

Audit Report No. 31, 2005-2006, Roads to Recovery

Introduction

- 11.1 The Roads to Recovery (R2R) Program is the largest investment in local roads ever undertaken by an Australian Government. In total, over eight years (March 2001 – June 2009), \$2.737 billion is to be paid to local government for expenditure on the construction, upgrade and maintenance of roads under the R2R Program.¹
- 11.2 There have been two Roads to Recovery Programs. The initial Program served as intervention to address the problem that a significant amount of local government road infrastructure was about to reach the end of its economic life and its replacement was beyond the capacity of local government. A total of \$1.2 billion was paid to more than 730 Local Government Authorities (LGAs) between March 2001 and June 2005.²
- 11.3 The second four-year Program commenced in July 2005, as part of the Auslink land transport initiative. Total funding to be appropriated under this second Program is \$1.23 billion. In May 2006 the Australian Government announced that a further \$307.5 million would be provided in 2005-06 as a supplement to the R2R program.³

1 DOTARS internet site, <http://www.auslink.gov.au/funding/r2r/index.aspx>, accessed 18 October 2006.

2 ANAO Audit Report No. 3, 2005-06, *Roads to Recovery*, p. 41.

3 Warren Truss, the then Minister for Transport and Regional Services, *Media Release: \$307.5 million funding boost for Australia's local roads*, 9 May 2006.

- 11.4 Both R2R Programs are administered by the Department of Transport and Regional Services (DOTARS) which advised ANAO that the R2R Act was framed around the following Program delivery decisions made by the Government:
- funds were to be paid directly to LGAs;
 - project priorities were the choice of LGAs; and
 - the process by which grants were paid to the LGAs was to be simple, with appropriate audit and accountability systems and arrangements put in place to ensure that there is due recognition by LGAs of the Commonwealth's contribution to local road projects.⁴

Audit scope and objective

- 11.5 The audit scope covered development of the R2R Program, management of the initial R2R Program and changes made to the Program funding conditions and administrative guidance for Auslink Roads to Recovery. The scope did not include management of Auslink Roads to Recovery.
- 11.6 The audit objectives were to:
- assess the efficiency and effectiveness of the management of the initial R2R Program; and
 - identify any opportunities for improvements to management of the Program.⁵
- 11.7 A key part of the audit involved examination of the use of, and accountability for, R2R funds by a representative sample of 93 LGAs (representing more than one in eight funding recipients) from around Australia. This work included site inspections of more than 400 projects funded under the Program, analysis of financial and other reports provided by the 93 LGAs to DOTARS, and substantiation of the amounts charged to the R2R Program for selected projects.

Audit conclusions

- 11.8 The ANAO observed that the government considered LGAs best placed to make decisions on road investment at the local level. The R2R Program reflected this by giving LGAs the freedom to use the funds as they wished, as long as it was for expenditure on roads.

4 ANAO Audit Report No. 31, 2005-06, p. 17.

5 ANAO Audit Report No. 31, 2005-06, p. 18.

- 11.9 The funding provided under the R2R Act was to be additional to existing road funding. Accordingly, provisions were included in the Act, the R2R Funding Conditions and the R2R Administrative Guidelines aimed at ensuring that LGAs were not cost shifting by substituting Australian Government funding for their own in constructing, upgrading and maintaining local roads. However, more than 60 percent of the individual LGAs examined by ANAO had not maintained their expenditure at the required level (that is, at or above the average for the period 1998-99 to 2000-01) in at least one year between 2000-01 and 2003-04. Some had not maintained their own expenditure in any year. Furthermore, having regard to the fundamental importance to the R2R Program that funds provided by the Australian Government be additional to existing road funding, the ANAO considered there was merit in DOTARS undertaking periodic assessments of whether aggregate local government spending on roads had been maintained.⁶
- 11.10 The ANAO concluded that the payment of funds direct to local government (rather than through the States and Territories) placed an onus on DOTARS to ensure the funds are spent on roads, and that the funds were properly accounted for. This was seen to represent a new and substantial area of responsibility for DOTARS to be managed within its existing administrative resource base (no additional funding was provided to administer the initial R2R Program).
- 11.11 The grant payment and acquittal processes were, by design and in accordance with the Government's intention, simple. Nevertheless, a significant amount of useful information was required by the Funding Conditions and Administrative Guidelines to be provided to DOTARS by LGAs. However, the ANAO found that over the duration of the Program, insufficient use was made by DOTARS of this information. The ANAO concluded that thorough and timely analysis of the information provided to DOTARS by LGAs would have provided DOTARS with practical insights into the delivery of the R2R Program by LGAs.
- 11.12 The ANAO concluded that the audit demonstrated the importance of program management and accountability mechanisms – these are critical in the achievement of outcomes which the government and community expects.⁷

