million in cash belonging to Commonwealth agencies. The cash had been provided to Works Australia as an advance payment for work to be undertaken on behalf of the client. The advance payments were known as 'client advances'.

1.3 Under the terms of the Works Australia sale agreement between the Commonwealth (represented by the then OAS) and the purchaser, the client advances were transferred in trust to the Works Australia purchaser with different arrangements applying to the different types of Commonwealth agencies, as follows:

- A total of 156 advances totalling $30.5 million from 10 Commonwealth agencies governed by *Financial Management and Accountability Act 1997* (FMA Act) were assigned to the purchaser. These advances were protected by the purchaser providing a bank guarantee which diminishes as the level of client advances diminishes. The advances were transferred from an existing Commonwealth trust account and deposited in an interest-bearing bank account of the purchaser with the interest on the moneys retained by the purchaser to cover the cost of maintaining the bank guarantee. The purchaser also agreed to undertake a quarterly audit of the advances to ensure advances had been properly recorded and disbursed.

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5 The purchase price offered of $4.323 million was adjusted to $4.189 million following the finalisation of an asset and liability statement at the time of the sale. Source: Audit Report No.24 1998–99, *DAS Business Unit Sales Management*, p. 22, Figure 2.1.

- Advances from other Works Australia clients, including two Commonwealth statutory authorities with 151 advances totalling $13.2 million, were assigned only where express consent was given by clients, otherwise the advances were returned to the client. The assigned advances from these clients were transferred from a Commonwealth trust account to a trust account of the purchaser with only senior personnel of the purchaser able to operate the account. They were not secured by a bank guarantee because the purchaser would not be able to recover the cost of maintaining a guarantee as the clients retain the interest on the advances.

Audit approach

1.4 The commercial risk environment for public sector agencies changes when they are replaced by private sector providers that generally have a higher commercial risk standing than public sector providers. In this context, privatisation places considerable focus and emphasis on project and contract management, including management of the underlying risks involved.

1.5 The sale of Works Australia was examined by ANAO in Audit Report No.26 1998–99. This report found that: there had been no detailed assessment of the changed commercial environment including analysing alternatives to transferring the advances to the new owners; and provisions were not introduced into the sale agreement to ensure appropriate stewardship of Commonwealth funds until shortly before the sale agreement was signed. As a consequence, ANAO recommended improvements to sale management processes to maximise the Commonwealth's overall position in future trade sales that involve the possible transfer of stewardship responsibility for significant Commonwealth funds to the private sector.

1.6 In these circumstances, and having regard to the amount of public money involved, ANAO programmed an audit to examine oversight of the post-sale contractual arrangements for each of the 307 Commonwealth client advances totalling $43.7 million transferred to the purchaser.[6] The specific objectives of the audit were to:

- assess compliance with the relevant terms of the sale agreement;

6 In addition to Commonwealth client advances, a further $1.6 million belonging to private organisations and other governments was transferred to the Works Australia purchaser.

- assess the risk management framework put into place by Commonwealth agencies to protect these public monies; and
- identify opportunities for improvements to administrative processes.

1.7 The Office of the Australian Government Solicitor (AGS) provided ANAO with legal advice in connection with the Commonwealth's rights and obligations under the Works Australia sale agreement.

1.8 Audit fieldwork was conducted between December 2000 and April 2001. An Issues Paper was provided to agencies for comment in June 2001 followed by a draft report in August 2001. The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of $186 000.

2. Financial Management and Accountability

Accountability for transferred funds

2.1 Works Australia was offered for sale on the basis that the client advances would be assigned in trust to the new owners with the purchaser obliged to manage the completion of the work to which the advances pertained. Transferring the advances meant that the business was more attractive to potential purchasers. However, alternatives to transferring the advances (such as repaying the public money) were not identified and progressed early in the sale process. When the issue was considered, insufficient time remained to fully examine the status of outstanding advances and identify those that should be retained by the Commonwealth either because the project was completed, or some or all funds were unlikely to be required for a significant period of time following sale. During the audit of the sales process, the then OAS advised ANAO that it accepted that more work should have been done at an earlier stage.

2.2 Client advances were originally provided by agencies to Works Australia to pay for projects managed on their behalf by Works Australia. The client advances transferred to the purchaser of Works Australia related to Memoranda of Understanding or contracts that were assigned to the purchaser for completion. The Works Australia sale agreement, permits the purchaser to:

- apply the advances towards work managed by the purchaser as authorised under the contract to which the advance related; or
- refund the advance amount to the agency on whose behalf the purchaser was holding the funds; or
- otherwise disburse the amount at the agency's discretion (for example, transfer the funds for use on other projects).

