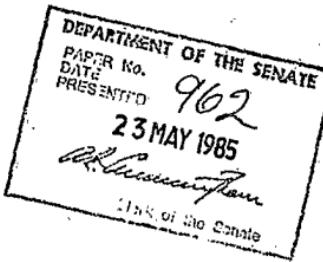


Auditor-General's Report March 1982 —Response

Report

231

Joint Committee of
Public Accounts



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

AUDITOR-GENERAL'S REPORT MARCH 1982
RESPONSE

231ST REPORT

FINANCE MINUTE ON THE COMMITTEE'S 222ND REPORT

Australian Government Publishing Service
CANBERRA 1985

JOINT COMMITTEE OF PUBLIC ACCOUNTS

FIFTEENTH COMMITTEE

SENATOR G. GEORGES, (Chairman)
A.G. CADMAN, M.P. (Vice-Chairman)

| | |
|---|----------------------------|
| SENATOR THE HON DAME MARGARET GUILFOYLE, DBE | R.J. KELLY, M.P. |
| SENATOR B. COONEY | H. MAYER, M.P. |
| SENATOR G. MAGUIRE | L.B. MCLEAY, M.P. * |
| SENATOR J.O.W. WATSON | G.B. NEHL, M.P. |
| | L.R.S. PRICE, M.P. |
| | G.F. PUNCH, M.P. |
| | A.C. ROCHER, M.P. |
| | J.R. SHARP, M.P. |
| | DR. A.C. THEOPHANOUS, M.P. |
| | R.E. TICKNER, M.P. |

*Ex-officio member being Chairman,
House of Representatives Standing Committee
on Expenditure

c Commonwealth of Australia 1985

Printed by C J Thompson, Commonwealth Government Printer,
CANBERRA

(iii)

DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits); copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

TABLE OF CONTENTS

| CHAPTER | PAGE |
|---|------|
| Preface | vii |
| 1 Introduction | 1 |
| 2 Summary of the Committee's 222nd Report | 2 |
| 3 Department of Finance Minute on the 222nd Report | 4 |
| Attachments | |
| A Arrangements for the Audit of Public Accounts of Norfolk Island Pursuant to Section 63 of the Norfolk Island Act 1979 | 11 |
| B Department of Social Security - Commonwealth Rehabilitation Service Review | 12 |
| C Department of Primary Industry - Computerised Accounting System | 13 |

PREFACE

Arrangements to ensure that appropriate action is taken in response to comments contained in the Committee's Reports have been in operation since 1952 although they have been reviewed periodically. These were known as Treasury Minute arrangements.

Following the creation of the Department of Finance on 7 December 1976 it was agreed that the arrangements should continue as before but should be known as the Department of Finance Minute.

As they now stand the procedures are:

1. The Report of the Committee is tabled by the Chairman in the Senate and by a Member of the Committee in the House of Representatives. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
2. The Chairman of the Committee thereafter forwards a copy of the Report to the responsible Minister and to the Minister for Finance with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's conclusions.
3. The reply received, in the form of a Department of Finance Minute, is then examined by the Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible as a Report to the Parliament.
4. Should the Committee find during its examination of a Department of Finance Minute that certain recommendations are not fully dealt with or are subject to a further Minute, it holds an exploratory discussion with officers of the Department of Finance prior to the submission of the Minute to the Parliament.
5. In reporting a Minute to the Parliament, the Committee, except in special cases does not usually make any comment other than to note recommendations not fully dealt with or subject to a further Minute.

(vi)

6. When the Committee next examines the Department concerned the Department of Finance Minute is considered by the Committee if applicable.
7. The Department of Finance furnishes the Committee with a half-yearly report on outstanding Minutes, indicating the progress made in dealing with the Committee's comments.

In accordance with the procedures outlined above, this report documents the Department of Finance Minute which was submitted in response to the Committee's 222nd Report.