6 ANAO Audit Report No. 31, 2005-06, p. 19.

7 ANAO Audit Report No. 31, 2005-06, pp. 18-19.

ANAO recommendations

Table 11.1 ANAO recommendations, Audit Report No. 31, 2005-06- Roads to Recovery

1.	<p>ANAO recommends that, to assist to inform consideration of any further extension to the Roads to Recovery Program, prior to the end of the Auslink Roads to Recovery Program DOTARS conduct a benefit cost analysis of a representative sample of projects funded by the Australian Government.</p>
	<p>DOTARS Response: Agreed</p>
2.	<p>ANAO recommends that, having regard to the fundamental importance to the Roads to Recovery Program that funds provided by the Commonwealth be additional to existing road funding, DOTARS undertake periodic assessments of whether aggregate local government spending on roads has been maintained.</p>
	<p>DOTARS Response: Agreed</p>
3.	<p>ANAO recommends that DOTARS limit Auslink Roads to Recovery payments to the amounts supported by actual and forecast expenditure included in Quarterly Reports submitted by Local Government Authorities.</p>
	<p>DOTARS Response: Agreed</p>
4.	<p>ANAO recommends that DOTARS instigate measures to promote, at an early stage of the Auslink Roads to Recovery Program, a shared understanding with Local Government Authorities on the extent to which administrative costs may be charged to the Program, and what may be included as part of these costs.</p>
	<p>DOTARS Response: Agreed</p>
5.	<p>ANAO recommends that DOTARS improve the accuracy and usefulness of works schedules by:</p> <ul style="list-style-type: none"> (a) analysing works schedules submitted by Local Government Authorities in order to promote a consistent minimum standard of works identification and specification; (b) providing Local Government Authorities with clear rules on the specification of start and completion dates to be included in works schedules; and (c) implementing a risk-based program of site inspections that, among other things, carefully scrutinises the accuracy and completeness of works schedule data relied upon when funding Auslink Roads to Recovery projects.
	<p>DOTARS Response: Agreed</p>
6.	<p>ANAO recommends that, to promote equity and transparency, DOTARS document and provide to Local Government Authorities the criteria that are to be used in exercising any Departmental discretion in reallocating any underspent Auslink Roads to Recovery annual allocations between Local Government Authorities.</p>
	<p>DOTARS Response: Agreed</p>
7.	<p>ANAO recommends that, where Local Government Authorities have received their final Auslink Roads to Recovery payment, DOTARS promote the achievement of Program outcomes and protect the Commonwealth's financial interests by:</p> <ul style="list-style-type: none"> (a) implementing effective follow-up procedures where reports on the use of Roads to Recovery funds are not provided in a timely manner, or not provided at all; and (b) considering the merits of recovering some or all of the funding where the funds have not been spent within the prescribed period of time.
	<p>DOTARS Response: Agreed</p>

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8. ANAO recommends that DOTARS address the risks and costs of paying Local Government Authorities in advance of their needs, or of funds not being used by Local Government Authorities in a timely manner, by:
- (a) introducing systems and procedures for the efficient and timely analysis of all Quarterly Reports and R2R Annual Reports submitted by each Local Government Authority prior to making Auslink Roads to Recovery payments so as to better match payments to Local Government Authority cash flow needs; and
 - (b) amending the Auslink Roads to Recovery Funding Conditions so that local government is neither penalised nor receives a financial advantage from legitimate delays in using Roads to Recovery funds by requiring Local Government Authorities to either:
 - (i) calculate interest from the date of receipt until funds are spent using a predetermined interest rate, with this amount required to be spent on roadworks; or
 - (ii) deposit the funds in a separate bank account until used with all interest earned required to be spent on roadworks.