2.3 A total of $43.7 million in Commonwealth monies was transferred to the Works Australia purchaser comprising: $30.5 million from Departments of State and other Commonwealth agencies that do not have a separate legal identity (hereafter referred to as departments); and $13.2 million from two Commonwealth statutory authorities, namely: the Aboriginal and Torres Strait Islander Commission (ATSIC) and the Torres Strait Regional Authority (TSRA). By June 2001, $32.3 million (74 per cent) of the $43.7 million in Commonwealth funds transferred to the purchaser as part of the sale process in August 1997 had been spent or was in the process of being spent on the projects for which the funds had originally been advanced to Works Australia (see Figure 2.1).

Figure 2.1

Status of Commonwealth client advances: June 2001

Agency	*August 1997 Sale*		*Post-sale use of funds*					
	No. of Advances	*Amount*	*Spent/ work in progress ($)*	*Transferred to another project ($)*	*Repaid ($)*	*Unspent and uncommitted ($)*	*Not accounted for ($)*	*Total ($)*
Department of Health and Aged Care	67	25 344 340	17 055 774	5 418 720	2 869 846	Nil	Nil	25 344 340
Aboriginal and Torres Strait Islander Commission	149	13 135 127	11 274 244	310 455	1 550 428	Nil	Nil	13 135 127
Bureau of Meteorology	10	2 089 309	2 076 889	12 420 [A]	Nil	Nil	Nil	2 089 309
Department of Industry, Science and Resources	2	985 917	697 797	Nil	288 120	Nil	Nil	985 917
Department of Defence	16	909 153	374 195	Nil	405 498	61 276 [B]	68 184	909 153
Department of Transport and Regional Services	36	603 055	506 806	96 249	Nil	Nil	Nil	603 055
Department of Finance and Administration	15	448 733	149 994	Nil	298 739 [C]	Nil	Nil	448 733
Torres Strait Regional Authority	2	79 402	71 338	8 064	Nil	Nil	Nil	79 402
Australian Taxation Office	7	56 873	50 363	6 510	Nil	Nil	Nil	56 873
National Native Title Tribunal	1	38 393	38 393	Nil	Nil	Nil	Nil	38 393
Australian Bureau of Statistics	1	17 315	Nil	Nil	17 315 [D]		Nil	17 315
Department of Communications, Information Technology and the Arts	1	2 200	Nil	Nil	Nil	Nil	2 200	2 200
Total	**307**	**43 709 817**	**32 295 793**	**5 852 418**	**5 429 946**	**61 276**	**70 384**	**43 709 817**

Notes:

A In July 2001, the Bureau of Meteorology advised ANAO that, as these funds had been sitting in trust for some two years, they will be redirected to a current project.

B The Works Australia purchaser confirmed to ANAO in July 2001 that these funds had not yet been spent by Defence. In a number of instances, the funds had remained untouched since the August 1997 sale. No recovery action has been initiated by Defence.

C The majority of these recoveries ($289 891) occurred prior to the ANAO performance audit. However, due to several changes in financial systems within Finance, one advance to the value of $8 848 was not properly reconciled and recovered. In February 2001, Finance issued an invoice to recover the public money with the funds repaid by 1 March 2001.

D In June 2001, the Australian Bureau of Statistics advised ANAO that it would have this amount repaid to the Commonwealth. ABS advised ANAO that it had been unaware of the continued existence of the advance until advised by ANAO in November 2000.

Source: ANAO analysis of data from agencies.

2.4 Two agencies, the Department of Health and Aged Care (DHAC) and ATSIC were responsible for 70 per cent of the 307 advances, representing 88 per cent of the funds transferred. Over the period since the sale, the amount of advances outstanding for these two agencies has reduced significantly such that, by June 2001, less than 3 per cent of the $38.5 million originally transferred has not been used or repaid. For the outstanding advances, both agencies provided ANAO with documentation concerning the status of the advances which revealed that, for most outstanding advances, the projects had yet to be completed and so funds were still required. In July 2001, ATSIC advised ANAO that it expects its remaining advances will be fully expended by the end of the 2001–02 financial year.