For and on behalf of the Committee,

Senator G. Georges
Chairman

M.J. Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
Canberra ACT
17 April 1985

(vii)

CHAPTER 1

INTRODUCTION

1.1 The Committee's 222nd Report, which examined the Report of the Auditor-General, March 1982, was tabled on 7 December 1983. A summary of that report appears in Chapter 2. The recommendations together with the Department of Finance Minute appear in Chapter 3.

1.2 The Department of Defence responded to the criticisms levelled at it with regard to the provision of Mobile Radio Terminals and HMAS Tobruk by noting that the former matter was to be examined by the Committee's Inquiry into Defence Project Management, and the latter had been dealt with in the Committee's 223rd Report. The process of selection of helicopters for FFG-07 Class Guided Missile Frigates is continuing, with the expected delivery date still expected to be 1988. The cost of the helicopters is now excluded from the approved FFG project costs.

1.3 As from 11 March 1983, the Department of Territories and Local Government is responsible for Norfolk Island. Arrangements have been made to facilitate audit procedures and to prepare an Asset Register.

1.4 Consideration of the Department of Primary Industry's levies, taxes and charges was incorporated into a subsequent submission from the Department to the Committee dated 5 December 1983. The Department emphasized that an improved system for levies and charges had been implemented. The Integrated Financial Management System was expected to be operating by 31 May 1984. The Department has since advised that the initial stage of enhanced system became operational at the end of September 1984. The submission appears in this volume as Attachment C.

1.5 The main changes which the Department of Social Security has implemented with regard to the Commonwealth Rehabilitation Service are as follows:

- computerisation of the Service's statistical collections was begun and a national internal review undertaken;
- training workshops were held in conjunction with the review;
- as from November 1984 statistical bulletins are available for distribution at state office level;
- a further system review, with the participation of the Auditor-General's Office, will be undertaken.

CHAPTER 2.

SUMMARY OF THE COMMITTEE'S REPORT TWO HUNDRED AND TWENTY TWO

2.1 The Report of the Auditor-General, March 1982, contained results of audits into matters affecting the Departments of Defence, Health, Home Affairs and Environment, Primary Industry and Social Security.

Department of Defence

2.2 The Auditor-General criticized three matters for which the Department of Defence was responsible. These were

- the provision of Mobile Radio Terminals;
- HMAS Tobruk - Amphibious Heavy Lift Ship; and
- Helicopters for four FFG-07 Class Guided Missile Frigates.

The Auditor-General was of the opinion that the tender procedures for Mobile Radio Terminals did not conform to approved procurement procedures and was not fully addressed in the Department's responses. The Committee shared the Auditor-General's concern, and will be considering this subject in more detail in its forthcoming Project Management in the Defence Force Inquiry. Similarly, the matters raised in respect of the public inquiry into HMAS Tobruk was the subject of Report 223 of the Joint Committee of Public Accounts. Finally the Committee was concerned over the period of time taken to evaluate and select helicopters for use with the FFGs, particularly as the longer the delay, the longer the period for which the FFGs will be operating at a reduced operational efficiency. The Committee believed that further postponement of the helicopter selection on the basis of future technological development or capacity was not justified. The Committee was also concerned about a possible increase in the total project costs for the FFG helicopters.

Department of Health

2.3 The Department of Health item, reimbursement to registered medical benefits organisations of Commonwealth Medical Benefits has been included in the Committee's Inquiry into Medical Fraud and Overservicing. This inquiry is expected to report during the Budget Sittings 1985.

Department of Home Affairs and Environment

2.4 The Auditor-General drew attention to a number of irregularities in the Norfolk Island Administration accounting procedures, and drew attention to legislative deficiencies regarding the audit provisions of certain Norfolk Island legislation. The Department of Home Affairs and Environment advised that the former was a matter for the Auditor-General to

pursue as the final decision rested with the Island's Administration. The Department had attempted, despite a lack of response from the Island's Government, to clarify and resolve any inadequacies in the audit provisions of existing legislation.