DOTARS Response: Agreed

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9. ANAO recommends that DOTARS develop and implement effective binding funding conditions for Auslink Roads to Recovery projects funded and accounted for through an intermediary (as opposed to direct with a Local Government Authority) including:
- (a) more closely aligning payments to expenditure on road works; and
 - (b) clearer lines of accountability for reporting on the use of funds and the outcomes achieved.

DOTARS Response: Agreed

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10. ANAO recommends that DOTARS enhance accountability and address risks relating to Local Government Authorities not undertaking Auslink Roads to Recovery Special Projects, or using the funds on other works, by:
- (a) requiring Local Government Authorities that receive funds for Special Projects to clearly identify in their works schedules and Quarterly Reports that the project is being funded by a tied grant so as to discriminate these projects from those chosen by LGAs using their untied funds;
 - (b) analysing works schedules, Roads to Recovery Quarterly Reports and Annual Reports to identify any Local Government Authorities that have not undertaken, or do not propose to undertake, one or more Special Projects approved by the Australian Government;
 - (c) reducing the total Auslink Roads to Recovery payments made to relevant Local Government Authorities by the amount of any approved Special Project where the relevant Local Government Authority has not undertaken, or does not propose to undertake, one or more Special Projects;
 - (d) requiring transparent accounting for Special Project funds that are paid to Local Government Authorities including, as appropriate, holding these amounts separate to other funds; and
 - (e) when assessing any future requests from Local Government Authorities to reallocate unspent Special Project funds to other works, identifying any other Local Government Authorities that have insufficient funds available to complete their Special Projects and giving consideration to the merits of surplus Special Project funds being reallocated to complete work on other Special Projects.

DOTARS Response: Agreed to parts (a), (b), (c) and (e); agreed with qualification to part (d)

Committee review

- 11.13 The Committee held a public hearing on 23 June 2006 with witnesses from the DOTARS, the Australian Local Government Association (ALGA) and the ANAO.
- 11.14 At the public hearing, the main issues addressed by the Committee included:
- program accountability;
 - financial management;
 - recognition of Australian government funding; and
 - administrative responsibility.
- 11.15 DOTARS also made a submission to the inquiry with answers to questions arising at the hearing.

Program accountability

Maintaining local government expenditure

- 11.16 In developing the R2R Program, the Australian Government was concerned to address cost shifting; that is, LGAs substituting Australian Government funds for their own expenditure on roads. Accordingly, provisions were included in the R2R Act, Funding Conditions and Administrative Guidelines requiring LGAs to maintain their own source expenditure at the required level (that is, at or above the average for the period 1998–99 to 2000–01), rather than substituting Commonwealth funding for their own, in constructing, upgrading and maintaining roads.
- 11.17 However, the ANAO found that in its administration of the R2R Program DOTARS did not attempt to assess whether or not, in aggregate, local government spending on roads had been maintained since the introduction of the R2R Program.
- 11.18 The R2R Funding Conditions stated that each LGA must maintain the level of roads expenditure which it funded otherwise than under the R2R Act, and provide a statement to DOTARS that it had done so. In order for DOTARS to rely on the LGA certifications, it was important that LGAs had analysed whether they had maintained their own source expenditure prior to certifying. However, in the course of the audit, a number of LGAs

advised ANAO that they had not undertaken their own analyses of their roads expenditure in order to give proper consideration to the whether they had maintained their own expenditure prior to certifying that they had. This raised the possibility that a number of the certifications provided to DOTARS by LGAs had been made in error, as the financial analysis necessary to substantiate the certifications had not been undertaken.