2.5 With the exception of Defence and the Department of Communications, Information Technology and the Arts (DCITA), all other agencies fully accounted to ANAO for their advances with funds being spent, work still in progress, moneys transferred to other projects or funds repaid to the Commonwealth. In relation to Defence and DCITA, information provided to ANAO by the Works Australia purchaser in July 2001 revealed that:

- three Defence advances to the value of $59 477 have remained wholly untouched since the August 1997 sale and subsequent transfer of funds to the Works Australia purchaser. ANAO considers that, given four years has elapsed since the sale and transfer, Defence should take action to have these funds repaid to the Commonwealth;
- six Defence advances with an August 1997 transfer value of $69 983 have been spent in whole or part. However, Defence could not provide ANAO with any details on how $68 184 of these funds had been used in the period since the sale. Two of the six advances had a total of $1 799 remaining unspent as at July 2001. If no further funds are required for either project, ANAO considers Defence should take action to have the remaining funds repaid to the Commonwealth; and
- one DCITA advance of $2,200 at the time of sale and transfer has been spent but DCITA could not provide ANAO with details on how the funds had been used.

2.6 **Finding:** The client advances transferred to the purchaser of Works Australia related to Memoranda of Understanding or contracts that were assigned to the purchaser for completion. The $43.7 million in client advances transferred to the purchaser of Works Australia in August 1997 has been effectively accounted for as of July 2001 by the Commonwealth agencies concerned. Only two departments were unable to provide ANAO with details of use of $70 384 in advances that were transferred and later spent. A further $61 276 relating to one of these two departments remains unspent as at July 2001, almost four years after the sale date.

Recommendation No.1

2.7 ANAO *recommends* that the Department of Defence take appropriate steps to recover outstanding funds of $61 276 from the Works Australia purchaser.

Agencies responded to the recommendation as follows:

2.8 ***Agreed:*** Defence

2.9 In **agreeing** with the recommendation, Defence advised ANAO that it will commence recovery of outstanding funds from the Works Australia purchaser.

Cash management

2.10 Advance payments, such as client advances, raise cash management issues for the Commonwealth because of the interest cost that advance payment incurs, either through funds leaving the Commonwealth's bank accounts earlier, or as a result of the Commonwealth borrowing funds earlier than would otherwise be required.[7] This issue was not of significance prior to the Works Australia sale because the client advances had been transferred from one Commonwealth bank account to another. However, upon sale and transfer of the advances to the Works Australia purchaser, the funds left the Commonwealth. As a consequence, from the time of transfer, additional interest costs were borne by the Commonwealth.

7 Finance Circular 1995/03, *Cash Management: Timing of Payments*, April 1995, paragraph 1.

2.11 Advances of $30.5 million belonging to Commonwealth departments were transferred by the then OAS to the Works Australia purchaser without the relevant departments being given the opportunity to consent to the transfer. However, departments were advised by the then OAS on 27 May 1997, some 11 weeks prior to the Sale Agreement being signed, of the proposed post sale arrangements for their advances and given the opportunity to have the funds returned prior to the sale, if the department did not wish to have them transferred. The Office of Asset Sales and Commercial Support advised ANAO in September 2001 that it is not aware of any departments arranging for the return of funds.

2.12 In comparison to the advances of Commonwealth departments, most other Works Australia clients,[8] including the two Commonwealth statutory authorities, were asked to consent to the transfer of their advances. If consent was not provided, the advances were not to be assigned (see Figure 2.2).

Figure 2.2

Transfer arrangements for Works Australia client advances

Agency category	*Advances ($m)*	*Prior consent to transfer of advance*	*Interest paid to the Commonwealth*
Commonwealth departments	30.5	No	No
Commonwealth statutory authorities	13.2	Yes	Yes
Total	**43.7**		

Source: ANAO analysis of Finance data

2.13 Having regard to the non-payment of interest to departments on their outstanding advances, ANAO considers that it was important that each department examine, as soon as practicable after the sale, whether their advances should be repaid to the Commonwealth or left with the purchaser.[9] However, ANAO found that only two departments, namely DHAC and the Department of Transport and Regional Services (DTRS), had undertaken a comprehensive review of outstanding advances, as follows:

- In response to a November 1999 internal audit report, DHAC recovered some $9.3 million in excess advances paid to the Works Australia

8 The exception is a State Government whose advance was transferred without being asked to consent to the transfer.

9 In this regard, in its response to the Works Australia sale audit report, the then OAS noted that the custody of the advanced funds was primarily a matter for the agencies whose funds were involved. Source: Audit Report No.26 1998–99, *Sale of Works Australia*, p. 21.

purchaser, including $2.9 million relating to advances transferred to the purchaser at the time of the sale.[10] Other significant steps taken in response to the internal audit included improvements to procedures for funds monitoring and control and changed funding arrangements designed to align project payments more closely with needs.[11]

- In August 2001, DTRS advised ANAO that, following an internal review of the way in which it handles payments of accounts for the Indian Ocean Territories capital works program, it has discontinued the practice of advance payments into a trust account of the Works Australia purchaser. All payments to contractors, including to the purchaser as project managers for the Islands works program, are now made directly by DTRS following receipt of invoices for work undertaken. DTRS further advised that monies held in advance by the Works Australia purchaser have now been returned to DTRS.

