

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 250

REVIEW OF THE DISCONTINUANCE OF THE EFFICIENCY AUDIT
OF AUSTRALIA POST - ADMINISTRATION OF COUNTER SERVICES

Australian Government Publishing Service
CANBERRA 1986

© Commonwealth of Australia 1986

ISBN 0 644 05081 0

Publisher's note: Parts of this publication have been reproduced from photocopies of original documents. Any loss of definition in reproduction quality is regretted.

Printed in Australia by C.J. Thompson, Commonwealth Government Printer

JOINT COMMITTEE OF PUBLIC ACCOUNTS

FIFTEENTH COMMITTEE

SENATOR G GEORGES (Chairman)

SENATOR J O W WATSON (Vice-Chairman)

SENATOR THE HON DAME
MARGARET GUILFOYLE, DBE

SENATOR B COONEY

SENATOR G MAGUIRE

B J CONQUEST, MP

A J DOWNER, MP

R J KELLY, MP

H MAYER, MP

J G MOUNTFORD, MP *

G B NEHL, MP

L R S PRICE, MP

A C ROCHER, MP

P M RUDDOCK, MP

DR A C THEOPHANOUS, MP

R E TICKNER, MP

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

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.

PREFACE

This Report outlines the findings of the Committee's 'Review of the Discontinuance of the Efficiency Audit of Australia Post - Administration of Counter Services'.

The efficiency audit of Australia Post's administration of its counter services began in June 1980 and was discontinued by the then Auditor-General, Mr K F Brigden, in October 1984. It was one of the earliest efficiency audits conducted by the Australian Audit Office and also the longest.

Subsequent to the discontinuance, an informal draft report of the efficiency audit was disclosed to the media without authorisation. This resulted in allegations about the motives of the Auditor-General regarding his decision to discontinue the audit. On 20 June 1985 the Committee announced that it would review the circumstances surrounding the discontinuance of the efficiency audit of Australia Post's administration of counter services.

The Committee found that the duration of the efficiency audit could be attributed largely to serious management deficiencies which had existed in connection with the Efficiency Audit Division of the Australian Audit Office at the time of the audit. The Committee further found that the Auditor-General had the discretion to discontinue the efficiency audit. However, the Committee notes that the Auditor-General is yet to report reasons for discontinuance and cost details of the audit as required by the Audit Act 1901.

Certain other issues were raised during the inquiry which the Committee viewed as being important. The terms of reference of this inquiry did not permit the detailed investigation warranted.

The Committee is grateful to the Auditor-General and his staff, the former Auditor-General and the staff of Australia Post for their co-operation provided throughout the Review. The Committee thanks its Legal Adviser and members of its Secretariat for the support given during this inquiry.

For and on behalf of the Committee.

Senator G Georges
Chairman

M J Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
CANBERRA

20 August 1986

TABLE OF CONTENTS

CHAPTER		PAGE
Preface		v
Part 1	The Committee's Review and its Findings and Conclusions	1
Chapter 1	The Committee's Review	2
Chapter 2	Findings and Conclusions	4
Part 2	Historical Perspectives	7
Chapter 3	Efficiency Auditing - The Beginning <ul style="list-style-type: none"> . History of Efficiency Auditing . IDC on Efficiency Audits . Integration 	8
Chapter 4	The Efficiency Audit of Australia Post - Administration of Counter Services <ul style="list-style-type: none"> . The Audit Commences . Changes . Concerns and Delays in Reaching Finality 	16
Chapter 5	The Discontinuance of the Efficiency Audit of Australia Post - Administration of Counter Services <ul style="list-style-type: none"> . Preliminary . The Draft Report . Discontinuance . Working Papers and Audit Procedures . Conclusion 	22
Part 3	Particular Issues	33
Chapter 6	The Auditor-General <ul style="list-style-type: none"> . Introduction . Power to Discontinue . Conclusions 	34
Chapter 7	Management of the Efficiency Audit of Australia Post <ul style="list-style-type: none"> . Efficiency Audit Division 1978-1984 . Efficiency Auditing as part of the 'Line' or 'Operational' Divisions . Findings and Conclusions 	43
Chapter 8	Resources	51

TABLE OF CONTENTS (Continued)

CHAPTER		PAGE
Part 3	Particular Issues (Continued)	
Chapter 9	Personnel Issues <ul style="list-style-type: none"> . Disagreement with Permanent Head . Release of Documents . Retention of Personal Copies of Documents . Committee's Request for Documents . Finding 	55
Chapter 10	Stamp Security <ul style="list-style-type: none"> . Introduction . Australia Post's Accounting Procedures for Stamps . Controls covering Australia Post's Policy of Repurchasing Stamps . Security Measures applied to Production of Stamps and Management of Stamp Stocks . Auditing of Stamp Related Procedures . Steps taken by Australia Post with regard to Stamp Thefts . Conclusions 	61
Part 4	Appendices	65
Appendix A	Chronology of Events	66
Appendix B	List of all Documents supplied to the Committee	93
Appendix C	Extracts of the Auditor-General's Proposal to the Public Service Board for the Establishment of the Efficiency Audit Division	124
Appendix D	Calculation of Time Spent on the Australia Post Efficiency Audit	126
Appendix E	Draft Efficiency Audit Report - Table of Contents	127
Appendix F	Duration of all Completed Efficiency Audits (1980-1986)	128

TABLE OF CONTENTS (Continued)

	PAGE
Part 4 Appendices (Continued)	
Appendix G(1) Letter from Secretary, Public Service Board to Secretary, Joint Parliamentary Committee of Public Accounts re 'Unauthorised Disclosure of Information by Commonwealth Officers'	131
Appendix G(2) Letter from Secretary, Public Service Board to Secretary, Joint Parliamentary Committee of Public Accounts re 'Unauthorised Disclosure of Information by Commonwealth Officers'	143
Appendix H Letter from Secretary, Public Service Board to Secretary, Joint Parliamentary Committee of Public Accounts re 'Photocopying and Retention of Official Documents by APS Professional and Other Staff'	148
Appendix I <u>Audit Act</u> 1901, Sections 14C, 48A - 48H	156
Appendix J Letter from Secretary, Attorney-General's Department to the Secretary, Department of Finance	168
Appendix K Letter from Secretary, Attorney-General's Department to the Secretary, Joint Parliamentary Committee of Public Accounts	172
Appendix L Legal Opinion prepared by the Hon Mr Justice P B Toose, CBE, Legal Adviser to the Joint Parliamentary Committee of Public Accounts	178
Appendix M Conduct of the Inquiry	185

TABLE OF CONTENTS (Continued)

LIST OF FIGURES	PAGE
Figure 4.1 Efficiency Audit of Australia Post - Staff Involved (Efficiency Audit Division)	17
Figure 4.2 Efficiency Audit Division, AAO - Efficiency Audit Commencement and Completion Dates 1978-1984	18
Figure 7.1 Efficiency Audit Division, AAO - Duration of Efficiency Audits 1978-1984	47
Figure 7.2 Operational Divisions, AAO - Duration of Efficiency Audits 1983-1986	48
Figure 8.1 Cost of Efficiency Audits - Efficiency Audit Division, AAO	53
Figure 8.2 Cost of Efficiency Audits - Operational Divisions, AAO	54

PART 1 - THE COMMITTEE'S REVIEW AND ITS FINDINGS AND CONCLUSIONS

CHAPTER 1

THE COMMITTEE'S REVIEW

1.1 The Committee's attention was drawn to written material regarding the efficiency audit of Australia Post - Administration of Counter Services which had been made available to the media. This release of material resulted in allegations¹ regarding the motives of the Auditor-General, then Mr K F Bridgen, in discontinuing the audit.

1.2 Following discussions with Mr J V Monaghan, Auditor-General, and senior officers of the Australian Audit Office, the Committee considered that the draft of a report released to the media probably did not accurately reflect the positions of the Auditor-General or Australia Post. The Committee was also concerned that audit activity on the Administration of Counter Services had occurred for over four years and a report had not been presented to Parliament.

1.3 The Chairman of the Committee announced on 20 June 1985 that the Committee would review the circumstances surrounding the alleged suppression of the efficiency audit of counter services of Australia Post. Three public hearings and one in camera hearing were held,² with evidence being taken from:

- Mr J V Monaghan, Auditor-General, and senior officers of the Australian Audit Office;
- Mr K F Bridgen, former Auditor-General;
- Mr J C M Jones, former First Assistant Auditor-General, Efficiency Audit Division, Australian Audit Office;
- Mr D E Berthelsen, Director, Technical Audit, formerly Chief Executive Officer on the Australia Post efficiency audit, Australian Audit Office; and
- Officers of the Australian Postal Commission.

1.4 The Committee has examined briefly the historical perspectives of efficiency auditing, this audit and its discontinuance. Hundreds of pages of evidence and documents submitted by witnesses have been examined. To further assist in understanding the background, Appendix A is a detailed chronology of events prior to, during and following the audit and spans some nine years.

1. Richard Farmer, 'Secret report digs up the bodies at Australia Post', The Bulletin, 21 May 1985, pp 28-30; and D H Eltringham, Australia Post, 'Australia Post Replies', The Bulletin, 11 June 1985, pp 8-9.
2. For further details see Appendix M.

1.5 Several other issues, some of which the Committee considered important to this inquiry, were raised in evidence and are discussed in Chapters 6 to 10. The Committee expects that some of these matters will be addressed by other appropriate authorities.

1.6 In Chapter 6 the Auditor-General's role and his legal power to discontinue the audit are discussed. Legal advice was sought from the Attorney-General's Department and from the Committee's Legal Adviser, both addressing questions on whether the former Auditor-General had a discretion to discontinue the efficiency audit and whether he had reporting responsibilities.

1.7 The management of efficiency audits by the Efficiency Audit Division between 1978 and 1984 and subsequently by the 'Line' or 'Operational' Divisions is examined in Chapter 7. Questions were raised as to the resources that had been devoted to this efficiency audit and this is discussed in Chapter 8.

1.8 In Chapter 9 the Committee examines briefly matters concerning disagreements with the Head of an organisation, the release of official documents, the retaining of personal copies of official documents and the Committee's request for documents. The Committee is not an arbitrator. However, because of the principles involved, the Committee was interested in the mechanisms which exist for resolution.

1.9 The issue of stamp security was raised in a submission to the Committee. While it was thought not to be directly relevant to this inquiry, the Committee felt the matters raised to be important for further review.

1.10 The Committee's findings and conclusions on each issue are to be found in the relevant chapter of this Report. However, the findings and conclusions have been brought together in Chapter 2. Readers are reminded that these findings and conclusions should not be read without the supporting arguments in the appropriate chapters.

CHAPTER 2
FINDINGS AND CONCLUSIONS

2.1 Chapter 2 contains the Committee's findings and conclusions which also are to be found in the relevant chapters of this Report. Readers are reminded that findings and conclusions should not be read without the supporting arguments in the appropriate chapters.