- 11.19 The ANAO found that 52 of the 83 LGAs for which ANAO was able to obtain sufficient financial data had not maintained their own source expenditure in at least one year between 2000-01 and 2003-04.
- 11.20 At the hearing DOTARS stated it proposed to undertake financial audits of 15-25 councils during 2006-07.⁸ In 2005-06 DOTARS implemented an independent financial audit by Ernst and Young of seven councils. The findings of the audit included:
- one in seven councils knew that there were expenditure maintenance requirements under previous program;
 - three in seven knew that there were these requirements under the present program; and
 - many council officers had never read the program documentation.⁹
- 11.21 While this is a small sample, the Committee believes these findings demonstrate that LGAs were not fully aware of their obligations under the R2R program to maintain their own aggregate expenditure.
- 11.22 ALGA stated that it is committed to making sure that cost shifting does not occur between any levels of government and they have reiterated to LGAs that R2R is additional funding on top of the funding they currently spend.¹⁰
- 11.23 ALGA also noted that local governments spend around \$3.8 billion a year on roads which is 10 times the amount of money provided by the Australian government. The vast majority of that money comes from rates.¹¹
- 11.24 The Committee is concerned that some LGAs had provided certifications in error, or without proper analysis of their expenditure. This means it is possible that some LGAs had not maintained their own expenditure on

8 DOTARS, *Submission No. 9*, pp. 2-3.

9 Leslie Riggs, DOTARS, *Roads to Recovery*, Presentation to National Local Roads Congress 2006, (<http://www.alga.asn.au/policy/transport/congress/2006/ppt/>, accessed 18 October 2006).

10 ALGA, *Transcript of Evidence*, 23 June 2006, p. 6.

11 ALGA, *Transcript of Evidence*, 23 June 2006, p. 17.

roads and had not spent R2R funds appropriately on the roads as advised to DOTARS.

- 11.25 The Committee notes a number of changes have been made to the expenditure maintenance requirements for the Auslink Roads to Recovery Program. A key change has been that the LGA certification has been expanded to require LGAs to specify the amount spent using its own sources in each year together with the reference average amount. A further significant change involved providing greater flexibility in the expenditure maintenance requirement so as to take account of the fluctuating nature of LGA expenditure. These changes should assist DOTARS to monitor compliance by LGAs with their expenditure maintenance obligation.

Annual statements and quarterly reporting

- 11.26 LGAs were required by the R2R Funding Conditions to submit Annual Reports to DOTARS covering their use of R2R funds by no later than 30 September each year. DOTARS payment procedures required Departmental officers to satisfy themselves as to whether a satisfactory Annual Report had been received prior to making further payments to an LGA. The ANAO found that although payments were generally not made unless an Annual Report had been submitted, this did not mean that the Annual Reports were satisfactory. In this respect, DOTARS did not develop and document criteria by which it would assess whether or not Annual Reports submitted by LGAs were 'satisfactory'. Analysis of R2R Annual Reports submitted by ANAO's sample of LGAs found 43 percent of Annual Reports contained errors of varying significance.¹²
- 11.27 The works schedules, submitted quarterly, were relied upon by DOTARS in making payments to LGAs. Specifically they provided details to enable DOTARS to assess whether proposed works were eligible under the R2R Act. They also provided start and completion dates that could be used by DOTARS to ensure payments were not made more than three months prior to works being carried out. ANAO's examination of 93 LGAs revealed that, in many instances, the works schedules did not reflect the required information, or were inaccurate.¹³
- 11.28 The ANAO stated that there were inconsistencies between the quarterly reports and the signed certifications, therefore it was difficult to say how many had not spent the money and they could not determine how many

12 ANAO Audit Report No. 31, 2005-06, p. 24.

13 ANAO Audit Report No. 31, 2005-06, p. 26.

other councils had provided certifications but had also not spent the money.¹⁴ The ANAO described its concerns:

I guess our concerns might have been more fundamental, before you even get to that point, in that there are councils that reported their actual expenditure on projects in one quarter and in the next quarter that their total spend had reduced. If you have spent cash, that is physically not possible. When we asked some councils to substantiate the costs they charged to particular projects in the program, the costs they had actually charged were somewhat lower than they had reported. In that sense the concern is more fundamental. I am sure they have spent the money, but they may not have spent it on the road projects they have nominated and to the extent they have reported they have spent it.¹⁵

- 11.29 The ANAO found that there were two LGAs that were paid less than their gazetted allocation. The first involved a LGA in Queensland that had not provided an R2R Annual Report for 2003–04 and, as a result, was not paid the remainder of its allocation. The other instance involved a LGA that had insufficient expenditure and forecast expenditure to support payment of the full allocation. In this respect, ANAO found that there were 13 LGAs in a sample of 93 that also had insufficient forecast and actual expenditure to justify payment of their full allocation. However, these 13 LGAs were each paid their full allocation, demonstrating an inconsistent adoption of the principle that payments be supported by actual and forecast expenditure on eligible roads projects.¹⁶
- 11.30 At the hearing DOTARS stated that, of the original R2R money up to the end of June 2005, eight councils had still not provided certification that they had spent all that money appropriately in roads. It was also possible that additional councils signed off in the certification that they had spent the funds, despite not doing so.¹⁷
- 11.31 DOTARS maintained that they are being more assiduous in checking annual reports and quarterly reports to make sure councils are maintaining their expenditure and that they do not contain obvious errors and where they do, will go back to the councils. DOTARS described its monitoring processes:

14 ANAO, *Transcript of Evidence*, 23 June 2006, p. 23.

15 ANAO, *Transcript of Evidence*, 23 June 2006, p. 25.

16 ANAO Audit Report No. 31, 2005-06, p. 25.

17 DOTARS, *Transcript of Evidence*, 23 June 2006, pp. 21-22.

For starters, when a quarterly report arrives which includes a claim for payment we check that the projects against which the council is claiming funds are those which are on their current work register. So we check for currency. We are implementing a new IT system at the moment and that is one of the things that it will be easier to do once that system is in place, because the system will do that cross-check for us. We have a program of site inspections and visits to local councils by officers of the department. It does not cover every council at all but it is a risk-based and randomly based – a share of each of those – visitation program. We are just implementing now a series of independent audits of councils. Again, these are randomly selected, although there is a risk-based element in the future, I suspect, to come into that program. And, as required by the funding conditions, we rely on councils to sign off every year that they have spent the money according to the work schedules and appropriately as required under the act.¹⁸

- 11.32 ANAO's examination of DOTARS' management of the wind-up of the R2R Program revealed that DOTARS has begun applying greater scrutiny to R2R Annual Reports and, where errors have been detected, requiring a corrected report to be submitted.¹⁹
- 11.33 DOTARS, in conjunction with ALGA, was also conducting educative work with councils in order to highlight to LGAs their responsibilities in terms of accountability requirements.²⁰
- 11.34 ALGA has taken responsibility to engage with its constituency to draw attention to the findings of the audit report and to encourage a close relationship with DOTARS to ensure LGAs meet the accountability requirements of R2R. Learnings from the audit report are being conveyed to all councils requirements in terms of their accountability.²¹
- 11.35 The ANAO noted that during the audit they saw some evidence of councils undertaking internal auditing to address their own reporting and accountability issues and to tighten up internal systems.²²

18 DOTARS, *Transcript of Evidence*, 23 June 2006, pp. 4-5.

19 ANAO Audit Report No. 31, 2005-06, p. 24.

20 DOTARS, *Transcript of Evidence*, 23 June 2006, p. 5

21 ALGA, *Transcript of Evidence*, 23 June 2006, p. 4.

22 ANAO, *Transcript of evidence*, 23 June 2006, p. 8.

Accountability of special purpose projects

- 11.36 DOTARS supported all the recommendations of the ANAO, except recommendation No. 9(d) which was agreed to with qualifications. The ANAO recommended that funds for the special WA projects be held as appropriate in separate bank accounts to achieve transparency of accounting. However, DOTARS considered that R2R funds can be clearly identified within a bank account without the need for councils to create separate bank accounts. DOTARS explained that the R2R program sought to implement the objectives that funds would be paid directly to councils and the administrative processes were to be simple, with appropriate audit and accountability arrangements in place.²³
- 11.37 The Committee is satisfied with this approach.