2.14 The interest costs to the Commonwealth relating to the transferred advances would not have been significant had the advances been used soon after the sale was completed.[12] As outlined in Figure 2.3, there has been a long delay in the use or return of many of the non-interest bearing advances transferred to the Works Australia purchaser.[13] On this basis, ANAO estimates the interest cost to the Commonwealth to be $1.9 million up to 30 June 2001.[14] Finance commented to ANAO in August 2001 that the transfer of the client advances and the associated interest was an explicit factor in the tenderer(s) determining its bid price for Works Australia and that, had these advances been returned prior to sale, it is likely that the sale price would have reduced.

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10 Other recoveries related to advances made after the sale of Works Australia.

11 Among other things, the internal audit estimated that interest foregone by the Commonwealth on the average balance of DHAC's client advances (including both advances transferred at the time of the sale and subsequent advances) to be $1.2 million per annum.

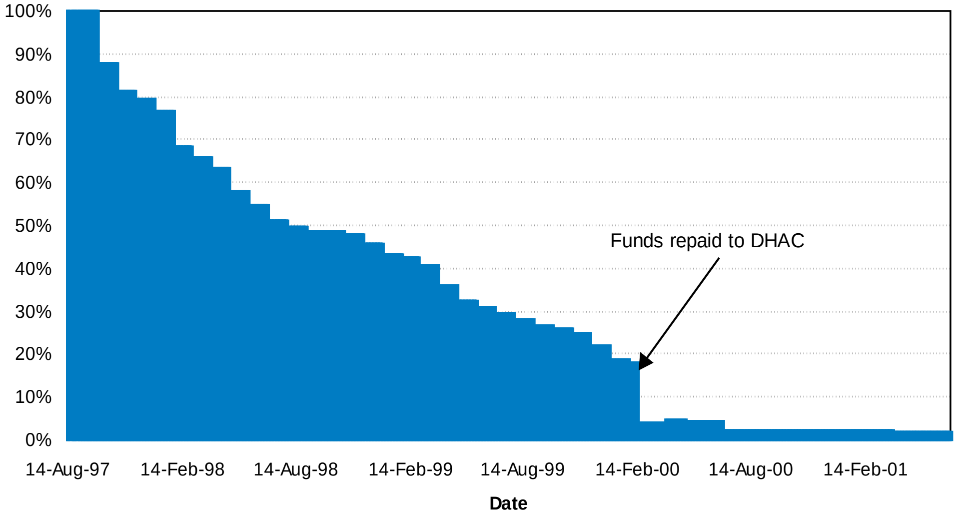
12 In May 1997, the then OAS had advised Commonwealth departments that the period for disbursement of funds would be limited to 15 months after which any outstanding balances would be returned to the Commonwealth. However, no such limitation was included in the Works Australia sale agreement.

13 By August 1998, one year after the sale, only 50 per cent of the $30.5 million in Commonwealth departments' advances had been spent, transferred or recovered. By August 1999, the amount outstanding was still significant at 28 per cent of the total transferred in late 1997. As of 31 March 2001, nearly four years after the funds were transferred to the purchaser, the amount remaining unused was $618 428 (2 per cent of the original amount).

14 The estimate relates only to those advances from departments on which no interest is paid to the Commonwealth. Interest is paid to the Commonwealth in respect of outstanding advances from the two statutory authorities.

Figure 2.3

Outstanding advances of Commonwealth departments: June 2001



Source: ANAO analysis of Finance data. Note: excludes advances which belong to two Commonwealth statutory authorities, on which interest is paid to the Commonwealth.