2.2 The Committee found that:

- the efficiency audit of Australia Post was not well managed resulting in a lack of concise and timely reporting; (Chapter 7)
- there were serious communication problems regarding the efficiency audit of Australia Post within the Efficiency Audit Division; between the Auditor-General (Mr K F Brigden) and the Efficiency Audit Division; and between the Efficiency Audit Division and the rest of the Australian Audit Office; (Chapter 7)
- the scope of the efficiency audit of Australia Post was not well defined and maintained; (Chapter 7)
- the release of the informal draft report on the efficiency audit of Australia Post - Administration of Counter Services was most improper. (Chapter 9)

2.3 The Committee concludes that:

- the decision taken by the Auditor-General to discontinue the efficiency audit of Australia Post - Administration of Counter Services was justified; (Chapter 5)
- the former Auditor-General (Mr K F Brigden) had the discretion to discontinue the efficiency audit of Australia Post - Administration of Counter Services under Section 48E (1) of the Audit Act 1901; (Chapter 6)
- the former Auditor-General (Mr K F Brigden) should have presented a report on the efficiency audit of Australia Post under Section 48F (1); (Chapter 6)

- the Auditor-General (Mr J V Monaghan) had complied in part with Section 48G (1), when he reported the discontinuance of this efficiency audit in the Annual Report of the Auditor-General 1984-85; (Chapter 6)
- the Auditor-General should comply with Sections 48F and 48G of the Audit Act 1901 as is relevant to the efficiency audit of Australia Post - Administration of Counter Services; (Chapter 6)
- the management of the efficiency audit of Australia Post - Administration of Counter Services was deficient; (Chapter 7)
- the ultimate responsibility from 1981 to 1984 for the management of the Efficiency Audit Division and of the efficiency audit of Australia Post was the Auditor-General's; (Chapter 7)
- the management of the efficiency audit of Australia Post was not in keeping with the Australian Audit Office's goals, that is, that the Australian Audit Office should be exemplary as regards accountability for its functions and the efficiency, economy and effectiveness of its operations; (Chapter 7)
- stamp security within Australia Post was not related to the decision to discontinue the efficiency audit of Australia Post - Administration of Counter Services; (Chapter 10) and
- further detailed investigation of the security of stamps and other negotiable paper by the Auditor-General is warranted. (Chapter 10)

PART 2 - HISTORICAL PERSPECTIVES

The history of the efficiency audit of Australia Post's administration of counter services is interwoven with that of efficiency auditing.

Chapters 3, 4 and 5 follow the history of efficiency auditing in Australia and the efficiency audit of Australia Post in particular.

CHAPTER 3

EFFICIENCY AUDITING - THE BEGINNING

History of Efficiency Auditing

3.1 The early 1970s saw growing debate about the appropriateness of government auditors performing management or efficiency audits. The culmination of this debate was a widening of the scope and responsibilities of government auditors in many countries.

3.2 The development of efficiency auditing in Australia stemmed from a recommendation of the Royal Commission on Australian Government Administration that a system of efficiency auditing be implemented. The Government approved this recommendation in December 1976 and a Working Party was subsequently established to report on implementation. The Working Party was drawn from the Department of the Prime Minister and Cabinet (convenor), the Department of Finance and the Public Service Board. The Australian Audit Office had observer status. The Working Party's report, completed in April 1977, recommended among other things that the Auditor-General's existing audit functions be widened to allow him to carry out efficiency audits.¹

3.3 The Government accepted the recommendations of the Working Party. Among the recommendations were the following²:

1. An external efficiency auditor be empowered to report on departments or agencies when it has formed the opinion that:
 - (a) a department or agency could establish more adequate procedures for assessing the efficiency and economy of operations under its control; and/or
 - (b) particular activities of a department or agency are not being conducted in an economical or efficient manner ...
8. The charter defined in recommendation (1) above be performed by expanding the Auditor-General's existing audit functions.
9. The Auditor-General should
 - . have discretion over areas and frequency of audits;

1. Report of Working Party of Officials on Efficiency Audits, AGPS, Canberra, April 1977.
2. Ibid., pp (vii)-(x)

- . draw up guidelines for efficiency auditing in consultation with relevant departments and authorities in such a way as to prevent duplication of effort between the Auditor-General's Office and departments - much of the effort of the Auditor-General's staff should be directed towards evaluating the efficiency of managerial control systems;
- . establish informal working relationships with the central co-ordinating authorities in developing his expanded role and providing information on areas which should be subject to program effectiveness review;
- . ensure departments and agencies have the opportunity to comment on draft reports before they are published; and
- . arrange for an independent audit of his own Office ...

14. In introducing such amending legislation it should be stressed that the development of the system is to be gradual and that substantial and tangible benefits should not be expected in the short term...

16. The system of efficiency audit would need to be reviewed after a period, possibly 2 years from the passage of legislation.

3.4 The Working Party in its conclusions stated that³:

2. Any program of efficiency auditing must take into account:
 - . the difficulty of achieving firm definitions of efficiency and effectiveness and hence of establishing precise boundaries between efficiency audits and program effectiveness reviews;
 - . the evolutionary character of the external audit in overseas countries;
 - . the inter-relationship between the development of the efficiency audit and the traditional financial audit function;

3. Report of Working Party of Officials on Efficiency Audits, op. cit., p (v).

- the primary responsibility of departmental management for the use of financial and manpower resources;
- the need to concentrate attention on specific methods, processes or activities in reporting the audit; and
- the need to plan audits carefully according to the specific objectives of the audit.

3.5 The Working Party also concluded that an external auditor would have to proceed cautiously if his objectivity and independence were not to be prejudiced by judgements which might take him into political or subjective areas.

3.6 The United States General Accounting Office (GAO) provided a useful description of an efficiency and economy audit⁴:

A review of efficiency and economy shall include inquiry into whether, in carrying out its responsibilities, the audited entity is giving due consideration to conservation of its resources and minimum expenditure and effort. Examples of uneconomical practices or inefficiencies the audit should be alert to include:

- (a) Procedures, whether officially prescribed or merely followed, which are ineffective or more costly than justified.
- (b) Duplication of effort by employees or between organisational units.
- (c) Performance of work which serves little or no useful purpose.
- (d) Inefficient or uneconomical use of equipment.
- (e) Overstaffing in relation to work to be done.
- (f) Faulty buying practices and accumulation of unneeded or excess quantities of property, materials, or supplies.
- (g) Wasteful use of resources.

Efficiency and economy are both relative terms and it is virtually impossible to give an opinion as to whether an organisation has reached the maximum practicable level of either. Therefore it is not contemplated in these standards that the auditor will be called upon to give such an opinion.

4. Report of Working Party of Officials on Efficiency Audits, op. cit., (vi)

3.7 The Auditor-General, then Mr D R Steele Craik, believed it was appropriate to proceed with this new function of efficiency auditing, which was to be allocated to the Australian Audit Office by legislation, by means of creating a new division.⁵ The formal proposal was sent to the Public Service Board on 16 May 1977 and approved on 18 July 1977.⁶ That approval authorised the creation of a new division and thirteen positions.

3.8 The formal recommendation of the Public Service Board for the creation of the Efficiency Audit Division included the following comment⁷:

The development phase is planned to last at least five years but the Government has directed that the system of efficiency audits shall be reviewed two years after the passage of amending legislation.

3.9 At this time other countries namely Sweden, the United States and Canada had already begun performing efficiency audits and two Australian Audit Office officers visited the General Accounting Office in the United States (GAO) prior to the establishment of the new Efficiency Audit Division. The Australian Audit Office modelled its new division on the GAO and its efficiency audits were seen to mirror those inquiries performed by the GAO. However, in evidence to the Committee the former Auditor-General, Mr K F Bridgen, said that a problem for the Australian Audit Office was that the GAO was not an audit office but an investigation arm of Congress.⁸

3.10 The Audit Amendment Act 1979 was assented to on 7 March 1979 and provided for the Auditor-General to undertake efficiency audits and for the independent audit of the Australian Audit Office. The Efficiency Audit Division had been established in 1977. It had up to 20 staff most of whom came from outside the Australian Audit Office. This Division initially had three tasks⁹:

- to develop appropriate methodologies for efficiency auditing;
- to train staff to measure agency performance against efficiency standards; and
- to test methodologies in the field through a program of efficiency audits.

3.11 The first efficiency audit was carried out on the Australian Government property function administered by the Department of Administrative Services. It was commenced, by

5. Minutes of Evidence, pp 239-41.
 6. Ibid., and see Appendix C.
 7. Minutes of Evidence, p 241.
 8. Ibid., p 292.
 9. Ibid., p 6.

agreement with the Secretary of the Department, in August 1978 prior to the amendments to the Audit Act being passed by Parliament.

3.12 The Auditor-General issued the General Audit Manual in September 1980.¹⁰ The Manual's chapter on 'Efficiency Audits' states that¹¹:

... since efficiency auditing by the Auditor-General's Office began only in 1979 it is being treated in the early years as a separate activity of the Office. Current efficiency audit procedures, organisation and approach are subject to evaluation, although the methodology prescribed here as a foundation for efficiency auditing can be expected to continue with refinement based on experience.

3.13 The Auditor-General, Mr J V Monaghan, in a submission to the Committee said he understood that the former Auditor-General, Mr D R Steele Craik, intended that the efficiency audit function would be integrated into line divisions of the Australian Audit Office upon the Efficiency Audit Division meeting its initial tasks.¹²

3.14 The Efficiency Audit Division existed until October 1984. During this time some 16 efficiency audits were commenced by the Division, many of which had serious problems. The writing of a comprehensive efficiency audit manual in August 1981 and a second version in October 1982 appeared to have little effect on improving the situation. In fact the Auditor-General dismissed the manual.¹³

IDC on Efficiency Audits

3.15 On 7 November 1977, when tabling the Report of Working Party of Officials on Efficiency Audits, the Minister Assisting the Prime Minister in Public Service Matters, Mr Street, said: 'The Government accepts the need for a gradual approach and proposes that the system of efficiency auditing should be reviewed two years after the passage of the necessary amendments which will be made to the Audit Act'.¹⁴ Such amendments were included in the Audit Act 1979.

3.16 The Report of the House of Representatives Standing Committee on Expenditure on the efficiency audit of the Australian Property Function, tabled 9 June 1981, recommended,

10. Steele Craik, D R, General Audit Manual, AGPS, Canberra, Vols 1 & 2, September 1980.

11. Ibid., Vol. 2, p 70.

12. Minutes of Evidence, p 6.

13. Ibid., pp 419-20, 428.

14. House of Representatives, Hansard, 7 November 1977, p 2966.

'That the Government defer commencement of the review of the efficiency audit until mid 1982'.¹⁵ The Expenditure Committee agreed with comments made by Mr Street on 7 November 1977 to the effect that there was a learning process associated with efficiency auditing and tangible benefits were not to be expected too quickly. The Government accepted this recommendation.

3.17 The Review was undertaken by an interdepartmental Committee (IDC) with officers from the Departments of the Prime Minister and Cabinet and Finance and the Public Service Board. The Australian Audit Office had observer status. The Review began in September 1982, a delay of 18 months, and the IDC's report was finalised in July 1983. The IDC noted comments from the Auditor-General and audited departments and took into account comments made by Parliamentary committees.

3.18 The IDC concluded that certain benefits had resulted from the system of efficiency audits. It also concluded that efficiency audits should be more sharply focused, undertaken more quickly and concerned solely with program efficiency rather than with policy issues. In particular the IDC noted that¹⁶:

- efficiency audits have provided a valuable addition to the means of scrutiny of the administration available to Parliament;
- they have identified administrative inefficiencies;
- their presence has acted to re-emphasise the importance of efficiency and sound administrative practices in the minds of departmental managers;
- they appear to have been a catalyst in promoting stream-lined and improved management practices in audited departments; and
- efficiency audits should continue to be performed by the Auditor-General.

Integration

3.19 During the course of the Review by the IDC the Auditor-General, then Mr K F Brigden, had suggested that¹⁷:

the evolution of systems-based auditing as the standard methodology for financial and project ('value-for-money') audits [had] ... resulted in a

15. House of Representatives Standing Committee on Expenditure, Review of the Auditor-General's Efficiency Audit Report: Department of Administrative Services - Australian Property Function, Parliamentary Paper No. 110/1981, p 7.

16. Minutes of Evidence, pp 1034-1035.

17. Ibid., p 1025.

lessening of previously perceived distinctions between efficiency auditing and other auditing processes. No real distinction is now seen in the aims of 'value-for-money' and efficiency audits, the Auditor-General had been strongly of the view that there should be full integration of the efficiency audit process with other audits.

The previous Auditor-General (Mr D R Steele Craik) had stated, in the General Audit Manual that 'efficiency auditing... is being treated in the early years as a separate activity of the Office,¹⁸ which appears to indicate that he intended to combine efficiency audits with the other types of audits.