Department of Primary Industry

2.5 The Auditor-General drew attention to a number of unsatisfactory features of the Department of Primary Industry's administration of levies, taxes and charges. The Committee endorsed the Department's proposal to re-organise its investigations section and the concomitant procedures to improve the efficiency and effectiveness of that section. The Committee accepted assurances from the Department that it would continue to keep under review the effectiveness of the systems and procedures used to identify potential levy payers and to investigate individuals who may be avoiding the payment of such levies, charges and taxes. The Auditor-General in his September 1981 Report drew attention to the continuing delays in the implementation of an improved accounting system for levies and charges. The Committee viewed this as a matter of concern and sought further submissions in this regard.

Department of Social Security

2.6 After in-depth audits in 1981, the Auditor-General expressed reservations about the statistical systems of the Department of Social Security's Commonwealth Rehabilitation Service. The Committee was appreciative of the work performed by the Service. It noted the improvement in data collection and statistical analysis available to the Service from the introduction of a new computer based system. The Committee believed that this statistical system should be reviewed by the Auditor-General after it had been in operation for a time sufficient to demonstrate its efficiency. The Committee believed that the Service should seek ways to exploit the new ADP facilities available to it to improve the analytical and reporting capabilities of the case work teams at CRS centres around Australia. In addition, the results and experience stemming from casework at the centres should be collated, analysed and made available to appropriate professional and clinical organisations in Australia.

CHAPTER 3

DEPARTMENT OF FINANCE MINUTE

3.1 This Minute has been prepared on the basis of responses received from the Departments of Defence, Home Affairs and Environment, Primary Industry and Social Security.

3.2 In this chapter each of the Committee's recommendations is reproduced in turn and is followed by the response, as provided in the Department of Finance Minute.

Department of Defence
Mobile Radio Terminals

CONCLUSION

The Auditor-General remains of the opinion that the tender procedures did not conform to approved procurement procedures and has not been fully addressed in the Department's responses. The Committee noted that in the September 1983 Auditor-General's Report, this project is one of a number included in the study of Project Management in the Defence Force. The Committee shares the Auditor-General's concern and will be considering this subject in more detail in its forthcoming Project Management Inquiry.

Response

3.3 The Department of Defence does not believe it could usefully add anything further to the information provided in its submission to the Committee. It did, however, note that this matter is to be examined by the Committee's Inquiry into Defence Project Management.

HMAS Tobruk-Amphibious Heavy Lift Ship

3.4 This matter has been dealt with in the 223rd Report of the Committee which has been responded to in a separate Finance Minute.

Helicopters for FFG-07 Class Guided Missile Frigates

CONCLUSION

The Public Accounts Committee acknowledges the validity of the reasons behind a careful evaluation process to select a helicopter for use with the FFG. The process will greatly enhance the frigate's operational capability and perhaps result in a helicopter selection which would result in significant cost savings through encouraging substantial commonality with the

helicopter requirements of the Air Force. The Committee is concerned however, over the period of time taken to arrive at a choice, particularly as the longer the decision is delayed the longer the period for which the FFGs will be operating at a reduced operational efficiency.

It is a matter of some concern to the Committee that the Department and the Navy did not agree on the operational tasks for the FFG helicopter until November 1980 even though the decision to purchase FFGs including a helicopter component was made some years earlier. Although the RAN would obviously prefer to operate a later generation and presumably more effective helicopter, the long delay is questionable given that the United States Navy has been operating helicopters from its FFGs for some time.

While it is acknowledged the Department would have wished to take into consideration probable helicopter requirements for a replacement carrier the Committee is of the view that further delay in the selection process would be unwarranted particularly in the light of the recent decision not to purchase one. Similarly, while the Committee is not unsympathetic to the Department's desire to purchase the most technologically up-to-date helicopter for the FFG, it is also aware that technological change in military equipment tends to promise something better just around the corner. The Committee believes that any future postponement of the helicopter selection on the basis of future technological development or capacity does not warrant further delay in the selection process, short of the most extraordinary circumstances.