2.15 In relation to an observation that interest costs should be considered an offset to sale proceeds, OASACS commented to ANAO in July 2001 that:

> *It may be, as you say, that management of advances by agencies has involved a cost to the Commonwealth in terms of interest foregone of $1.9 million, and we agree that it is relevant to highlight this cost. As noted in your draft report, the cost arose out of agencies' long-standing practice of parking funds with Works Australia in the absence of individual agency accountability for the cost of funds. It appears that some agencies have been slow to adjust to the new environment, but it is arguable that the cost of this should be debited to sales proceeds. Attributing this to sale proceeds is just one of several possibilities. In many ways, the interest forgone represents a higher real cost of the works covered by the advances. If a broader view is to be taken of the net value of the sale, then the analysis should also include the ongoing benefits as well, i.e. the public debt interest savings and the operating and overhead cost savings from the Commonwealth no longer operating Works Australia. It would be simpler however, to treat the two issues, the sale and post-sale management of advances on their respective merits.*

2.16 **Finding:** While the consent of Commonwealth departments was not sought for transfer of the $30.5 million in advances, departments were advised by the then Office of Asset Sales on 27 May 1997, some 11 weeks prior to the Sale Agreement being signed, of the proposed post-sale arrangements for their advances and given the opportunity to have the funds returned prior to the sale, if the department did not wish to have them transferred. As the Commonwealth is not paid interest on these funds, ANAO considers that it was important that Commonwealth departments examine, as soon as practicable after the sale was effected, whether their advances should be repaid to the Commonwealth or left with the purchaser. Two departments have undertaken such a review, with some $2.9 million in advances subsequently returned to one of these departments as well as improvements being made to financial management procedures in both departments.

2.17 Advance payments, such as client advances, raise cash management issues for the Commonwealth because of the interest cost that advance payment incurs, either through funds leaving the Commonwealth's bank accounts earlier, or because the Commonwealth must borrow funds earlier than otherwise. In this context, there has been a long delay in the use or return of many of the non-interest bearing advances transferred to the Works Australia purchaser resulting in estimated interest costs to the Commonwealth of $1.9 million. Finance commented to ANAO in August 2001 that the transfer of the client advances and the associated interest was an explicit factor in tenderers determining their bid prices for Works Australia and that, had these advances been returned prior to sale, it is likely that the sale price would have reduced.

Financial security arrangements

2.18 Advance payments such as client advances raise risk management concerns. In particular, there is a risk that the advance holder will not be able to deliver the contracted goods and/or services. For this reason, guidance to Commonwealth agencies has included that there is a presumption against payment before delivery.[15] Wherever payment is made before receipt of goods and/or services, the financial benefits of this (such as a prepayment discount) should be sufficiently high to more than compensate for the cost to the Commonwealth of borrowing the funds and the risk inherent in early payment.[16]

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[15] Finance Circular 1995/03, *Cash Management: Timing of Payments*, April 1995, paragraphs 15 to 17.

[16] *ibid.*

2.19 The Works Australia sale agreement provided that different financial security arrangements would apply to advances depending on the legal identity of the owning Commonwealth agency, as follows:

- The $13.2 million in advances belonging to two Commonwealth statutory authorities were moved, with their consent, to a trust account of the purchaser with interest payable by the purchaser to each authority. As each advance transferred was identified to these agencies by the then OAS, an informed decision was able to be made about whether the advance should be transferred. The trust account arrangements for these funds provided some protection in the event of insolvency but otherwise the funds are unsecured.[17]
- Bank guarantee arrangements for the $30.5 million in advances of Commonwealth departments provided security to the Commonwealth for these funds. The bank guarantee diminishes as the level of client advances diminishes with interest on the advances retained by the purchaser to cover the cost of maintaining the bank guarantee. The purchaser also agreed to undertake quarterly audits of the advances to ensure advances have been properly recorded and disbursed.

2.20 Finance is responsible for administering the guarantee arrangements on behalf of all departments. In accordance with the sale agreement, on 9 September 1997, the purchaser provided Finance with 48 bank guarantees aggregating to $30.75 million. The sale agreement requires the purchaser, as soon as possible after the end of each month for so long as any advances remain, to submit to Finance a certificate from its auditor showing: the amount held at the beginning of the month; the amount applied towards authorised work or refunded; and the amount held at the end of the month. On receipt of each auditors certificate, Finance is to authorise a reduction in the bank guarantees to the level of the amount held at the end of the month, rounded up to the nearest $250 000.

2.21 ANAO found that this aspect of the sale agreement has been effectively administered by Finance in accordance with the terms and conditions of the Works Australia Sale Agreement. Except for a three month period between April and June 2000,[18] Finance has held bank guarantees that fully covered outstanding advances. Insufficient

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17 Audit Report No.26 1998–99, *Sale of Works Australia*, p. 20, footnote 10.