Financial management

- 11.38 DOTARS recognised that it was important to make time payments to LGAs so that they could undertake R2R works without transferring funds from their normal road activities. At the same time, DOTARS recognised that payments should not be made too far in advance of need as this would incur a cost to the Commonwealth, as well as adversely impacting on accountability.²⁴
- 11.39 After the initial payment to LGAs, the practice that was adopted involved paying LGAs in advance, based on Quarterly Reports that included data on expenditure to date as well as forecast expenditure for the next quarter. This meant that, by design, the Program included allowance for LGAs to hold funds for up to three months before being used. This approach meant that LGAs were not financially disadvantaged.²⁵
- 11.40 However, the ANAO found insufficient steps were taken to ensure that LGAs did not receive a financial advantage. The ANAO's examination of a sample of LGAs revealed many instances of LGAs being paid more than three months in advance of the expenditure of R2R funds. The reasons for this were:
- hardship payments were made in advance of need;

23 DOTARS, *Transcript of evidence*, 23 June 2006, p. 3.

24 ANAO Audit Report No. 31, 2005-06, p. 27.

25 ANAO Audit Report No. 31, 2005-06, p. 28.

- accelerated funding was insufficiently matched to LGA cash flow needs;
 - actual expenditure was overstated in LGA Quarterly Reports submitted to DOTARS; and
 - unreliable expenditure forecasts were included in LGA Quarterly Reports.²⁶
- 11.41 ANAO calculated that the cost to the Commonwealth of payments being made more than three months in advance of need to the 93 LGAs in ANAO's sample was between \$1.4 million and \$3.3 million. Extrapolating the interest cost to the full \$1.2 billion paid under the Program results in an estimated cost to the Commonwealth of between \$8.4 million and \$19.4 million.²⁷
- 11.42 A number of changes have been made in the Auslink Roads to Recovery Payment Conditions and Notes on Administration to address the timely expenditure of Auslink Roads to Recovery funds. Specifically, the Funding Conditions state that:
- funding recipients must ensure that Auslink Roads to Recovery payments are spent within six months of receipt of the payment;
 - funding recipients must spend all Auslink Roads to Recovery payments by 31 December 2009; and
 - if a funding recipient receives an amount as interest in respect of an Auslink Roads to Recovery payment, the recipient must spend an amount equal to that amount on the construction or maintenance of roads.²⁸
- 11.43 DOTARS stated at the hearing that LGAs must now certify that they spent all interest on roads. Furthermore, if a LGA can not prove they have spent funding within six months of receipt, DOTARS does not make another payment until they can confirm they have spent those previous funds.²⁹

26 ANAO Audit Report No. 31, 2005-06, pp. 28-29.

27 ANAO Audit Report No. 31, 2005-06, p. 29.

28 ANAO Audit Report No. 31, 2005-06, p. 30.

29 DOTARS, *Transcript of evidence*, 23 June 2006, p. 7.

Recognition of Australian Government funding

11.44 In terms of recognising the Australian government funding of road works undertaken by local government, the R2R Funding Conditions stated as follows:

An LGA must ensure that the Commonwealth receives appropriate recognition for its contribution to the road works concerned. Each LGA must erect signs acknowledging the Commonwealth's role in respect of all works funded under the Act and cooperate with the Commonwealth in informing the public of the Commonwealth's role, in accordance with the Guidelines.³⁰

11.45 The importance of the signage requirements was emphasised to LGAs in July 2004 in advice from DOTARS. LGAs were also informed that 'councils not meeting the signage requirements are non-complying and will receive no more funds until evidence is provided to show that the deficiencies have been rectified.' The required signs were not in place for 45 percent of projects inspected by ANAO.³¹