The Committee is aware that the present strategic environment does not pose a short term foreseeable threat to Australia's maritime defence forces. Nevertheless, the surveillance capability of the FFG is an important factor in its peace time operating role and, as the Department has admitted, this has been significantly diminished by the lack of a suitable helicopter for the FFGs.

The Committee is disappointed with the continuing long delays to this program and requests that any cause or reason whatsoever which will delay the embarkation of the helicopters on the FFGs beyond the stated program be reported to the Public Accounts Committee.

Response

3.5 As the perceived function of the FFG helicopter has changed following the decision not to acquire an aircraft carrier, a review of the anti-submarine capability of helicopters has been necessary and the process of selection is continuing.

3.6 The delivery date of helicopters for the FFG-07 Class Guided Missile Frigates therefore is dependent on when a decision on the type of helicopter to be used is made. If a contract is awarded in the financial year 1984/85, the expected delivery date would remain at 1988.

3.7 With regard to the cost of the project at the time of audit, the Department of Defence indicated that reliable costing data was not available until the 1981 overseas evaluation mission. Since then, estimates of project costs within the Five Year Defence Plan (FYDP) have resulted from tendered information. The Department believes that the Auditor-General's concern at the use of an inadequate basis for cost estimates is now resolved.

3.8 In August 1982 the Minister for Finance agreed that provision for helicopters could be excluded from the approved FFG project costs.

Department of Home Affairs and Environment
Norfolk Island Administration

CONCLUSION

The Committee notes the action taken by the Department of Home Affairs and Environment in its attempt to clarify and resolve any inadequacies in the audit provisions of existing Norfolk Island legislation and it commends the work of the Auditor-General in this regard. It is aware of the reference at paragraph 12.4 of the Auditor-General's Report September, 1982 (see Appendix C) which draws attention to the lack of a response from the Norfolk Island Administration to representations made in December 1981. The limitation of the Committee's own legislation precluded it from making any further examination.

Response

3.9 The Department of Home Affairs and Environment advised that responsibility for Norfolk Island was transferred to the Department of Territories and Local Government as a consequence of the Administrative Arrangements Order of 11 March 1983.

3.10 The Department of Territories and Local Government advised that discussions between the Deputy Auditor-General, the President of the Norfolk Island Legislative Assembly, the Executive Member for Finance and other members of the Assembly were held in November 1983. Through this, arrangements were concluded for the satisfactory discharge of the Auditor-General's responsibilities under Section 63 of the Norfolk Island Act 1979 - a copy of the terms agreed to is at Attachment A. At present the Norfolk Island Government is considering amending the Public Moneys Ordinance in order to facilitate the audit responsibility.

3.11 The Department of Territories and Local Government is also assisting the Norfolk Island Government in the preparation of an Asset Register - a matter which in the past has been a subject of concern in Reports of the Auditor-General.

Department of Primary Industry
Levies, Taxes and Charges

CONCLUSION

The Auditor-General in his September 1983 Report drew attention to the continuing delays in the implementation of an improved accounting system for levies and charges. The Committee views this as a matter of concern and has sought further submissions in this regard.

3.12 The consideration of this subject has been incorporated into a subsequent submission from the Department of Primary Industry to the Committee dated 5 December 1983.

Department of Social Security
Commonwealth Rehabilitation Service

CONCLUSION

The Committee is appreciative of the work performed by the Commonwealth Rehabilitation Service and generally is satisfied with the

information provided to it in the Department's submissions. It notes the improvement in data collection and statistical analysis available to the Service from the introduction of a new computer based system. The Committee believes that this statistical system should be reviewed by the Auditor-General after it has been in operation for a time sufficient to demonstrate its efficiency.