3.20 The IDC acknowledged the more extensive powers available to the Auditor-General under the efficiency audit provisions of the Audit Act. If there was to be an integration of audits such powers would have to be extended to avoid a reduction in the Auditor-General's ability to assess administrative efficiency. It was noted that if undertaking an ordinary audit the Auditor-General could resort to his wider powers to examine efficiency aspects.

3.21 The IDC concluded that it would be premature to integrate these two audit processes as more time was required to assess the changes then underway in the efficiency auditing process before any recommendations for legislative changes could be made.¹⁹ The Auditor-General informed the IDC that 'he would prefer to see the question of legislative change left to a natural process of evolution'.²⁰

3.22 During the early part of 1983 discussions were held within the Australian Audit Office on the future of efficiency auditing. After April 1983 the Efficiency Audit Division did not commence any new efficiency audits and as current audits were completed, staff were progressively transferred to other divisions. On 8 July 1983 a proposal was put to the Public Service Board for a reorganisation of the Australian Audit Office. This proposal included the abolition of the Efficiency Audit Division and the transfer of its functions to other areas of the Australian Audit Office.²¹

3.23 Problems that had beset the Efficiency Audit Division were highlighted by the review of the House of Representatives Standing Committee on Expenditure on the efficiency audit report of the Main Battle Tank. In its Report (May 1984) the Expenditure Committee expressed concern over the general standard of the

Report as did the Auditor-General.²² Inexperienced staff, the choice of wrong topics and insufficient management control were amongst reasons cited by the Auditor-General for the poor standard of the audit. He told the Expenditure Committee that he had not been satisfied with any of the efficiency audits and that he was seeking to integrate efficiency auditing back into the mainstream of the Australian Audit Office.²³

3.24 By October 1984 the last of the 15 efficiency audits completed by the Efficiency Audit Division had been tabled in Parliament. There was only one efficiency audit remaining unfinished (Australia Post) and there was only one member of staff in the Efficiency Audit Division, Mr D E Berthelsen.

3.25 In a letter to Australia Post on 7 February 1985, the Auditor-General, Mr Bridgen, advised that for some time he had been concerned about the scope and management of early efficiency audits conducted by the Australian Audit Office and the resultant problems for both the auditee and the Office. In late 1982 he decided that the Efficiency Audit Division should not undertake any new audits and that, as efficiency audits were completed, staff would be transferred to 'line Divisions'.²⁴ (The duration of efficiency audits completed by the Efficiency Audit Division is at Figure 7.1 and by Operational Divisions is at Figure 7.2).

3.26 The Auditor-General, Mr J V Monaghan, advised the Committee that 'over the last 2 years the Operational Divisions have undertaken and reported 6 formally designated efficiency audits and about 50 major project audits relatively limited in their scope but directed to efficiency and operational effectiveness issues. These were conducted in accordance with my predecessor's direction, that such audits be conducted within a shorter time-frame'.²⁵

3.27 Mr J V Monaghan added that he had written to the Presiding Officers and departmental secretaries in May 1985 to advise that²⁶:

... in future, all major project audits directed to efficiency and operational effectiveness issues would be formally designated as Efficiency Audits.

3.28 The aim, he explained, was that an efficiency audit would take about 6 months, that is, from designation as an efficiency audit to the provision of comments by an audited agency in accordance with section 48F of the Audit Act. Nine months would be involved from designation to tabling. Mr J V Monaghan expected that on this basis the Australian Audit Office would conduct some 20 to 30 efficiency audits per year.

22. House of Representatives Standing Committee on Expenditure, Management of the Main Battle Tank by the Department of Defence, Who was outgunned? Review of the Auditor-General's Efficiency Audit Report, May 1984, p 4-10.

23. Ibid., p 10.

24. Minutes of Evidence, pp 219-20.

25. Ibid., p 11.

26. Ibid.

18. Steele Craik, D R, op. cit., Vol.2, p 70.

19. Minutes of Evidence, p 1036.

20. Ibid.

21. Ibid., p 255.

CHAPTER 4

THE EFFICIENCY AUDIT OF AUSTRALIA POST -
ADMINISTRATION OF COUNTER SERVICES

The Audit Commences

4.1 The first round of four efficiency audits had commenced when the Auditor-General wrote to the Chairman of the Australian Postal Commission on 13 March 1980 outlining the need to carry out a feasibility study prior to a decision to conduct an efficiency audit.¹ Following this study² the Chairman of the Australian Postal Commission was notified on 30 June 1980 that an efficiency audit into the provision of services to the public through Post Offices would be undertaken.³ It was anticipated that field work would commence in July 1980 and that a report would be tabled in Parliament in about the middle of 1981.

4.2 The initial audit team comprised five staff.⁴ The proposed timetable from July to December 1980 covered an extensive Australia-wide examination of Australia Post counter activities involving field work for about 20 weeks.⁵ An overview of the audit plan was sent to Australia Post in August 1980 and letters were exchanged with unions and staff associations. There was no further formal communication with Australia Post until the end of May 1981.

Changes

4.3 Mr D R Steele Craik retired and Mr K F Brigden commenced as Auditor-General on 16 February 1981.⁶

4.4 Australia Post was advised on 29 May 1981 that further field work would be undertaken, further information was requested and that Mr D E Berthelsen would be the Australian Audit Office's Project Leader after 4 June 1981. Mr Berthelsen had joined the team on 20 May 1981.

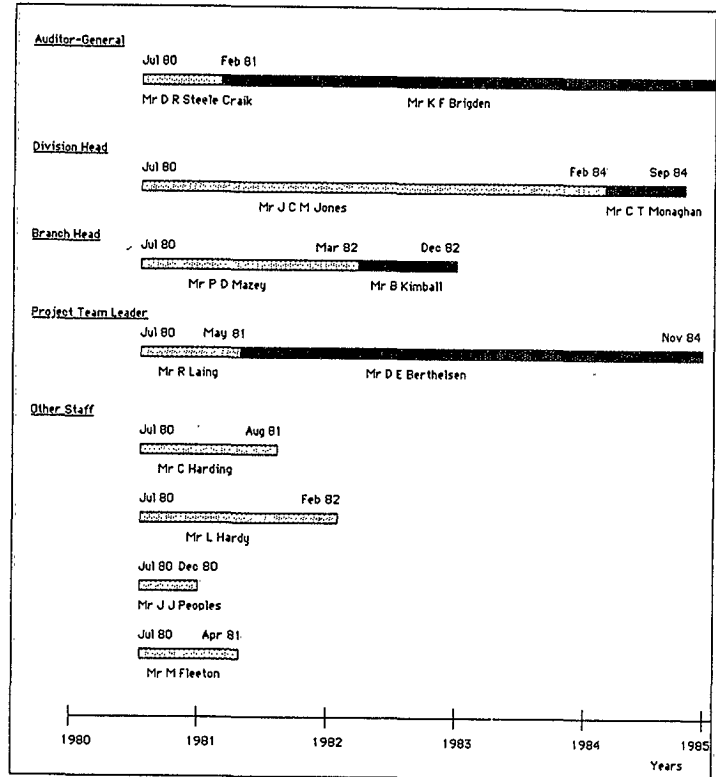
4.5 Mr J C M Jones, First Assistant Auditor-General, Efficiency Audit Division, left the Australian Audit Office on 31 January 1984 and Mr C Monaghan was seconded as Division Head to complete the nine outstanding efficiency audits.⁷ Sixteen efficiency audits had been commenced by this Division since August 1978 but only seven had been completed by 31 January 1984.⁸

4.6 Between 1 February and 9 August 1984 seven efficiency audits were completed with work remaining on the efficiency audits of the Bureau of Meteorology and Australia Post.⁹

1. See Figure 4.2, Efficiency audits 1 to 4.
2. Minutes of Evidence, pp 304-5.
3. Ibid., pp 13-16 or 316-19.
4. See Figure 4.1.
5. Minutes of Evidence, pp 305, 320-22.
6. Ibid., p 493.
7. Ibid., p 227.
8. See Appendix F and Figure 4.2.
9. Minutes of Evidence, pp 265-7.

Figure 4.1

Efficiency Audit of Australia Post¹ - Staff Involved
(Efficiency Audit Division)



Note . 1 Efficiency Audit of Australia Post effectively commenced July 1980.

Figure 4.2 Efficiency Audit Division, AAO - Efficiency Audit Commencement and Completion Dates: 1978 - 1984

Efficiency Audits ¹	Time (Years)							
	1978	1979	1980	1981	1982	1983	1984	1985
1 Australian Property Function, DAS		Aug 78	Apr 80					
2 Admin of Nursing Home Programs		Apr 79	Feb 81					
3 Admin of Overseas Aid Program, ADAB		Jun 79	Oct 81					
4 Collection of Excise and Deferred Customs Duties		Jun 79	Mar 82					
5 Australia Post - Admin of Counter Services ²			Jun 80				Oct 84	
6 Administration of ACT Public Hospitals			Sep 80		May 83			
7 Management of the Main Battle Tank			Apr 80		May 83			
8 Youth Employment Training Program, DEIR				Nov 81	Oct 83			
9 Installation/Maintenance of Airways Facilities				Oct 81	Jun 84			
10 Control of Prohibited Immigration, DIEA					Apr 83	Jun 84		
11 Widows & Supporting Parents' Benefits, DSS				Sep 81	Jun 84			
12 Collection of Sales Tax by Taxation Office				Jan 82	Jun 84			
13 Disability & Service Pension Schemes, DVA		Aug 80					Jun 84	
14 Meteorology Observation Program					Aug 82		Oct 84	
15 Control over Manpower Policy by OTC					Sep 82		Sep 84	
16 Export Market Development Grants Act						Apr 83	Sep 84	

Notes ¹ Additional title information given in Appendix F

² Ceased in October 1984.

Source Appendix F

4.7 The Auditor-General's report¹⁰, tabled on 4 October 1985, stated that the Australia Post efficiency audit was still to be completed. On 10 October 1984 responsibility for the audit arrangements for Australia Post transferred to Division B from Division A.

Concerns and Delays in Reaching Finality

4.8 The Managing Director of Australia Post, Mr A F Spratt, wrote to the Auditor-General, Mr K F Brigden, on 25 June 1981 expressing concern that, after six months, only field investigations had been carried out, slippages had occurred in the audit timetable, papers had not been forthcoming, meetings had not been held, and the Australian Audit Office had shown tardiness in response to matters raised by staff associations. He pointed out that recent Government decisions on Commonwealth functions and staff ceilings would have considerable impact on Australia Post, including counter services. Mr Spratt then stated that under the circumstances there should not be the need for further field work involving the supply of a great deal of information.¹¹

4.9 The Auditor-General only briefly addressed, in a letter of 26 June 1981, the concerns raised by Australia Post. Australia Post supplied the documentation as requested and a further eight days of field investigations were conducted in July/August.

4.10 Mr J C M Jones, First Assistant Auditor-General, Efficiency Audit Division, advised the Committee that, in the period June 1981 and October 1983, there had been 'changes in emphasis', rather than a change to the main thrust of the audit and that more emphasis was placed on the application of new technology to counter services by the use of computers¹² to develop self-service techniques¹³. In this period information was sought constantly and drafts of various briefing papers were supplied to Australia Post.¹⁴ Australia Post provided comments on the draft briefing papers.¹⁵

4.11 The Head of the Efficiency Audit Division was advised on 2 November 1983 that a copy of the completed draft report for the Deputy Auditor-General was expected to be available in mid-December. The causes of the delays in completion were also outlined. These reasons included an agreement made before the audit that all requests were to be channelled through a liaison officer at Australia Post which had resulted in information taking 'an inordinate amount of time to obtain'¹⁶. This was refuted by Australia Post¹⁷.

