



DPS ref: 11/6

4 July 2011

Senator Helen Polley
Chair
Senate Finance and Public Administration Legislation Committee
Parliament House
Canberra ACT 2600

Dear Senator

Budget Estimates Hearings: the Department of Parliamentary Services (DPS)

I am writing in regard to the Department's appearance before the Finance and Public Administration Committee at the most recent Estimates hearings.

Firstly, I wish to affirm to the Committee personally, and on behalf of the DPS Executive Committee, our very deep concern that misleading and inaccurate information about billiard tables had been provided to the Committee at the February 2011 hearings, and in response to Questions on Notice arising from those February hearings. This was absolutely not acceptable; I have instigated measures to ensure that this does not happen again.

All current DPS Executive Committee members have been very troubled about these events, which are inconsistent with our commitment to serve the Parliament honestly, diligently and competently. The Executive Committee comprises all current SES officers of the Department, as well as other senior officers.

However, and most importantly, the members of the Executive Committee have asked me to reaffirm to the Committee their commitment to providing clear and accurate information in response to oral questions and to Questions on Notice. Furthermore, it is well recognised that if information is found not to be correct (for whatever reason), timely corrective advice needs to be provided.

Secondly, I am able to advise the Committee of some important actions we have taken as a result of the recent Estimates Committee hearings:

- (a) **An internal audit investigation** into the disposal of two billiard tables is now underway. This audit is being undertaken by PriceWaterhouseCooper (PWC), and should be complete by late July. We will supply a copy of the report to your Committee, and respond immediately to any recommendations contained in the report.

- (b) **Asset disposal policy improvements**—Following the hearing, I instituted a review of the DPS policy framework for disposal of public property. While the PWC audit will assess whether there has been compliance with this policy in relation to disposal of the billiard tables, we have already identified opportunities to strengthen our approach to obtaining expert advice about assets which may have heritage value. This change is now in place, and all relevant staff have been notified.
- (c) **Survey of heritage and cultural items**—I have initiated a process to compile a list of relevant moveable and semi-moveable items which have heritage and cultural significance over which DPS has stewardship. The background to this action is set out below.

For many years DPS and its predecessors have categorised heritage and cultural assets in accordance with definitions provided through the Minister for Finance. The Minister issues Orders consistent with powers under the *Financial Management and Accountability Act 1997*. The current version of these Orders is at **Attachment A**, and the most relevant paragraph is set out below.

37.2 Only assets that are primarily used for purposes that relate to their cultural, environmental or historical significance are to be accounted for as heritage and cultural assets.

Using this definition, each year there is an assessment of the total holdings of heritage and cultural assets over which DPS has stewardship. For 2009-10, the audited value of these assets was some \$77.6 million. These assets comprise the Parliament House Art Collection, the Historic Memorials Collection and the Gifts Collection.

However, it is clear that some other items in and around Parliament House will have heritage, cultural or historic significance, even though they do not fall within the definition of heritage and cultural assets of paragraph 37.2.

I expect the initial survey will be completed by the end of August.

- (d) **Review of disposal practices**—DPS is now initiating a review of all asset disposal practices. The review is to be conducted by a small team who (collectively) will understand the parliamentary operating environment, and public service financial practice. At least one member will be external to DPS. The review will build on the findings of the internal audit into the billiard tables.

At this stage, we expect the draft review to be completed by early September 2011. We will take early action on any urgent findings or recommendations, but will also make the review available to the Committee.

I am aware that the Senate has given the Finance and Public Administration Committee a reference to inquire into the performance of the DPS. I wish to assure the Committee that DPS officers will cooperate fully with the inquiry.

Within DPS, officers are very proud of their various roles in serving the needs of the Parliament, including caring for Parliament House.

While officers are working very hard to ensure they do a good job, there is also a healthy interest in identifying ways and means of improving our performance. I look forward to assisting the Committee to achieve this outcome.

I ask that you provide this letter to the Committee members.

Yours sincerely,

Alan Thompson
Secretary

37 Heritage and Cultural Assets

- 37.1 Heritage and cultural items must only be recognised as assets where they meet the asset definition and recognition criteria set out in AASB 116 or AASB 138.
- 37.2 Only assets that are primarily used for purposes that relate to their cultural, environmental or historical significance are to be accounted for as heritage and cultural assets.
- 37.3 When an entity controls or administers assets that are accounted for as heritage and cultural assets, the notes to the financial statements must disclose:
- (a) a description of those items; and
 - (b) the curatorial and preservation policies for heritage and cultural assets. Where these policies are publicly available entities may instead provide a cross-reference to this information. These policies must include details on acquisition, preservation, management and disposal of heritage and cultural assets.
- 37.4 For the purposes of this Division, the term 'government department' referred to in the statement listing pertinent entities in Australian Implementation Guidance to AASB 116 means an entity as defined in these Orders.

POLICY

- 37.51P Heritage and cultural items do not include structures constructed to assist with the display, transport or storage of the asset. For example, backdrops, hanging apparatus, storage racks or protective cases are not captured by the definition of a heritage or cultural asset unless the item has such value in its own right or is an integral part of the item. An example of an asset being an integral part of a heritage and cultural asset might be the original frame surrounding a painting that is classified as a heritage and cultural asset.

GUIDANCE

Asset Recognition Criteria

- 37.71G Not all heritage or cultural items will meet the accounting definition of assets despite having intrinsic heritage value. Only items that are useful to the entity in achieving its objectives and have a financial value that can be reliably measured are recognised as assets.
- 37.72G Where a heritage and cultural asset is irreplaceable and has no market price, it is unlikely that its value can be reliably measured.

Heritage and Cultural Items

- 37.73G The AAS contemplate indefinite useful lives for some assets and non-depreciation in circumstances where assets have indefinite useful lives.
- 37.74G Heritage and cultural assets are assets used for the community's benefit, and represent, in part, Australia's cultural and historic background. Generally such assets attract funding from the budget for preservation, curation and restoration activity, ensuring these assets remain part of Australia's heritage for as long as possible.
- 37.75G Heritage and cultural items are buildings, other structures, works of art, artefacts, collectables, historical treasures, nature reserves, national parks, or similar items, which are used for their cultural, environmental or historical significance. Heritage and cultural assets will generally be:
- (a) used for public exhibition, education or research; and/or
 - (b) protected, cared for and preserved.
- 37.76G In accordance with AASB 116 para. G3, where appropriate curatorial and preservation policies are established, heritage and cultural assets may be deemed to have an indefinite useful life, and as such, not depreciated. Entities should ensure such policies satisfy the criteria in the Implementation Guidance to AASB 116 and only depreciate these assets where they are determined to have a limited life.

Primary Use of Assets

- 37.77G One example of an item subject to section 37.2 is buildings of historical interest that are used primarily to provide office accommodation. These should not be accounted for as heritage and cultural assets.

Curatorial and Preservation Policies

- 37.78G Entities are not required to disclose sensitive material (e.g. information about fraud/theft prevention) contained in the same document as curatorial or preservation policies.