The Committee believes that the Commonwealth Rehabilitation Service should seek ways to exploit the new ADP facilities available to it to improve the analytical and reporting capabilities of the casework teams at the Commonwealth Rehabilitation Service centres around Australia. Further, the results and experience stemming from casework at the centres should be collated, analysed and made available to appropriate professional and clinical organisations in Australia.

Response

3.13 The Department of Social Security has advised that computerisation of the Commonwealth Rehabilitation Service's (CRS) statistical collections was begun in 1982 as scheduled, and that a national internal review was undertaken the following year.

After the results of the review were analysed, the following changes were made:

- (1) coding forms were revised in order to incorporate additional and more comprehensive information;
- (2) edit checks for accuracy of information entered were substantially tightened; and
- (3) information produced regularly by the system such as monthly bulletins, microfiche and client record printouts was expanded and refined for easier use by management.

Detailed findings are provided at Attachment B.

3.14 In July and December 1983 training workshops comprising State and Central Office staff were held in conjunction with the review. These workshops evaluated the information requirements for state management and

administrators as well as providing training in the 'mechanics' of the system, for instance, the correct coding procedures for the revised forms. Revisions to the system were implemented in the week commencing 16 January 1984. These should ensure that more relevant and reliable data are available on CRS operation and clients.

3.15 The Department states that no formal steps have been taken to inform potential users outside the CRS of the information available in the system although some informal advice has been given. The main concern here has been the incompleteness of, and discrepancies in, the original information base which cast some doubts on the usefulness of other than basic information. It was also considered undesirable to provide information which could be misleading to persons or organisations not familiar with the system's limitations at the time. The major changes to the system in January 1984 have considerably improved the information being input to the computer but the data previously entered is still considered of dubious use to outside organisations.

3.16 The Department has subsequently advised that from the beginning of November 1984 statistical bulletins are available, on request, for distribution at state office level. A planned increase in staff resources responsible for the computer system should enable the Department to comply with a recommendation by the Committee that statistical information be provided to the appropriate professional and clinical organisations in Australia.

3.17 It should be noted that the Case Analysis and Statistical System was the first attempt by the CRS to computerise its records at a national level. The original system design was limited by the hardware, software and staff resources available at the time. The problems of the Statistical System which became apparent in the first year of operation were largely corrected by major system changes in late 1983/early 1984. Changes are still being implemented to revise some minor aspects of the system which have arisen since the update was completed.

3.18 The Department has stated that as yet, no plans have been formed for the compilation of an information bulletin for distribution to external organisations. However, at present information from the system is available on request, and once the system's potential has been developed further for internal management and casework purposes, the Department will give consideration to compiling information of relevance to interested professional organisations.

3.19 The Department is planning to undertake a further review into the effectiveness of the system in meeting the information needs of the CRS. The Auditor-General's Office will be invited to participate in this review.

I. CASTLES
Secretary
Department of Finance

ATTACHMENT A

ARRANGEMENT FOR THE AUDIT OF PUBLIC ACCOUNTS OF NORFOLK ISLAND PURSUANT TO SECTION 63 OF THE NORFOLK ISLAND ACT 1979

1. The Auditor-General shall draw the attention of the Executive Member to any matters arising out of the inspection and audit that, in the opinion of the Auditor-General, are of sufficient importance to justify his doing so. Such communications will be in addition to representations, whether in writing or otherwise, that the Auditor-General's staff may have made to the Chief Administrative Officer.
2. The Executive Member shall, as soon as practicable after 30 June in each year, prepare financial statements in respect of that year for such accounts and in such form as is determined by the Executive Member and shall transmit those statements to the Auditor-General for audit.
3. The Auditor-General shall examine the statements and shall prepare and transmit to the President of the Legislative Assembly a report stating:
 - (a) Whether in his opinion the financial statements are based on proper accounts and records;
 - (b) Whether the statements are in agreement with the accounts and records;
 - (c) Whether in his opinion the receipt, expenditure and investment of moneys and the acquisition and disposal of assets during the year have been in accordance with the relevant legislation;
 - (d) Whether the financial statements of the business undertakings reflect fairly the financial affairs of those undertakings;
 - (e) Whether the Statement of Balances of the Revenue Fund, the Trust Fund and Loan Fund correctly state the financial result of each Fund;and containing such further information and explanations as the Auditor-General considers desirable.
4. The President shall lay the Auditor-General's Report on the financial statements before the Legislative Assembly within two sitting days of the receipt of the Report by him.