10. Report of the Auditor-General upon the Financial Statements prepared by the Minister for Finance for the year ended 30 June 1984, AGPS, Canberra, 1984, p 50.

11. Minutes of Evidence, pp 323-25.

12. Ibid., p 431.

13. Ibid., p 426.

14. See Appendix A.

15. Ibid.

16. FAC File 1985/6, Part B (20), P 88.

17. Minutes of Evidence, pp 307-8.

4.12 Before Mr Jones left the Audit Office he reviewed a draft of the Australia Post report (referred to here as Version 1). Mr Jones gave a version of this (referred to here as Version 2) to Division A¹⁸ on 19 December 1983 for review. This version was reduced supposedly on the Auditor-General's instructions regarding report content.¹⁹

4.13 On 2 February 1984, Mr Berthelsen proposed that the original report (Version 1) submitted to Mr Jones be substituted for the truncated version (Version 2) approved by Mr Jones and that the report appendices be restructured.²⁰ Mr Berthelsen also supplied a new timetable and the proposal was approved following discussions with senior officers. It appeared that it was this Version 1 that was sent to Australia Post on 16 May 1984 in accordance with this proposal.²¹ The Committee was advised that this version and three appendices had been seen earlier by Australia Post as informal drafts.²²

4.14 This informal draft report was a precursor to any formal draft to be seen by the Auditor-General. Under the efficiency audit provisions of the Audit Act, the Auditor-General is required to issue a formal draft report to the organisation. The Auditor-General is required to take the views of the audited organisation into account in his final report. The Auditor-General would normally see a draft report that was to be issued as a formal draft.²³

4.15 The Committee, during the course of this inquiry, identified five different versions of the informal draft report on the Australia Post efficiency audit. They were:

1. A copy from Mr Berthelsen to Mr J C M Jones - before 19 December 1983 (Version 1)
2. A copy from Mr J C M Jones to Division A for review - 19 December 1983²⁴ (Version 2);
3. A copy from Mr Berthelsen to another officer for review - approximately March/April 1984²⁵ (Version 1A) (this copy had extensive handwritten corrections);

18. PAC File 1985/6, Part B (20), Exhibit 16. Division A had the financial audit responsibility for Australia Post at this time.

19. See Appendix A, 24 March 1983.

20. Minutes of Evidence, pp 499, 538-9, 893-4. See Appendix A, 2 February 1984.

21. Minutes of Evidence, pp 499, 538.

22. Ibid., pp 17, 101, 177-212. See Appendix E for the 'Table of Contents' only.

23. Minutes of Evidence, pp 271-2, 372. See Appendix I for legislation.

24. Minutes of Evidence, pp 790-892.

25. PAC File 1985/6, Part B.

4. A copy from Mr C Monaghan to Mr D McQuitty, Australia Post, for review - 16 May 1984²⁶ (Version 1B); and

5. A copy returned from Australia Post purporting to be a copy of Version 1B from Mr C Monaghan to Mr D McQuitty for review - 16 May 1984²⁷ (Version 1C).

4.16 It was of concern to the Committee that the Australian Audit Office stated that its copy of the draft report (Copy 5 above) submitted to the Committee was actually a reconstruction of a draft report (Copy 4 above) given back to the Australian Audit Office by Australia Post because the Australian Audit Office did not have in its records an exact copy of what was sent to Australia Post.²⁸

4.17 Examination of the copy of the draft report (Copy 4 above) returned from Australia Post, showed it to contain seven replacement pages and a new document of nine pages.²⁹ The seven replacement pages contained mainly changed figures and the new document of nine pages was titled 'Estimated Costs of Automated PTS Operations'. It should be noted that Australia Post received these amendments on 15 May 1984 from Mr Berthelsen - the day before Mr C Monaghan sent his edited copy to Mr McQuitty.

4.18 Copy 4 together with the appendix 'Public Telegram Service' was given in about May 1984 to Mr C Monaghan who made a number of editorial changes and sent it on 16 May 1984 to Australia Post.³⁰

4.19 A nonspecific response from Australia Post on 4 July 1984³¹ corrected misunderstandings about the provision of appendices to Australia Post (only Appendices 1 to 3 had been seen), made only general comments on the draft report, expressed concern at further resources required, and proposed that the present liaison arrangement be discontinued, that further work be handled formally and that there could be mutual advantage in a joint discussion. Senior officers of the Efficiency Audit Division were increasingly concerned that while this audit was the only audit outstanding from those commenced by the Efficiency Audit Division considerable effort would be required to bring it to finality. These concerns were expressed to the Auditor-General on 9 August 1984.³²

26. Minutes of Evidence, pp 663-789.

27. Ibid., pp 19-63, 177-212.

28. Ibid., pp 359-62.

29. Ibid., pp 727-8, 764-71, 776-9, 780-89.

30. Ibid., pp 930-31.

31. Ibid., pp 213-26, 308, 501.

32. Ibid., pp 217-18.

CHAPTER 5

THE DISCONTINUANCE OF THE EFFICIENCY AUDIT OF AUSTRALIA POST - ADMINISTRATION OF COUNTER SERVICES

Preliminary

5.1 On 9 August 1984 the First Assistant Auditor-General, Efficiency Audit Division, Mr C Monaghan, drew two basic problems to the Auditor-General's attention:

- . the Australia Post efficiency audit had been running for some 4.5 years; and
- . for over two years there was only one officer on it reporting, apparently, direct to the Division Head.

5.2 Mr C Monaghan continued that 'coupled with this there has been no substantial inter-change of correspondence with Australia Post formally drawing out in detail the [Australia Post] reaction to Audit conclusions and proposed recommendations'. He went on to state that the draft report made a large number of recommendations in a detail probably not attempted in any other audit report on matters so fundamental to the top-level strategic planning of an auditee and that 'the report proper is very brief on detailed discussion - as distinct from conclusions and recommendations - and needs the attachments in support'.¹

5.3 Mr C Monaghan identified two options to accelerate the completion of the audit²:

- . send the formal draft requiring Australia Post to comment within 28 days; or
- . expend further human resources at senior levels to end the audit.

5.4 The first option could have resulted in a similar response from Australia Post as the informal draft report had generated. The Australian Audit Office would still not know what areas of the draft report may be weak and if tabled could leave the Office seriously exposed to scrutiny by the Parliament and its committees. The second option would probably have meant that the team's charter for the audit would be laid down by the officer who had written the draft report.

5.5 The Auditor-General discussed (on approximately 21 September 1984) the completion of the report with Mr Berthelsen and was given assurances that the audit report would be finished within four weeks. A month was allowed for completion. At the end of the month, Mr Berthelsen requested a further six weeks to complete the report.³

1. Minutes of Evidence, pp 217-18.
2. Ibid.
3. Ibid., p 295.

The Draft Report

5.6 At one of the Committee's public hearings the former Auditor-General, Mr Brigden, stated that⁴:

... auditing is a question of assembling information, setting up standards and measuring performance against those standards. You need a lot of working papers and a lot of documentation, apart from what you collect from the auditee to do this.

In the case of this particular audit, it went even further outside the range of what an audit should be, and there were simply no working papers ...

It was a remarkably insensitive document; it had no recognition of market forces or realities of life.

5.7 When the former First Assistant Auditor-General, Mr J C M Jones, saw what was sent to Australia Post in May 1984, he stated that he was dismayed to 'see its tone and emphasis was quite different from the version [Version 2] I cleared before I left. I would have never allowed such a prescriptive document to leave the Audit Office'.⁵

5.8 Australia Post claimed that the efficiency audit had focused on a number of futuristic issues which may have helped its considerations in those areas.⁶ It also had the appearance of a desk exercise ie, with very little field work. Australia Post also stated that 'we would find ourselves in general agreement with the broad general thrusts and the broad general directions painted in the writings ... I think our problem with the writings comes down to the detail, to the specific direction, to the very firm black and white recommendations rather than the broad, overall concepts'.⁷ For example, Australia Post also commented upon the \$30 million net tangible benefits which Mr Berthelsen claimed could have been achieved. Australia Post believed the \$30 million reference to be misleading as the major part of the possible savings would not have accrued to Australia Post.⁸

5.9 The Auditor-General, Mr J V Monaghan, told the Committee '... I have read closely the executive summary. To me it reads more like specifications for a feasibility study of automation of a particular process rather than an efficiency audit'.⁹

4. Minutes of Evidence, pp 297, 301.

5. Ibid., p 393.

6. Ibid., p 312.

7. Ibid., pp 378-9.

8. PAC File 1985/6, Part A, 5 May 1986, p 2.

9. Minutes of Evidence, p 262.

Discontinuance

5.10 On 26 October 1984 the former Auditor-General, Mr K F Bridgen, and the Deputy Auditor-General, Mr D Hill, met with Mr Berthelsen, to consider completion of the efficiency audit report after a series of requests for extensions. When Mr Berthelsen requested another extension of six weeks Mr Bridgen decided to discontinue the audit.¹⁰

5.11 Mr Bridgen was confirmed in his decision in discussion with his senior officers who were of the same view. Mr Bridgen also confirmed with the responsible contact officer in the Attorney-General's Department that it was entirely within his (ie, the Auditor-General's) discretion as to whether or not the audit should be continued.

5.12 The Auditor-General, Mr J V Monaghan, presented to the Committee a list of some 19 occasions between 1 September 1981 and 18 July 1984 recorded on the files where completion dates for the report had been given.¹¹

5.13 Mr Bridgen's reasons given to the Committee were¹²:

- the officers originally appointed to carry out the audit had long since moved on;
- it had become clear that the officer to whom the work had been transferred would not be likely to complete the task;
- even if he could do so, his recommendations for 'findings' would generally not be supportable, because of the lack of audit evidence and because of a basic misconception about the focus of the audit;
- as long as the officer continued to work on the audit, the Division now responsible for auditing the Communications area would be restrained in selecting audits into aspects of managerial performance in Australia Post; and
- ... it was the last of the very long-running audits that had been undertaken by the now defunct Efficiency Audit Division.

5.14 Mr Bridgen also stated that '... to continue with this audit would have meant, as I understand it, taking the draft report, assigning to it a new team - a senior team - to either validate or set aside such material as was within the report, which could be taken as findings and recommendations. In effect, that would have meant that the team's charter for the audit would be laid down by the officer who had written the report'.¹³

10. Minutes of Evidence, p 295.
11. PAC File 1985/6, Part A, 2 May 1986, Attach. C, pp 8-10.
12. Minutes of Evidence, pp 288-9.
13. Ibid., p 294.

5.15 Mr Berthelsen, in a minute to the Auditor-General, Mr Bridgen, on 29 October 1984, inter alia, challenged Mr Bridgen on the matter that he was not prepared to assign a senior team to the task of reviewing the report.

5.16 Mr Bridgen annotated Mr Berthelsen's minute of 29 October 1984 on 5 November 1984 as follows¹⁴:

Mr Berthelsen, as previously advised. I have decided that the above audit should not be carried out, certainly for the time being - I will review future action ... with the Division Head. Would you now please hand the working papers and other materials over to the Director/Home Affairs and AP [Australia Post]. You should report for duty in DP [Data Processing] Branch on Monday.

5.17 A further relevant annotation by Mr Bridgen on 6 November 1984 was¹⁵:

Mr Lidbetter, as you may know, I do not propose at this stage that this efficiency audit be carried out. I will discuss with you later re other projects affecting this auditee and will consider further this audit before speaking to Aust[ralia] Post. For the present the material collected will be of use in planning other work with A[ustralia] P[ost].

5.18 In the Committee's view, here the matter should have rested. However, the debate on whether the audit should have been continued was not put aside.¹⁶

5.19 In a minute to the Head of Division B, now responsible for Australia Post audit matters, on 8 November 1984, the Auditor-General advised that¹⁷:

I've spoken to David Berthelsen - Messrs Taylor [First Assistant Auditor-General Division D] and O'Donnell [Assistant Auditor-General] were present. I have directed him [Mr Berthelsen] to return all material concerning Aust[ralia] Post to your Division and to refrain from any further activity concerning the audit of the body. He's not to use office resources for further office submissions about this matter.