18 During this period, up to $167 846 in advances was not protected by guarantees.

guarantees were held for this three month period because of misclassification of outstanding advances by the purchaser.[19] This situation was recognised by the purchaser's own audit of client advances as at 30 June 2000 and immediately rectified. In July 2001 Finance advised ANAO that, by the time it became aware of this issue, further audit certificates received had reduced the balance of client advances to below the guarantees held and that, in any event, it would have had a right to recover such moneys from the purchaser despite the shortfall in bank guarantees.[20]

2.22 **Finding:** The Works Australia sale agreement included bank guarantee arrangements for $30.5 million of the $43.7 million in Commonwealth client advances transferred to the purchaser of the business. The guarantee arrangements were intended to provide security for these public moneys, with the remaining $13.2 million in advances being largely unsecured.

2.23 Finance is responsible for administering the bank guarantee arrangements on behalf of all departments. ANAO found that the bank guarantee arrangements have been effectively administered by Finance in accordance with the terms and conditions of the Works Australia Sale Agreement.

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19 Until February 2000, money transferred from a Works Australia project (which are guaranteed) to another project being managed by the purchaser automatically reduced the guaranteed balance funds held in the trust account. However, there were instances where the transfer was from one Works Australia project to another and therefore should have remained guaranteed. This lead to an increase in the amount of guaranteed funds on 15 February 2000 but there was no corresponding increase in the bank guarantees held by Finance.

20 Finance advised ANAO that: *We agree with the stated position that for a period of time an amount of money was unprotected by bank guarantees as a result of a misclassification of outstanding advances by the purchaser. However, this situation occurred due to a 10-month delay in the purchaser forwarding the relevant audit certificate, which corrected the misclassification. We note that this issue arose due to an error on the audit certificate on which Finance relied and was entitled to rely. Finance had complied with all requirements in this regard under the Sale Agreement. Accordingly, Finance was unaware of the unprotected monies and therefore was unable to take any corrective action. By the time Finance became aware of this issue, further audit certificates received had reduced the balance of client advances to below the guarantees held. It should be noted that Finance made a number of approaches to the purchaser during this period to provide outstanding audit certificates. Furthermore, we note that Finance would have had a right to recover such moneys from* [the purchaser] *despite the shortfall in bank guarantees.*

Ongoing governance issues

2.24 There are two significant steps in any system for the payment of public moneys: approval of proposals to spend public moneys (the procurement function); and payment of accounts. Prior to January 1998, the *Audit-Act 1901* and associated Finance Regulations prescribed the steps that were to be taken before accounts were to be paid. The FMA Act, which came into force on 1 January 1998, and associated Regulations and Orders include requirements relating to approval of proposals to spend public moneys but do not specifically address payment of accounts.[21] It is left to each Chief Executive to address this issue in the agency's Chief Executive's Instructions issued under section 52 of the FMA Act.

2.25 There is an opportunity cost associated with making payments before they need to be paid and, of course, added risk.[22] If payment of accounts functions are to be administered efficiently and effectively, ANAO considers each agency should include in its Chief Executive's Instructions processes to be followed before authorising payment of public moneys. As a general rule, internal controls should ensure payments are only made where goods and services have been received. Where advance payments and / or prepayments are permitted, procedures should address cash management implications for the Commonwealth, management of financial risk exposures and accountability arrangements for the funds.

2.26 Advances and prepayments were often made under cash budgeting arrangements in order to avoid lapsing of appropriations. Accrual budgeting is expected to reduce the incentive for such practices. However, recent audit work by ANAO has found that payments continue to be made in advance of value being delivered to the Commonwealth.[23] In this respect, after examining agencies' documentation, ANAO considers that at least $11.3 million (26 per cent) of the $43.7 million in Works Australia client advances should have been returned to the relevant agencies prior to the sale, comprising:

- Some $5.9 million that was transferred to other projects being managed by the purchaser on behalf of the relevant agency rather than being used on the projects for which the public money had originally been advanced, often because the original project had been completed with

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21 There is a general requirement in section 44 of the FMA Act for Chief Executives to manage the affairs of their agency in a way that promotes efficient, effective and ethical use of Commonwealth resources.

22 Audit Report No.37 1999–2000, *Defence Estate Project Delivery*, p. 52.

23 For example, see Audit Report No.26 2000-2001, *Defence Estate Facilities Operations*, pp. 74- 79.

excess funds remaining. Indeed, some projects had been completed prior to the sale to the new owner.

- A total of $5.4 million that has been, or is still in the process of being, repaid to the relevant agencies. The majority of these repayments occurred prior to ANAO's performance audit. In addition, three agencies initiated recovery action in relation to $38 583[24] as a result of ANAO's performance audit. (A further $61 276 in unused Defence advances not included in the $5.4 million are also available for recovery.)

2.27 In addition, given the long delay in the use of some funds (see Figure 2.3), it is arguable that some of the advanced funds eventually spent should have been returned to the Commonwealth prior to the sale and only paid out closer to the time when they were actually required.