11.46 DOTARS visited 156 councils in 2005-06 and found 37 percent were fully complying with signage. Of the 1 550 projects inspected 83 percent were complying with signage. All councils were asked to address non compliance.³²

11.47 At the hearing ALGA stated it had reinforced with councils the need to meet the requirements of signage.³³

11.48 There were some practical issues raised by councils which have been addressed in the AusLink R2R Program. For example, signs are not required on projects costing less than \$10 000 and cul-de-sacs only require one sign. The size of the sign has been reduced to 1,200 millimetres high by 900 millimetres wide, with the councils acknowledged on the bottom at 230 millimetres high.³⁴

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31 ANAO Audit Report No. 31, 2005-06, p. 21.

32 DOTARS, Submission No. 9, p. 4.

33 ALGA, *Transcript of evidence*, 23 June 2006, p. 27.

34 DOTARS, *Transcript of Evidence*, 23 June 2006, p. 28.

Administrative responsibility

- 11.49 Both R2R Programs are administered by DOTARS, by (at the time of the Committee's review) a team of five in the Auslink Systems and Regional Investment Branch within the Canberra offices. DOTARS advised ANAO in December 2005 that the small number of staff reflected the Government's policy of 'arms length' administration of the Program.³⁵ DOTARS reiterated at the hearing that 'as far as possible this is a program in the council's control and obligations are on them to do the right thing'.³⁶
- 11.50 Further, the Executive Director of Auslink in DOTARS stated that the number of staff was 'about right' and she would be more comfortable once IT systems were in place, as these would enable routine checks to be automated.³⁷
- 11.51 The team of five look at every formal return that comes from a council. They also visit about five councils each year, which was at "about the right level" according to DOTARS.³⁸
- 11.52 DOTARS explained that anyone in the team could handle a query from a council or undertake appropriate follow-up were that necessary. Some council officials get to know a DOTARS staff member and that person would be their first point of contact.³⁹

Committee conclusions

- 11.53 The Auslink Roads to Recovery Program had an increased emphasis on funding recipient accountability and reporting. The Funding Conditions established as part of Auslink Roads to Recovery were strengthened to take into account issues raised during the course of the ANAO performance audit.
- 11.54 LGAs have continued to provide feedback that the R2R program is a success, both in terms of the direct funding from the Australian government to local government and the positive impact the funds are having on Australia's roads and infrastructure.

35 ANAO Audit Report No. 31, 2005-06, p. 41.

36 DOTARS, *Transcript of Evidence*, 23 June 2006, p. 11.

37 DOTARS, *Transcript of Evidence*, 23 June 2006, p. 5.

38 DOTARS, *Transcript of Evidence*, 23 June 2006, p. 7.

39 DOTARS, *Transcript of Evidence*, 23 June 2006, pp. 8-9.

- 11.55 However, some LGAs were not meeting their very basic reporting requirements. It is also not clear whether LGAs were spending their funds appropriately. As referred to earlier, some LGAs were failing to: maintain their own expenditure on roads; report adequately on their funding expenditure; spend payments within three months; and recognise Australian government funding.
- 11.56 The Committee accepts that the vast majority of LGAs were attempting to meet their accountability requirements under the R2R program. Some LGAs, however, were not, through a lack of care or a lack of understanding in their obligations under the R2R program.
- 11.57 The Committee considers that the reporting requirements are simple and LGAs, as an arm of government, should be meeting their requirements appropriately and in a timely manner. In some circumstances further education and information from DOTARS and ALGA may be required.
- 11.58 The Committee believes DOTARS should be more closely monitoring LGAs in terms of their accountability under the R2R program. The team within DOTARS may require further resources to perform these tasks.

Recommendation 20

The Committee recommends that the Department of Infrastructure, Transport, Regional Development and Local Government assess whether the staffing and resources, including the new IT systems, of teams supporting R2R and future such programs are adequate to perform their monitoring and information functions.