5.20 The Committee noted that on 2 November 1985 Mr Berthelsen had proposed that he keep the documents until he completed the report. Mr Berthelsen also explained that¹⁸

14. PAC File 1985/6, Part B (20), Exhibit 24.
15. Minutes of Evidence, p 218.
16. Ibid., pp 908-28.
17. PAC File 1985/6, Part B (22), p 156.
18. PAC File 1985/6, Part B (22), p 157.

'there are no working papers to the audit as is produced for all other audits conducted by this office. The working papers ... have been mainly Australia Post Manuals, reports on Australia Post's activities by other committees and articles on particular aspects eg automation - technical documents on current developments'.

5.21 On 7 February 1985 the Auditor-General wrote to the Chief General Manager of Australia Post, advising him that the Efficiency Audit Division had been disbanded and audits of efficiency aspects had become part of the comprehensive audit program. Also he advised that efficiency audits commenced in recent years had been more manageable in terms of scope, complexity and time allowed for completion as well as a strengthening of management control.¹⁹

5.22 He continued, 'I have decided that the further work necessary to carry out the audit should not be undertaken. Instead I have requested that the work knowledge we have gained be used in future audits of counter services and related Commission functions. I note from your letter that the Commission has addressed or is proceeding in a number of the directions identified in the material provided to you'.

5.23 The issues were raised again with the new Auditor-General on 8 March 1985. In that minute, Mr Berthelsen suggested, inter alia, that²⁰:

- . the original efficiency audit team ... focussed on general rather than specific issues ... ;
- . the efficiency audit team headed by myself ... focussed on specific rather than general issues ... ;
- . the audit report forwarded ... to Australia Post on 16 May 1984, elicited ... a [3.5] page response couched in the most general terms possible ... ;
- . the net value of tangible benefits ... has been estimated conservatively at around \$30 million annually ... indirect benefits could far outweigh the value of tangible benefits;
- . at least 13 pages of detailed costing ... were made available to Australia Post; [and]
- . formal transmission of the report to Australia Post and to the Parliament was not dependent on completion of any appendix which may or may not be attached to the report. Publication of the 4 appendixes ... was considered desirable, firstly because it would provide users of Australia Post's services with insights into Australia Post's

19. Minutes of Evidence, pp 219-20.

20. Ibid., pp 221-5.

operations not previously possible, and secondly because they would put to rest any suggestions that the major thrusts of the report and its recommendations were not soundly based.

5.24 The debate continued unabated, including claim and counter claim as to the worth of continuing the audit to its final conclusion of reporting in detail to the Parliament. This occurred both within the Australian Audit Office and later before the Committee. The Committee noted also that the Auditor-General was aware that Australia Post was beginning to implement many of the draft findings communicated in the various drafts and briefing papers. In a briefing note to the Auditor-General, the Head of Division B noted, inter alia, that²¹:

- . evidence on whether or not the original audit team was able to reach sustainable conclusions could not be found;
- . the work undertaken by Mr Berthelsen was not a 'normal' audit;
- . the audit was conducted from the desk; there had been no formal discussions or exchange of detailed correspondence with Australia Post management;
- . the conclusions and recommendations are to a large extent based on assumption and a questioning of the rationale of Australia Post policies;
- . the material handed to Division B did not contain any audit working papers or evidence to support the audit findings or conclusions;
- . Australia Post agreed that there was some substance to those conclusions and recommendations;
- . in many areas it would be necessary to establish and document the evidence to support the conclusions and recommendations;
- . the response by Australia Post to the report forwarded on 16 May 1984 was rather critical in general terms. It did indicate that many of the directions proposed were supported, at least in principle;

21. Minutes of Evidence, pp 226-31.

- the material was naive to the extent that did not take sufficient account of industrial implications;
- in the 4 years that had elapsed most of the major directions had either been addressed or were under separate study;
- the statement on the net value of tangible and intangible benefits could well be true, although the draft report suggests that such savings would come largely from automating the counter network and thus saving at least 1150 positions;
- other recommendations refer to the transfer of 1400 positions from official to non-official post offices and the redeployment of 100 staff at the Sydney Money Order Centre. The draft report notes that this would cause significant industrial unrest, although it does not suggest how the unrest might be handled;
- the detailed costings were not able to be found; and
- the argument concerning the formal transmission of the report to Australia Post and Parliament is contradictory. Any efficiency audit should be able to demonstrate that the recommendations were soundly based. He agreed with the recommendation to Mr Brigden that the draft report needed the attachments to support the main report which was very brief on detailed discussion.

5.25 On 10 May 1985 the Auditor-General, Mr J V Monaghan, formally responded to Mr Berthelsen's representations of 8 March 1985.²² Mr J V Monaghan noted that it was clear that the Australia Post efficiency audit suffered the consequences of a serious management failure. He also noted that Division Heads and Australia Post had recognised some merit in the thrust of the draft report. He claimed that the fatal criticism of the report was that the groundwork had not been laid whereby the Auditor-General could with any confidence judge that the draft audit conclusions could be sustained against Australia Post's likely rebuttals. The Auditor-General advised Mr Berthelsen that he would not be reviewing Mr Brigden's decision further.

22. Minutes of Evidence, pp 232-4.

5.26 There was a suggestion there had been collusion between the Auditor-General, Mr Brigden, and Australia Post to discontinue the efficiency audit. This arose partly from an answer provided by Senator Grimes, Minister for Community Services, in the Senate²³:

Quite clearly, what happened was that an efficiency audit was conducted in combination with the Auditor-General and Australia Post. It was decided by mutual agreement that they were getting nowhere so they gave it away.

5.27 The Auditor-General, Mr Brigden, denied that he and Australia Post collaborated.²⁴ Senator Grimes advised the Committee that there was no intention to imply collusion²⁵:

What I actually meant was that the termination of the audit was agreeable to Australia Post, as the audit had been underway for some 4 years and appeared to be getting nowhere. It therefore appeared to be sensible to discontinue the audit.

Working Papers and Audit Procedures

5.28 The Committee noted that, while new procedures were being developed, the Efficiency Audit Division was expected to follow normal operating procedures laid down in the Audit Manual. These included the definition of scope and the need for proper documentation. The Committee was concerned that one of the reasons for the termination of the Australia Post audit was the lack of working papers to support the conclusions and recommendations drawn in the draft report submitted to Australia Post on 16 May 1984. Similarly, there were doubts as to the procedures used to compile the report.

5.29 The Deputy Auditor-General, Mr D J Hill, stated that²⁶:

... the intention was that the Efficiency Audit Division would itself consider its approach to the subject of efficiency auditing and work up guidelines which would then be applied to the conduct of efficiency audits. At that time, of course, the Division would have had access to the normal procedural arrangements for the Office as a whole. These were set out in a General Audit Manual. These referred to requirements for working papers ...

23. Senate, Hansard, 21 May 1985, p 2267.

24. Minutes of Evidence, p 347.

25. PAC File 1985/6, Part A, 22 May 1986.

26. Minutes of Evidence, pp 243-4.

5.30 The Deputy Auditor-General later stated that²⁷:

I did not become aware that there were no working papers until late 1984. This differs from the normal practice of the Audit Office, and indeed from normal auditing standards of the profession ... the purpose of auditing is to form an opinion about a matter under audit and to form that opinion in the light of evidence gathered. The evidence gathered is then recorded in the form of working papers which the auditor then uses as a basis for his conclusions.

5.31 The former First Assistant Auditor-General, Efficiency Audit Division, Mr J C M Jones stated that there were working papers, ie, 'the very detailed and voluminous appendices covering the various aspects covered by the audit ... those appendices included costs, arguments, evidence drawn from Australia Post ...'.²⁸

5.32 The auditor in charge of the efficiency audit of Australia Post from May 1981, claimed, in evidence before the Committee, that he had kept working papers for this audit.²⁹ He later told the Committee that the working papers he kept were probably not what the Australian Audit Office was expecting as they were literally a number of manuals describing, among other things, detailed office procedures to be used in counter outlets, and Australia Post internal policy implementation guidelines for structuring the network of counter outlets. The Committee was told that all of these documents were handed over to the responsible Division.³⁰

5.33 The former Auditor-General agreed with the view of the Deputy Auditor-General, emphasising that 'in efficiency auditing it is more important than ever that there be adequate documentation and working papers to support the reports on which the performance of the entity is recorded and the standards against which that performance is to be measured'.³¹

5.34 The Auditor-General, Mr J V Monaghan, stated that the normal procedures for an audit entail³²:

- the preparation, by Central Office Directors of Audit, of basic audit guidelines which set out the scope and objectives of the audit, special features to be examined and progress reporting points. An allocation of time (in hours) for the conduct of the field work is indicated;

27. Minutes of Evidence, p 263.

28. Ibid., pp 397, 436.

29. Ibid., p 529.

30. Ibid., pp 931-2.

31. Ibid., p 298.

32. Ibid., pp 574-5.

- basic audit guidelines are sent to the field branch selected to conduct the audit. The Principal Auditor responsible for the department or body to be audited prepares a field plan which is approved in the Branch and a copy forwarded to the Director in Central Office;
- the Principal Auditor and Director will frequently discuss the approach to the audit and the latter may agree to incorporate suggestions from the former in the guidelines;
- following an opening interview with auditee management the audit is conducted under the supervision of the Principal Auditor. Working papers are prepared as part of audit evidence;
- depending on the findings, the progress of the audit is reviewed by the Director and issues of significance discussed (eg, non adherence to an accounting standard);
- an exit interview is held with auditee management at which the Director may be present - if the audit findings are significant and may be contested by the auditee, the Central Office Branch Head or Division Head may lead the Audit team;
- a management letter is forwarded to the auditee body setting out the audit findings and inviting comment;
- a paragraph for the Auditor-General's Report is drafted and when a reply is received to the management letter a distillation of auditee comments is included;
- if the auditee is a statutory authority reports to the relevant Minister are prepared for signature by the Auditor-General or his delegate; and
- appropriate reference to the audit findings is included in the next Report of the Auditor-General.

5.35 Mr J V Monaghan told the Committee that these procedures generally did not apply to the early efficiency audits. Separate procedures were developed by the Efficiency Audit Division. Since the responsibility for the conduct of efficiency audits was resumed by the line Divisions the processes for their conduct have generally followed the procedures outlined above. A significant difference between the procedures is that if the audit was an efficiency audit a copy of the proposed report on the audit is sent to the auditee for comment. Comments, which must be furnished within 28 days, are taken into account in finalising the report for tabling in Parliament.

Conclusion

5.36 The Committee, having reviewed many pages of transcript and documentation, finds that Mr Berthelsen's claims cannot be sustained. The Committee agrees with the Auditor-General's comment that the groundwork had not been laid whereby the Auditor-General could judge with any confidence that the draft audit conclusions could be sustained. The Committee also found that the Australia Post efficiency audit suffered the consequences of a serious management failure.

5.37 The Committee concludes that:

- the decision taken by the Auditor-General to discontinue the efficiency audit of Australia Post - Administration of Counter Services was justified.

5.38 However, there were a number of issues with which the Committee had considerable concern. These matters are discussed in the following chapters and further conclusions drawn.

PART 3 - PARTICULAR ISSUES

CHAPTER 6

THE AUDITOR-GENERAL

Introduction

6.1 In his Annual Report for 1984-85¹ the Auditor-General outlined his role, 'as the external auditor of the Commonwealth Executive and Commonwealth's statutory authorities', 'to improve the economy, efficiency and accountability of the Commonwealth Public Sector'. 'The Auditor-General ... is accountable for the exercise of his statutory responsibilities, through his reports to the Parliament and through the reports of the Independent Auditor appointed by the Minister for Finance ... to carry out audits in relation to the ... [Australian Audit Office]'.