2.28 **Finding:** There are two significant steps in any system for the payment of public moneys: approval of proposals to spend public moneys (the procurement function); and payment of accounts. There is an opportunity cost associated with making payments before they need to be paid and, of course, added risk. In this context, after examining agencies' documentation, ANAO considers that at least $11.3 million (26 per cent) of the $43.7 million in Works Australia client advances should have been returned to the relevant agencies prior to the sale as it was not needed for the projects in respect of which the advances had originally been made.

2.29 If payment of accounts functions are to be administered efficiently and effectively, ANAO considers each agency should include in its Chief Executive's Instructions processes to be followed before authorising payment of public moneys. As a general rule, internal controls should ensure payments are only made where goods and services have been received. Where advance payments and/or prepayments are permitted, procedures should address cash management implications for the Commonwealth, management of financial risk exposures and accountability arrangements for the funds.

[24] This amount comprises:

- Finance with one advance repaid to the value of $8 848;
- the Australian Bureau of Statistics with one advance repaid to the value of $17 315; and
- the Bureau of Meteorology advised ANAO in July 2001 that it would be transferring $12 420 in excess funds from one advance to a current project.

Recommendation No.2

2.30 ANAO *recommends* that agencies review their Chief Executive's Instructions to ensure that they have adequate procedures to address the cash management and risk management implications of making advance payments.

Agencies responded to the recommendation as follows:

2.31 ***Agreed:*** ATSIC; DCITA; Defence; DHAC; DISR; DTRS; and Finance.

2.32 Specific comments by agencies are set out below:

- In **agreeing** with the recommendation, agencies commented as follows:
  - — **ATSIC:** ATSIC advised ANAO that its Chief Executive Officer has issued Chief Executive Instructions, effective from April 2001, which include the provision that grant funds will not be released in advance of need.
  - — **Defence:** Defence advised that the Defence Chief Executive Instructions are currently being re-written and, as part of that process, will address the procedures for authorisation of payment in advance of the receipt of goods and services.
  - — **DHAC:** DHAC commented that it has adequate instructions relating to procedures for the payment of public moneys in advance of receiving goods and/or services (paragraph 2.13 refers).
  - — **DISR:** DISR advised ANAO that it will review its procedures in relation to advance payments, as reflected in the Chief Executive Instructions and associated procedural rules.
  - — **DTRS:** As noted above at paragraph 2.13, DTRS advised ANAO in August 2001 that following an internal review of payments of accounts for the Indian Ocean Territories capital works program, it has discontinued the practice of advance payments with all payments to contractors now made directly by the Department following receipt of invoices for work undertaken. Monies held in advance by the Works Australia purchaser have now been returned to DTRS.

Residual financial risk exposures

2.33 Based on information provided by agencies to ANAO, as of July 2001 the significant majority of Works Australia client advances belonging to Commonwealth agencies has been spent, transferred to other projects or recovered. Client advances were also transferred to purchasers of a further four former business units of the former Department of Administrative Services, namely: Asset Services; Interiors Australia; the Australian Property Group; and DASFLEET. Bank guarantees aggregating to $55.2 million were provided to Finance by the purchasers of Asset Services, Interiors Australia and the Australian Property Group to provide financial security over the advances transferred to the private sector.[25] In all three cases, as with the Works Australia Sale Agreement, there is no specified timeframe within which the client advances or bank guarantees are required to be finalised. Including the Works Australia guarantees, the balance of all client advances was some $85 million in 1997 when each of the sales occurred. As of August 2001, advances outstanding for these four sales was $1.57 million, or some 2 per cent of the original total amount (see Figure 2.4).

Figure 2.4

Bank guarantees: former Department of Administrative Services business units as at August 2001

Business unit sold	*Sale outcome*		*Client advances*		
	Date	*Price*	*Original amount*	*Outstanding amount*	*Current bank guarantee*
Asset Services	September 1997	$18.70m	$3.96m	$0.52m	$5.00m [A]
Interiors Australia	September 1997	$0.10m	$7.07m	$0.33m	$0.33m [B]
Australian Property Group	August 1997	$2.88m	$43.13m	$0.23m	$0.39m [C]
Sub-total		**$21.68m**	**$54.16m**	**$1.08m**	**$5.72m**
Works Australia [D]	August 1997	$4.19m	$30.50m	$0.49m	$0.50m
Total		**$25.87m**	**$84.66m**	**$1.57m**	**$6.22m**

Notes:

A The purchaser only provides an audit certificate once all client advances have been applied in accordance with the Sale Agreement. The $5 million bank guarantee cannot be reduced or discharged until all monies have been applied in accordance with the Sale Agreement.

