



AUSTRALIAN
SECURITIES
COMMISSION

OFFICE OF THE CHAIRMAN
MELBOURNE

18 November 1996

Our Reference: RPB96/21998/e4020js

Section 22

A'g Assistant Secretary
Securities Market Branch
Business Law Division
Treasury
Hinkler Building
1 National Circuit
BARTON ACT 2600



Dear Section 22

CHESS PROJECT - SIDA FUNDING SECTION 945

I refer to the letter from ASX dated 8 November 1996 concerning the release of SIDA funds for expenditure incurred by the Exchange on the CHESS Project for the final period 1 December 1995 to 19 August 1996. I make the following comments on the documents received, in accordance with our comments in the letter of 2 November 1992 about the scope of the review we would be able to undertake.

Comments on the reported figures

The Report seeks approval for reimbursement of \$4,764,000 comprising development costs of \$3,786,000, and implementation costs of \$978,000. This final reimbursement for the CHESS project will bring the total to \$34,650,000.

The management accounting report indicates a number of items that may require clarification. Amounts appearing on the printed report "CHESS Project Expenditure" (attached to Appendix 1) do not cross reference with the management accounting report audited by KPMG dated 29 October 1996. The most significant difference appear to be in equipment costs. Both sections of the report indicate an expenditure of \$1,466,000, but the CHESS Project expenditure states there was a budgeted figure of \$233,000 while the KPMG section of the report states that the budgeted figure was nil. The report also does not appear to address the reasons for this.

The KPMG report also states that Staff Costs for permanent staff in the period increased from a budgeted figure of \$470,000 to \$955,000. Neither of these figures reconcile with figures that appear in the Appendix 1 report. It should also be noted that the report (Page 4 "project organisation and staffing) states "Project staffing declined progressively.....". Other items that mat require explanation are :

Contractors	\$510,000 (Over budget by 18% for the period)
Occupancy Sydney	\$130,000 (Over budget by 43% for the period)
Travel & Entertainment	\$44,000 (Over budget by 80% for the period)
Auditors & Legal Fees	\$328,000 (Over budget by 300% for the period)
Administration	\$209,000 (Over budget by 100% for the period)

Requirements Issues & Problems (RIP) List

It should be noted that at the time of the last report the RIP list detailed a large number of items not scheduled for completion. The report indicated that ASTC had placed them on a list called the 'wishlist'. This report makes no reference to this requirements, issues and problems list. Some RIPs may be outstanding or may form part of another project.

Yours sincerely



SHANE TREGILLIS
Director
Regulatory Policy