6.2 The Auditor-General stated that²:

- his responsibility to Parliament calls for a special independence from the Executive;
- he determines the nature and scope of audits, the standards to be met and the methodology to be used;
- he is not constrained by a requirement to agree with a Minister, the board of an authority or any other person regarding any aspect of his audit activity;
- he has extensive powers of access to locations and to information and can call persons before him and examine them on oath; and
- he has wide discretion as to the information he may include in reports to Parliament and the matters he may draw to the attention of Ministers.

6.3 The Auditor-General stated that, in relation to the Australian Audit Office, he exercises the powers of a departmental secretary under the Public Service Act 1922 and his appointment endures until he reaches a statutory retiring age.³

Power to Discontinue

6.4 As part of the Committee's review, advice was sought as to the basis of the Auditor-General's legal power to discontinue an efficiency audit from the Attorney-General's Department and from the Hon Mr Justice P B Toose, CBE, Legal Adviser to the Committee. The Auditor-General, Mr J V Monaghan, was asked to advise the Committee as to the basis of the former

Auditor-General's decision. Mr K F Brigden, the former Auditor-General, told the Committee that he had sought verbal advice from the responsible officer in the Attorney-General's Department at the time he made the decision to discontinue the efficiency audit into Australia Post.⁴

6.5 During the process of seeking this advice the Committee discovered that the Department of Finance had sought and received legal advice as to the discretion available to the Auditor-General to discontinue an efficiency audit and had not offered information on this matter at the public hearings. It is noted that the Advice is dated 13 August 1985. The Advice was sought urgently on 5 August 1985, two days before the first public hearing on 7 August 1985.

6.6 The Committee is concerned that the Department of Finance did not inform the Committee of its action. The Department of Finance has subsequently apologised to the Committee.⁵

6.7 The Advising from Mr P Clay for the Secretary, Attorney-General's Department dated 13 August 1985 (to the Department of Finance), the Secretary (Mr Brazil), Attorney-General's Department dated 19 May 1986 (to the Committee) and the Opinion from the Hon Mr Justice P B Toose, CBE, dated 21 May 1986 (to the Committee), addressed questions on whether the former Auditor-General had a discretion to discontinue the efficiency audit and whether he had reporting responsibilities to Parliament.

6.8 Division 2 - Efficiency Audits (Sections 48A to 48H) of the Audit Act 1901 is included in this Report at Appendix I and the Advising and Opinion are at Appendices J to K.

6.9 Both Advising from the Attorney-General's Department address the question on whether the Auditor-General has a discretion to discontinue an efficiency audit⁶:

It is clear that, under s.48C (1), the Auditor-General has a discretion in relation to the carrying out of an efficiency audit of all or any of the operations of a public authority of the Commonwealth. That discretion clearly extends to deciding whether or not to carry out any efficiency audit in respect of the public authority and, if an efficiency audit is to be carried out, deciding which of the public authority's operations are to be subject to the audit. In my view, the discretion, in its terms, is capable also of being construed as extending to the actual carrying out of an audit that the Auditor-General has decided to undertake or has

1. Annual Report of the Australian Audit Office 1984-85, AGPS, Canberra, pp 3-5.
2. Ibid., pp 4-5.
3. Ibid., p 5.

4. Minutes of Evidence, p 295.
5. PAC File 1985/6, Part A, 23 May 1986.
6. Appendices J and K.

commenced to carry out. I can discern no basis in Division 2 of Part VI of the Act for an implication that the Auditor-General cannot rescind or vary his decision to carry out an audit before commencing an audit or that the Auditor-General, having commenced an audit, is under an obligation to carry out the audit wholly or partially in accordance with his original decision.

6.10 In the Advice of 13 August 1985 to the Department of Finance, Mr P Clay for the Secretary, Attorney-General's Department, answered the following question in the negative⁷:

Must the Auditor-General, having commenced an efficiency audit of a public authority, carry out the audit to completion?

6.11 In the Advice of 19 May 1986 to the Committee, the Secretary, Attorney-General's Department, stated that⁸:

In my opinion, the then Auditor-General had the power to make that decision and to terminate work on the Efficiency Audit.

6.12 Justice Toose, in his Opinion to the Committee, addressed the first question, ie, whether Mr Brigden had a discretion under the Audit Act 1901 to discontinue the efficiency audit as follows⁹:

By its very nature an audit, whether it be of accounts or an efficiency audit, is a continuing process and therefore it could go on indefinitely unless a decision is made to limit or stop it. Once an efficiency audit commences Sections 48E, 48F, 48G and 48H come into operation.

By Section 48E (1) the Auditor-General is, subject to the Act, given power to conduct the audit in such manner as he sees fit. This discretion is so wide that it would, in my view enable the Auditor-General to stop, discontinue or limit any current efficiency audit if he considered it proper or desirable to do so.

... Mr Brigden's decision to discontinue the audit was within the discretion conferred by Section 48E (1). It seems to me that the reasons for discontinuance given by him were valid ones.

7. Appendix J.

8. Appendix K.

9. Appendix L.

6.13 Justice Toose went on to state that:

These opinions [of Mr Clay and Mr Brazil] ... overlook the fact that the discretion to carry out the audit was exercised in 1980. Furthermore in view of the inclusion of a reference to the currency of the audit in each of the following annual reports under Section 50 of the Audit Act it is difficult to see how he retained any discretion under that Section 'not to carry it out'.

... Mr Brigden had a discretion to discontinue the audit under Section 48E (1). Thus the question as to whether the discretion is provided in Section 48C (1) or 48E (1) would be of no importance except for the existence of Sections 48F, 48G and 48H.

6.14 The second question dealt with by the Adviseings and the Opinion concerned whether the Auditor-General was required to report. The Advice from Mr P Clay dated 13 August 1985 to the Department of Finance addressed the question¹⁰:

Is the Auditor-General obliged to make a report on so much of the audit as has been completed?

6.15 In Mr Clay's view, in so far as the Auditor-General had completed an audit of any of the operations of the public authority, he is obliged to report.

6.16 Mr Clay stated his reasons as¹¹:

4. ... no such implications can be drawn from the Auditor-General's reporting obligation under s.48F and a body's obligation to pay fees under s.48H. Both of those obligations are conditional upon an efficiency audit of 'operations' of a body having been carried out.

5. The obligation to prepare a report under s.48F (1) arises '(w)here the Auditor-General carries out an efficiency audit of operations of a relevant body'. In my view, the reference to 'operations' includes any of the operations of a body, both because words in the plural may generally be read as including the singular (s.23 (b) of the Acts Interpretation Act 1901) and such a reading appears consistent with s.48C (1) (which refers to 'all or any ... operations' of a body). ... Furthermore, the reference to the carrying out of the audit is to a complete

10. Appendix J.

11. Ibid.

carrying out or a completed audit. This seems clear from the reference to 'results' in s.48F (1) and elsewhere in the section and from the provisions concerning the content of a report (sub-section (2)).

6. In practical terms, whether the Auditor-General has an obligation to report following a premature termination of an efficiency audit project will depend on the nature and extent of the work that he has performed. If he can be regarded as having completed an audit in respect of one or more 'operations' of the body, he would be required to report on his work to that extent...

8. Another possible area of difficulty might be the determination of whether the carrying out of an audit into an operation has been completed. Again, it appears to me that the matter needs to be resolved principally on the basis of the context. Section 48F refers to the 'results' of the audit (see, for example, sub-sections (1) and (2)). Thus the obligation to report under s.48F (1) would seem to arise only where the Auditor-General's work could be regarded as having produced meaningful 'results'...

9. If the Auditor-General has, pursuant to s.48F (3), furnished a copy of his proposed report to the body being investigated, in most cases, I do not consider that it would be open to him, at that stage, not to complete the report. Section 48F (3) only applies where the Auditor-General has prepared a report. A report can only be prepared where an efficiency audit has been completed and at that stage the obligation to make a report arises. However, the fact that a draft report has been furnished does not necessarily preclude termination of the audit if the draft were based on an incomplete audit or were not furnished with the approval of the Auditor-General.

6.17 The Secretary, Mr Brazil, Attorney-General's Department, in his Advice dated 19 May 1986 to the Committee, put forward the following reasons as to why the Auditor-General was not required to report¹²:

I do not consider that the obligation imposed on the Auditor-General by s.48F (1) of the Act to 'prepare and sign a report of the results of the audit' arises until the Auditor-General has directed his mind to the relevant issues. In particular, the efficiency audit must have proceeded to such a stage that it has produced 'results' which can be incorporated in a report

12. Appendix K.

prepared by the Auditor-General and which can be sent as a 'proposed report' under s.48F (3) of the Act. The report is required to set out reasons for opinions expressed therein (s.48F (2)(b)). Until work on an efficiency audit has proceeded to a stage where it has produced concrete results which are adopted by the Auditor-General, I do not consider that the reporting obligation under s.48F arises. By arranging for members of his staff to commence work on an efficiency audit the Auditor-General does not 'carry out' that audit. The reporting obligation imposed by s.48F (1) only arises when the Auditor-General 'carries out' an audit, not when he commences to carry it out.

6.18 Justice Toose, in his Opinion to the Committee of 21 May 1986, answered two questions on the reporting aspect, ie, whether Mr Bridgen failed to comply with Section 48F (1), and 48G (1) of the Audit Act 1901.¹³

6.19 Justice Toose, in his discussion, stated¹⁴:

In addition they [Mr Clay and Mr Brazil] contend in effect that for Section 48F to apply the audit must have been completed at least in part or produced a meaningful result which is capable of being the subject of a report giving rise to recommendations. Furthermore it is suggested that the obligation to report does not arise until the Auditor-General has directed his mind to the relevant issues.

I disagree with these views. The plain meaning of the words in the section do not warrant such interpretations. The clear intention of the Act is that where an efficiency audit is in existence there should be a report thereon...

The requirement of Section 48F (1) that the Auditor-General shall report the results of the audit do in my view not mean that the audit must have some final and definite result. The word 'result' in my view is used as the equivalent of 'outcome'. In the Macquarie Dictionary the following reference is made to the meaning of 'result' -

'that which results; the outcome, consequence, or effect.'

The fact that a preliminary draft report existed, even though it did not purport to be a proposed report pursuant to Section 48F (3), indicates that the audit had reached a stage where some report on the outcome with reasons was possible.

13. Appendix I.

14. Appendix L.

In any event if an audit is discontinued that is a 'result' within the meaning of that Section and should be the subject of a report. In addition there should be a report thereon in the Annual Report as provided by Section 48G. Finally in appropriate cases fees could be charged pursuant to Section 48H.

In dealing with the question of reporting it is obvious that a report has been made annually on the currency of and the discontinuance of the audit although the reasons for discontinuance have not yet been formally given to Parliament.

6.20 Justice Toose's answers to these questions were, to 48F (1) - Yes and to 48G (1) - No, but the report on the discontinuance is not complete as the supplementary report in respect of 1984-1985 indicates.

6.21 In Justice Toose's opinion, Mr Brigden, as Auditor-General, had a requirement under Section 48F (1) to report the 'result' even if the 'result' was that the audit had to be discontinued and a requirement under Section 48G (1) to report it in the Annual Report.