DEPARTMENT OF SOCIAL SECURITY - COMMONWEALTH REHABILITATION SERVICE REVIEW

The main findings of the internal review of the Commonwealth Rehabilitation Service (CRS) were as follows:

- (a) the coding forms introduced when the system was implemented were not sufficiently detailed and did not adequately take account of the changing focus of the CRS in relation to the type and extent of programs provided;
- (b) the information being entered on to the statistical system was not as accurate or complete as needed for management and evaluation purposes. This was due to the fact that only minimum computer checks were operating and there were inadequate administrative checks on the completion and submission of information. The amount of information required for the computer system was substantially greater than the previous manual collection system, and this placed considerable work pressure on the staff coding the forms. It was considered that the problems leading to information gaps and discrepancies could be overcome by programming changes and staff training;
- (c) the outputs from the system were not adequately reflecting the operation of the CRS for State management and administrators:
 - the monthly bulletins did not include all necessary information because of delays in submitting forms; also they were bulky and difficult to read;
 - the microfiche had some information discrepancies because of programming difficulties. Although attempts were made to overcome the difficulties, it became apparent that a major overhaul was necessary;
 - the client printout was not sufficiently detailed to be of management use at State level.

Consequently, the outputs were being under-used and the credibility of the system itself was being questioned;

- (d) some of the problems of the system were attributed to insufficient training of users when the system was implemented. Adequate training was considered an essential part of any system implementation and maintenance.

DEPARTMENT OF PRIMARY INDUSTRY - COMPUTERISED ACCOUNTING SYSTEM

1. INTRODUCTION

- 1.1 The Auditor-General's Report of September 1983 referred to system deficiencies reported in September 1980 and went on to report that representations had been made to the Department regarding continuing delays in the implementation of an improved system for levies and charges and the need for reporting and other user requirements of the Investment Section to be enhanced.

1.2 This submission seeks to emphasise that

- (a) the deficiencies reported in the September 1980 Report were remedied by the Department immediately they were brought to notice
- (b) there is no suggestion of inadequate internal control measures which would jeopardise levy collection or investment income
 - the object of the initiative to enhance the existing system is to improve the effectiveness of the computerised system, by streamlining processing procedures and minimising manual procedures, and
- (c) while there were some early delays in enhancing the system due to unforeseen events, the Department has, during the past 12 months, been able to give it high priority and has taken positive and concerted action to implement more effective computerised systems in relation to all its financial management responsibilities.

2. BACKGROUND

- 2.1 The Department of Primary Industry currently collects 29 levies and charges and receives the proceeds of two taxes collected by the Taxation Office. Where required by relevant legislation, the Department disburses amounts equivalent to these collections to various Statutory Authorities and Trust Accounts.

2.1.1 Thirteen of these levies and charges are collected by the Central Office of the Department located in Canberra, seven are collected by Regional Offices of the Department, five others are collected by both Regional Offices and Central Office and four are initially collected by outside bodies on behalf of the Department and then forwarded to the Department.

2.1.2 Total estimated revenue from these levies, taxes and charges for the 1983/84 financial year is \$443,324,000 with \$408,029,000 requiring disbursement to various Statutory Authorities and Trust Accounts.

2.2 The Department is also responsible for the administration of 23 Trust Accounts, including the investment of funds surplus to immediate requirements from 21 of those Accounts.