B The purchaser may, at periods it sees fit, provide audit certificates (for each month) showing the balance of the client advances. On receipt of the audit certificates and supporting invoices, Finance reduces the balance of the bank guarantee held to the balance of the client advances.

C The purchaser may, at periods it sees fit, provide audit certificates (for each month) showing the balance of the client advances. On receipt of the audit certificates, Finance reduces the balance of the bank guarantee held to the balance of the client advances rounded up to the nearest $250 000. Finance advised ANAO on 31 August 2001 that the reduction of the guarantee amount from $1.37 million to $0.39 million is in process.

D Client advance figures include only those advances subject to the bank guarantee arrangements.

Source: ANAO analysis of Finance data and Finance advice to ANAO.

25 In relation to the DASFLEET sale, the advances were to be placed in an interest-bearing trust account established by the purchaser. There were no accountability or reporting arrangements specified in the DASFLEET Sale Agreement for the transferred advances when other sales such as Works Australia required audit certificates to be provided to Finance.

2.34 The continued existence of unspent advances four years after the sales is an issue that needs to be reviewed by relevant agencies because of the ongoing financial risk exposures and ongoing interest costs. Accordingly, ANAO considers that all agencies with outstanding guaranteed advances from the former business units of the former Department of Administrative Services should assess whether the advanced funds should be returned to the Commonwealth and, where relevant, institute appropriate recovery actions. As Finance is responsible for post-sale administration of the bank guarantees, Finance could assist agencies by advising each agency of outstanding client advances in order to inform agency assessments of the merits of having any outstanding public money repaid to the Commonwealth.[26] It is also likely that Finance will have to resolve issues not addressed fully at the time of the sales and transfer of advances.[27]

2.35 **Finding:** Client advances transferred to purchasers of a further three former Department of Administrative Services business units were also protected by bank guarantee arrangements. In all three cases, as with the Works Australia Sale Agreement, there is no specified timeframe within which the client advances or bank guarantees are required to be finalised. Including the Works Australia guarantees, the balance of all client advances was some $55 million in 1997 when each of the sales occurred. As of July 2001, advances outstanding for these four sales remained significant at $1.57 million, or some 2 per cent of the original total amount. ANAO considers that, having regard to the significant period of time that has elapsed since the four sales occurred in 1997, outstanding funds should either be spent on necessary works or returned to the relevant agencies. This is a matter for individual agencies to decide, although there is a role for Finance to play in informing each relevant agency of any oustanding advances given Finance's ongoing relationship with the various purchasers and the risk that agencies may not be aware that they have unspent advances.

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26 Such action by Finance is particularly important as, at the time of the respective sales, the then OAS did not advise departments who owned advances that the funds had been transferred. Note D in Figure 2.1 refers to one instance where recovery did not occur until ANAO's audit because the agency was unaware of the continued existence of the advance until advised by ANAO in November 2000.

27 For example, in addition to the 156 advances from 10 Commonwealth agencies covered by the Works Australia sale bank guarantee arrangements, a further advance to the value of $6 064 belonging to a State Government was transferred, without the State's permission, to the Works Australia purchaser. ANAO's legal advice is that such transfers would not have been legally possible without consent. As of July 2001, the funds were still being held by the Works Australia purchaser and subject to the bank guarantee arrangements. The Works Australia purchaser has advised ANAO that it had previously tried to return these funds, without success.

Recommendation No.3

2.36 ANAO *recommends* that, consistent with sound cash management principles:

(a) in order to assist individual agencies discharge their responsibility for the efficient and effective use of public money for which these agencies are responsible, Finance advise relevant agencies of any outstanding advances relating to former business units of the former Department of Administrative Services; and

(b) each agency with outstanding cash advances assess whether the advanced funds should be returned to the Commonwealth and, as relevant, institute appropriate recovery actions.

Agencies responded to the recommendation as follows:

2.37 ***Agreed:*** ATSIC; DCITA; DHAC; DISR; DTRS; and Finance (part (a))[28].

2.38 Specific comments by agencies are set out below:

- In **agreeing** with the recommendation, agencies commented as follows:
  — **ATSIC:** ATSIC advised ANAO that it has taken action to assess the status of Works Australia cash advances and has arranged recovery in some cases, as called for in Recommendation 3(b).

Canberra ACT
2 October 2001

P. J. Barrett
Auditor-General

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[28] Finance did not respond to part (b) as it was not applicable.

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