6.22 Mr J V Monaghan, who succeeded Mr K F Brigden on 8 February 1985 as Auditor-General, reported the discontinuance in his Annual Report (a supplementary report) for 1984-85 but did not give 'an account of the circumstances relating to that decision by my predecessor' because the Committee 'has commenced an inquiry into the discontinuance of the efficiency audit'.¹⁵

6.23 The Auditor-General, Mr J V Monaghan, was also asked by the Committee as to the basis of the former Auditor-General's decision. Mr J V Monaghan repeated Mr Brigden's evidence to the Committee where Mr Brigden stated that he had consulted by telephone a senior officer in the Attorney-General's Department to confirm that he (Mr Brigden) had the authority to discontinue the audit.¹⁶

6.24 Mr J V Monaghan later advised the Committee that as far as he was able to ascertain, Mr Brigden did not make a file note of that conversation. He also advised the Committee that the recollection of senior officers present at the time was that Mr Brigden took the view that¹⁷:

- the draft material sent to Australia Post under cover of Mr C Monaghan's letter of 16 May 1984¹⁸ was a preliminary draft only;

15. Annual Report of the Australian Audit Office 1984-85, op cit., p 34.
16. Minutes of Evidence, p 295.
17. PAC File 1985/6, Part A, 16 May 1986.
18. Minutes of Evidence, pp 17-18.

- Mr C Monaghan's letter made clear that Audit was not yet in a position to furnish a formal draft under Section 48F (3) of the Audit Act;
- in the light of Australia Post's response of 4 July 1984 substantial additional resources, including at SES level, would be necessary to advance the matter to the stage where it could be said that the audit had been 'carried out' pursuant to Section 48C; and
- in those circumstances it was not necessary to prepare a report in accordance with Section 48F.

6.25 Those officers understood from Mr Brigden that the officer from the Attorney-General's Department concurred in this conclusion. Mr Clay has since confirmed that he was the officer with whom Mr Brigden had the conversation, and that his notes also confirm the advice from Mr J V Monaghan.¹⁹

6.26 Subsequently Mr Brigden instructed Mr Lidbetter (who had then taken over responsibility for the audit arrangements of Australia Post) in a note dated 6 November 1984 that²⁰:

As you may know, I do not propose at this stage that this efficiency audit be carried out. I will discuss with you later re other projects affecting this auditee and will consider further the audit before speaking to Australia Post. For the present the material collected will be of use in planning other work with Australia Post.

6.27 Australia Post was formally notified by Mr Brigden on 7 February 1985 that the audit had been discontinued.²¹ Neither Auditor-General, ie Mr Brigden or Mr J V Monaghan, sought formal legal advice on whether the Auditor-General could discontinue an efficiency audit.

Conclusions

6.28 The Committee concludes that:

- the former Auditor-General (Mr K F Brigden) had the discretion to discontinue the efficiency audit of Australia Post - Administration of Counter Services under Section 48E (1) of the Audit Act 1901;

19. PAC File 1985/6, Part A, 4 June 1986.
20. PAC File 1985/6, Part A, 16 May 1986.
21. Minutes of Evidence, pp 219-20.

- the former Auditor-General (Mr K F Brigden) should have presented a report on the efficiency audit of Australia Post under Section 48F (1);
- the Auditor-General (Mr J V Monaghan) had complied in part with Section 48G (1), when he reported the discontinuance of this efficiency audit in the Annual Report of the Auditor-General 1984-85;
- the Auditor-General should comply with Sections 48F and 48G of the Audit Act 1901 as is relevant to the efficiency audit of Australia Post - Administration of Counter Services.

CHAPTER 7

MANAGEMENT OF THE EFFICIENCY AUDIT OF AUSTRALIA POST

Efficiency Audit Division 1978-1984

7.1 The first head of the Efficiency Audit Division, Mr J C M Jones, told the Committee that when he addressed the brief to establish efficiency auditing he considered that he should¹:

- survey world-wide literature on efficiency auditing; or
- select a small number of audits and supervise them himself directly; or
- delegate responsibility to others to manage projects and as Division head develop methodology, select topics and maintain quality control.

7.2 The third option was chosen.

7.3 The first two options were rejected on grounds that very little had been published on efficiency auditing and that this was less effective for training in efficiency auditing than the third option. Mr Jones stated that the 'third option, of course, had its risks, because when people are allowed to learn by doing they make mistakes'. While the Division was following this third option, Mr Jones claimed that by the end of 1981 he was able to write a 'comprehensive efficiency audit manual'.²

7.4 Mr Jones submitted the 'Efficiency Audit Manual' to Mr Brigden, Auditor-General in August 1981. Mr Jones suggested that Mr Brigden's unwillingness to endorse the manual as an internal office document caused him 'quite serious problems in trying to discipline the teams of people undertaking efficiency audits'.³ Mr Jones claimed that the manual was generally supported within the whole of his Division.⁴

7.5 Mr J V Monaghan advised the Committee that, while Mr Jones stated that his manual was generally supported within the whole of the Efficiency Audit Division, in fact the Australian Audit Office files indicate a good deal of disagreement, particularly in respect of the general application of the manual.⁵ Mr J V Monaghan (Auditor-General) stated that senior officers present at the time had advised him that the proposed manual had not been developed in a form that would have facilitated its wider use in the Australian Audit Office.⁶ Mr Brigden stated that 'the draft manual that was eventually

1. Minutes of Evidence, p 410.

2. Ibid., p 411.

3. Ibid., p 412.

4. Ibid., p 420.

5. PAC File 1985/6, Part A, 2 May 1986, Attachment B, pp 1-2.

6. PAC File 1985/6, Part A, 2 May 1986, Attachment B, p 2.

produced did not show much that could be imparted to the general audit divisions which, by that time, were undertaking and completing project audits in the normal course of day to day operations'.⁷

7.6 Mr Jones stated that, in his oversighting role as Head of Division, he would consult almost daily with his Branch Heads. Where he directly supervised the project, particularly the Australia Post project, he would have had detailed discussions with the team leader at least fortnightly. Consultation with the Auditor-General, Mr Brigden, or the Deputy Auditor-General, Mr Hill, was infrequent except when submitting a proposed report to the auditee under section 48F (3). Draft reports were also submitted to the division concerned with the financial auditing side of the portfolio for comment.⁸

7.7 Mr Jones agreed with the Committee that he ran his Division without any significant degree of interference on formal and continuous reporting. After claiming that he did have milestone reporting for the completion of the individual field audit reports for the sub-tasks within the audit project, Mr Jones was asked how a project, like Australia Post, could be allowed to continue almost indefinitely. Mr Jones replied that⁹:

...controls had not evolved to the level they finally reached by, say, the end of 1981. It was far more loosely controlled. I concede that maybe they were too loosely controlled but I have explained why I did it that way.

7.8 Mr Jones in both his submission and in evidence before the Committee accepted the responsibility for and conceded that the management of the Australia Post Audit was deficient.¹⁰ Later in evidence he stated¹¹ 'for what went wrong earlier on in the piece, I take full responsibility - that was the learning experience'. Mr Brigden stated, ¹² 'I did not regard the [Efficiency] A[udit] Division's work as experimental. Nor, from a very early time, was the Division seen as being engaged in a "learning activity"'.¹³

7.9 Mr Jones claimed that he had difficulties working with Mr Brigden who commenced as Auditor-General in February 1981. Mr Jones stated that the principal cause of the tension between them was the fact that Mr Brigden 'attempted to redirect the thrust of efficiency auditing in a quite significantly different direction from that adopted by his predecessor, Mr Craik'.¹³ While Mr Jones agreed that it was the Auditor-General's role to do this he did not agree with it and said that the Auditor-General

7. Minutes of Evidence, p 597.

8. Ibid., pp 450-2.

9. Ibid., p 452.

10. Ibid., pp 393, 443.

11. Ibid., p 443.

12. Ibid., p 597.

13. Ibid., pp 440-1.

'certainly went against the spirit of the Audit Act as I interpreted it'.¹⁴.

7.10 Mr Brigden was aware that relationships generally were not harmonious between the Division and the rest of the Australian Audit Office. He also said that throughout the Division's existence, problems with the major audits undertaken remained the same. Audit scope was not defined and maintained with precision and audits were not managed firmly with an eye to concise and timely reporting. In several cases documented evidence sufficient to support all proposed findings and recommendations was not maintained. Additionally the physical demands made by a major efficiency audit on an auditee's management were such as to prevent the general audit division concerned from concurrently carrying out any audits other than purely financial ones.¹⁵ In addition the Efficiency Audit Division maintained a separate information base, which was both extravagant and uneconomic.

7.11 Mr Brigden stated that '... from a very early stage it was my aim to develop an integrated or comprehensive audit philosophy. That aim did not rest happily with an office organisation in which a specialised division undertook efficiency audits exclusively'.¹⁶ He added that the project audits programmed by the divisions were being completed in a timely manner so that concise reports could be transmitted to the Parliament at fairly regular intervals. The success that attended these efforts by the general divisions led to the production of six-monthly reports very early in both the Autumn and Budget sittings.

7.12 An obstacle to reorganising the Australian Audit Office was a pending review, first by way of an Interdepartmental Committee (IDC) and ultimately by Cabinet itself, of the question whether the Australian Audit Office should retain efficiency auditing responsibilities.¹⁷ Mr Brigden indicated to the Committee that it would have been entirely inappropriate to extend the charter of the general audit divisions before the IDC had proceeded sufficiently to where it would be clear that efficiency auditing would not be withdrawn from the Australian Audit Office. Mr Brigden advised that the proposal to disband the Efficiency Audit Division was discussed with all senior officers and generally supported.

7.13 Mr Brigden told the Committee that considerable pressure was brought to bear upon the Division Head with a view to having all sixteen of the audits originally undertaken by the Division completed by the end of 1983, but these efforts were by no means successful. In an endeavour to expedite the completion of the audits, major changes were made to long standing administrative and reporting arrangements within the Australian

14. Minutes of Evidence, p 446.

15. Ibid., p 597.

16. Ibid., p 600.

17. Ibid., pp 600-2.

Audit Office. Only seven had been completed (since 1978) when the Head of the Efficiency Audit Division proceeded on leave without pay early in 1984. Mr C Monaghan, seconded by Mr Bridgen to head the Efficiency Audit Division, completed a further eight by late 1984, the only one remaining being the Australia Post audit.¹⁸

7.14 The duration of all efficiency audits carried out by the Efficiency Audit Division between 1978 and 1984 is shown in Figure 7.1. Similarly, the duration of all efficiency audits completed by the Operational Divisions between 1983 and early 1986 is shown in Figure 7.2. Further details are at Appendix F. A comparison of the costs of all these efficiency audits is at Figures 8.1 and 8.2 in Chapter 8.

Efficiency Auditing as part of the 'Line' or 'Operational' Divisions

7.15 The Auditor-General, Mr J V Monaghan, stated in his submission to the Committee that¹⁹:

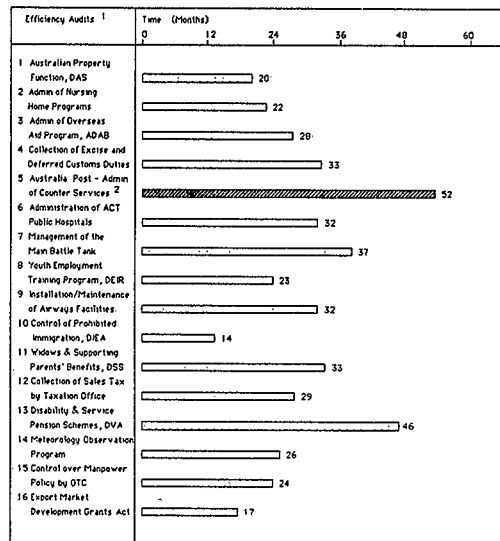
In September 1983 my predecessor directed that in future the scope of audits directed to efficiency issues should generally be such as to allow them to be completed within 6 months. I take a similar view ...

In addition, the audit methodologies developed initially by the former Efficiency Audit Division have, over recent years, been tested and refined within the operational Divisions on project audits, and have been incorporated in the AAO's comprehensive audit training programs.

Over the last 2 years the operational Divisions have undertaken and reported 6 formally designated efficiency audits and about 50 major project audits relatively limited in their scope but directed to efficiency and operational effectiveness issues. These were conducted in accordance with my predecessor's direction that such audits be conducted within a shorter time-frame.