2.2.1 Investments total approximately \$160m.

3. AUDITOR-GENERAL'S SEPTEMBER 1980 REPORTED DEFICIENCIES

3.1 The Auditor-General's Report of September 1980 referred to deficiencies in the Department's computerised accounting system which included the following

- incomplete system and software documentation
- incomplete user and operator documentation
- absence of formalised contractual arrangements for engagement of software consultants
- lack of formal data input and error correction system
- absence of offsite storage of computer files, file control and back up facilities.

3.1.1. It was subsequently reported by the Auditor-General in his Report of March 1982 (and reiterated in his September 1983 Report) that the Department had taken the necessary remedial action to overcome the shortcomings.

3.1.2 The system at that time was undergoing some changes to meet new coding requirements in Department of Finance and to adapt it to enhanced hardware facilities. These changes were finalised in 1980.

4. PRESENT COMPUTERISED SYSTEMS

4.1 The computerised accounting system utilised by the Department for the levies and charges it collects in its Central Office in Canberra has been in use since 1977.

4.1.1 Since this system was first developed it has been progressively adapted and added to as requirements for new accounting facilities arise. For instance, 8 new levies and charges, new management reports and increased data storage requirements have been incorporated into the system. The system presently caters for 17 levies and charges which vary in their individual requirements relating to frequency of payment, lodgement of returns and calculation of levy due.

4.2 The Department in late 1980 recognised that a more effective levies system could be provided with several enhancements and additions.

4.2.1 In view of its piecemeal development, foreseeable system maintenance problems and developments in both programming methods and hardware facilities, it was not considered practicable to continue adapting the system already in use.

4.2.2 The Department thus initiated action to develop an improved levies computer system with the work being carried out partly by Departmental ADP staff.

4.3 The Department's computerised system for the recording and management of Investments of Trust Account moneys was initially developed in 1978 in conjunction with a creditors and Trust Account system. An update was carried out in 1980 to cater for changes to the Department of Finance ledger system. Since that time major changes have been made both in the range of types of investments made and in the manual procedures employed.

4.3.1 In December 1981 the Department commenced investing available Trust Account balances on a twenty-four hour call basis negotiated weekly. In August 1982 daily investments were commenced on the 11 am short term money market using pooled Trust Account balances.

4.3.2 These short term investments as well as some new forms of long term investments available to the Department, do not fall within the scope of the existing computerised facilities.

4.3.3 Major program changes and system development, as well as procedural changes, were recognised as being required to allow for the available system to accurately record all forms of long term investments, to record the short term investments in an accurate and timely manner and to provide for the necessary related reports and calculations. This would have involved considerable ADP staff resources.

4.3.4 At present the computerised investment system is used principally to maintain a register of long term investments on an individual Trust Account basis.

- complementary manual procedures which have been examined by the Auditor-General's office and where necessary altered to meet audit requirements, are in use in all areas not covered by the computerised system.

5. IMPLEMENTATION OF IMPROVED SYSTEMS

5.1 There were some unexpected early delays in progressing the implementation of improved computerised systems due to limited resources in the Department's ADP Section and the need to develop and implement new systems in response to unforeseen events. More specifically:

- 5.1.1 With the demise of the Mandata system the Department, having relied fully on this system for its personnel records, was obliged to implement its own Personnel and Establishment System.
- 5.1.2 A computer system to maintain a Foreign Fishing Boat register was required to facilitate management of the 200 mile Australian Fishing Zone established under the Fisheries Act. This was essential to meet the Department's responsibility in administering the Fisheries Act and to meet the Government's international obligations to fish resource management.
- 5.1.3 With its increasing word processing requirements, and the upgrading in word processing equipment, there were added workload pressures placed on the already stretched Departmental ADP Section.

5.1.4 Following the August 1981 meat substitution incident and subsequent Royal Commission into the Australian Meat Industry urgent development and implementation of computer systems was necessary to provide more effective control over meat exports which represent a significant export industry. Further, Australia's international credibility was in jeopardy.

5.2 Throughout the period since 1980 the Department has sought concurrently, to achieve two objectives. The first was to develop in an evolutionary way, to the extent practicable, computerisation of existing systems. The second was to respond to additional tasks occasioned by legislative and administrative developments which were unforeseeable but which, of necessity, had to be met.

- 5.2.1 Substantial work was carried out on the improved levies system to the extent that 75% of the programming requirements, and procedures have been completed.

6. RECENT DEVELOPMENTS

6.1 Development of the improved levies system and enhancement of computerised facilities for investments have now been incorporated into a broader computerisation strategy. The principal aspects which resulted in the broader strategy were the recommendations of the Joint Management Review of Administration of Rural Research and the recognition by the Department of a need for an integrated approach to computerisation of its financial systems.

- 6.1.1 In May 1982 a Joint Management Review (JMR) of Research Trust Accounts was proposed to the Public Service Board to examine administrative procedures including the investment of surplus funds. The proposal was approved and the JMR undertaken in the first half of 1983.
- 6.1.2 The report of the JMR was presented to the Public Service Board and the Department on 20 May 1983 and its recommendations relating to computerisation of investments is now being implemented, through the broader IFMS proposal referred to in paragraph 6.1.3 below.

6.1.3 In March 1983 the Department developed a new policy proposal and obtained funds for the 1983/84 financial year to investigate and implement an integrated financial management system (IFMS). This system is seen as having important management advantages and will not only encompass levies and investments which are being accorded the highest priority for development but also Trust Account administration, creditors, debtors, estimates, loans and human resources budgeting.

6.2 In order to expedite action on the proposal, the Department has employed the services of consultants, Touche Ross Services, to carry out the necessary investigative and implementation work. By adopting this course of action the types of delays previously experienced in implementing improved computerised systems will be avoided.

6.2.1 Touche Ross Services are due to present their proposals for the integrated financial management system (IFMS) on 12 December 1983. The implementation of the agreed proposal, which will be limited by the constraints of time and funds availability, is due for completion by the end of May 1984. Nevertheless it is planned that the agreed proposal will, at a minimum, satisfy the areas of concern expressed by Audit in respect of Levies and Investments.

7. SUMMATION

7.1 Whilst there were some early delays in implementing improved computerised systems in relation to levies and investments, these were mainly due to unforeseen and higher priority ADP commitments and against the background that there is no suggestion that the existing systems do not provide satisfactory control measures.

7.1.2 The original computerised levies system has continued to be utilised, with limited manual systems being required to complement it to ensure all necessary accounting controls are provided.

7.1.3 It maintains individual levy payer records of amounts of levy and late payment penalty payable and amounts paid and outstanding. It provides management reports which facilitate banking of moneys received and follow-up of outstanding returns and amounts. Statistical reports on moneys payable and collected and quantities declared are also available.

7.1.4 In relation to investments, the Department is continuing to concentrate its efforts on maximising investment earnings and until such time as the IFMS computerised system is available manual control and reporting procedures will be used in areas not serviced by the present computerised system.

7.2 During the past 12 months, the Department has been able to give high priority to the enhancement of its computer systems and has made considerable progress, including a Joint Management Review with the Public Service Board, a New Policy Proposal to investigate and implement an integrated financial management system, and the employment of external consultants, Touche Ross Services, to help expedite progress.

7.2.1 Present indications are that the proposed date of 12 December 1983 for submission of the IFMS proposal will be met and the Department is confident that the completion date for implementation, (31 May 1984) will also be met.

8. CONCLUSION

8.1 The Committee can be assured that the current momentum which has been developed in the past twelve months will be maintained. The Department is particularly committed to effective and timely implementation of the JMR and IFMS proposals which at a minimum will remove the basis for concern expressed by the Auditor-General. The highest priority in the implementation phase of the IFMS project is being accorded to the levies and investment systems and it is expected that these enhanced systems will be operating before 31 May 1984.