I wrote to the Presiding Officers and departmental Secretaries in May 1985 advising that, in future, all major project audits directed to efficiency and operational effectiveness issues would be formally designated as Efficiency Audits. The aim is that the processes from designation as an efficiency audit to the provision of comments by

Figure 7.1 Efficiency Audit Division, AAO - Duration of Efficiency Audits 1978-1984



Notes 1 Additional title information and commencement and completion dates given in Appendix F

2 Ceased in October 1984

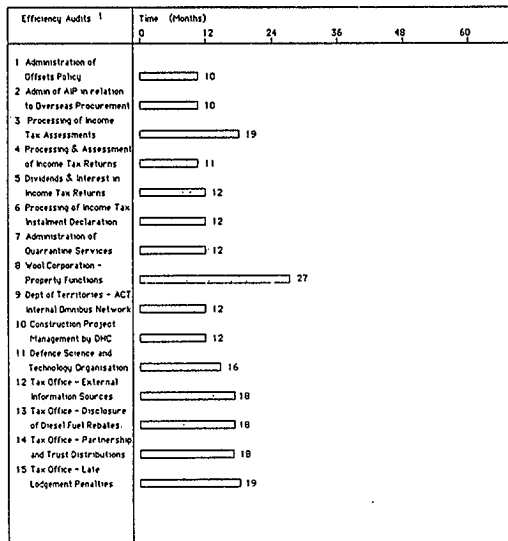
Source Appendix F

47

18. Minutes of Evidence, p 598.

19. Ibid., pp 9-11.

Figure 7.2 Operational Divisions, AAO - Duration of Efficiency Audits 1983 - 1986



Note 1 Additional title information and commencement and completion dates given in Appendix F
Source Appendix F 48

the audited agency in accordance with section 48F would normally occupy about 6 months. This would be consistent with an average of around 9 months from designation to tabling. I expect that, on this basis, the AAO will conduct some 20 to 30 efficiency audits per year.

The AAO has introduced revised management practices to ensure that management objectives, including improved reporting objectives for efficiency audits, are achieved.

7.16 The Auditor-General, Mr J V Monaghan, further stated at the public hearing that²⁰:

Since I made the written submission to the Committee in June, I have outlined publicly some of the measures that are being taken to increase the public accountability of the Office to meet what I regard as one of our corporate goals, that is, that the Office should be exemplary as regards the efficiency, economy and effectiveness of its operations and the accountability of the Office for its functions.

Those steps include the creation of a full time position of internal auditor, at class 11 level, and the institution of monthly meetings between the Auditor-General and each central operating division to review the work situation in each division.

The activities of the Audit Office's priority review committee have been enhanced, that is, the committee which allocates resources against approved tasks and monitors the achievement of audit objectives.

There have been improvements to the management information and performance monitoring systems with a particular focus on the timeliness of efficiency audit reports and early warning to management of any emerging significant difficulties.

There is still a good deal to be done in developing improved automated information processing systems, although our planning on that aspect is well advanced.

... the arrangements that are already in place ensure that there is proper control of the programming and conduct of efficiency audits in the future, so that I do not believe there is any room for a recurrence of the situation such as we have had with the Australia Post audit.

20. Minutes of Evidence, p 237.

CHAPTER 8

RESOURCES

8.1 As part of its Review the Committee considered details of the resources devoted to the Australia Post efficiency audit.

8.2 The Committee noted the Audit fee requirements of Section 48H of the Audit Act with regard to efficiency audits¹:

Where the Auditor-General carries out an efficiency audit of operations of a relevant body ... there are payable by that relevant body to the Commonwealth, in respect of the audit, fees and charges in accordance with a scale of fees and charges determined by the Auditor-General in a manner approved by the Minister, being a scale applicable to that relevant body.

8.3 Evidence provided to the Committee disclosed that Australia Post was not charged for the efficiency audit of the administration of its counter services.²

8.4 An Opinion by the Hon Mr Justice P B Toose, CBE to the Committee indicated that the former Auditor-General, Mr K F Brigden, should have reported the cost of the efficiency audit.³ The advice cited Section 48G (1)⁴:

The Auditor-General shall, as soon as practicable after 30 June in each year, prepare a general report concerning the efficiency audits of operations of relevant bodies carried out by him during the year ended on that date, together with particulars of the costs incurred by him in the carrying out of those audits and the benefits that have, in his opinion, been derived from the carrying out of those audits.

8.5 The Committee found the Report of the Auditor-General 1980-81⁵ provided some early cost details on the audit, however, later annual reports gave no further cost information. The lack of this required information was a matter of concern to the Committee.

1. See Appendix I.
2. See PAC File 1985/6 Part B (22), p 6.
3. See Appendix L.
4. See Appendix I.
5. Report of the Auditor-General upon the Financial Statements prepared by the Minister for Finance for the year ended 30 June 1981 and upon other accounts, AGPS, Canberra, 1981, p 187.

7.17 There is some evidence in Figure 7.2 that the aims of both Auditors-General (Mr K F Brigden and Mr J V Monaghan) to make efficiency auditing much more timely has been achieved by the Operational Divisions. Examination of these and other aspects will occur as this Committee and the House of Representatives Expenditure Committee examine the efficiency audits completed by the Operational Divisions.

Findings and Conclusions

7.18 The Committee finds that:

- the efficiency audit of Australia Post was not well managed resulting in a lack of concise and timely reporting;
- there were serious communication problems regarding the efficiency audit of Australia Post within the Efficiency Audit Division; between the Auditor-General (Mr K F Brigden) and the Efficiency Audit Division; and between the Efficiency Audit Division and the rest of the Australian Audit Office; and
- the scope of the efficiency audit of Australia Post was not well defined and maintained.

7.19 The Committee concludes that:

- the management of the efficiency audit of Australia Post - Administration of Counter Services was deficient;
- the ultimate responsibility from 1981 to 1984 for the management of the Efficiency Audit Division and of the efficiency audit of Australia Post was the Auditor-General's; and
- the management of the efficiency audit of Australia Post was not in keeping with the Australian Audit Office's goals, that is, that the Australian Audit Office should be exemplary as regards accountability for its functions and the efficiency, economy and effectiveness of its operations.

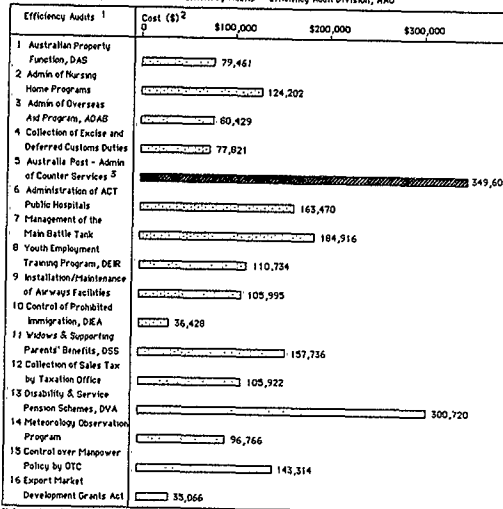
8.6 The Auditor-General, Mr J V Monaghan, stated in his submission to the Committee⁶ that the efficiency audit of Australia Post had cost the Australian Audit Office \$349,600. The costs of efficiency audits carried out between 1978 and 1984 are shown in Figure 8.1 and those completed between 1984 and early 1986 are shown in Figure 8.2.

8.7 The Auditor-General advised the Committee⁷ that efficiency audits carried out by the Efficiency Audit Division were costed exclusive of office overheads. The practice had been adopted on the basis that efficiency audits were carried out exclusively by staff attached to the Efficiency Audit Division. Since the integration of the efficiency audit function into line Divisions the method of costing had been aligned to that used for other audits which included an allowance for office overheads.

8.8 The Committee estimated⁸ on the basis of information provided to it from the Australian Audit Office that some 9.2 work years could have been expended by the Australian Audit Office on the Australia Post efficiency audit. Other estimates are Mr Berthelsen's of 7.8 work years⁹ and Australia Post's of 6.5 work years¹⁰.

8.9 The Committee was not able to determine with any confidence the reliability of the estimates of the resources used in the audit. The Committee anticipates that the Auditor-General will provide in his next annual report the total cost of the efficiency audit of the administration of Australia Post's counter services in accordance with the Audit Act. (See Chapter 6, Conclusions).

Figure 8.1 Cost of Efficiency Audits - Efficiency Audit Division, AAO



Notes: 1. Additional title information and commencement and completion dates are given in Appendix F.
2. Costs are given in current year dollars.

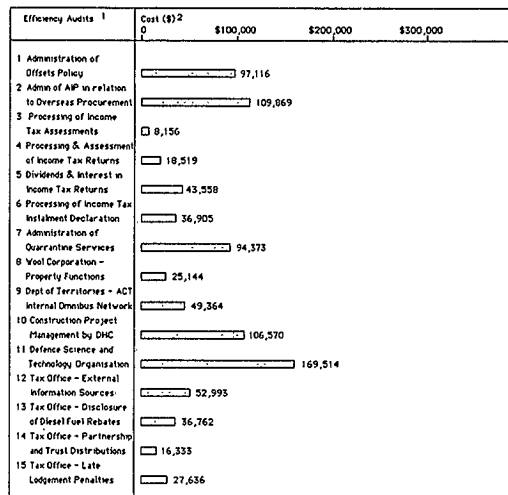
3. Cost as quoted by the Auditor-General, Mr J V Monaghan, See *Minutes of Evidence*, p 5.

- Sources -
- Report of the Auditor-General for the year ended 30 June 1980, AGPS, Canberra, 1980, p 175
 - Report of the Auditor-General for the year ended 30 June 1981, AGPS, Canberra, 1981, p 187
 - Report of the Auditor-General for the year ended 30 June 1982, AGPS, Canberra, 1982, p 11
 - Report of the Auditor-General for the year ended 30 June 1983, AGPS, Canberra, 1983, p 43
 - Report of the Auditor-General for the year ended 30 June 1984, AGPS, Canberra, 1984, p 49
 - Annual Report of the Australian Audit Office 1984-85, AGPS, Canberra, 1985, p 33.
 - *Minutes of Evidence*, p 5

53

6. Minutes of Evidence, p 5.
7. PAC 1985/6 Part A, 2 May 1986, Attachment C, pp 6-7.
8. See Appendix D.
9. Minutes of Evidence, p. 514.
10. PAC File 1985/6 Part B (23), pp 234-5.

Figure B2 Cost of Efficiency Audits - Operational Divisions, AAO



Notes 1 Additional title information and commencement and completion dates are given in Appendix F
2 Costs are given in current year dollars

Sources - Annual Report of the Australian Audit Office 1984-85, AGPS, Canberra, 1985, p 33.
- PAC 1985/6 Part A, 4 June 1986, pp 1-2

54

54

CHAPTER 9

PERSONNEL ISSUES

Disagreement with Permanent Head

9.1 Two situations were brought to the Committee's attention, between the former Head, Efficiency Audit Division, Mr J C M Jones, and the former Auditor-General, Mr K F Brigden, and between Director, Technical Audit, Mr D E Berthelsen, formerly Chief Executive Officer, Efficiency Audit Division and the former Auditor General, Mr K F Brigden.

9.2 The former Head, Efficiency Audit Division, Mr J C M Jones, held the view that the former Auditor-General, Mr K F Brigden, 'went against the spirit of the Audit Act as [Mr Jones] interpreted it'¹ and 'put back the cause ... of efficiency auditing as I interpreted it ... at least two years, if not three years'². Mr Jones said that he wrote and discussed his views with Mr Brigden several times.³ When asked if the situation had been reached with the Auditor-General that they could not work together, Mr Jones replied in the affirmative.⁴ Mr Brigden became Auditor General early in 1981 and Mr J C M Jones took leave without pay early in 1984.

9.3 The former Chief Executive Officer, Efficiency Audit Division, Mr D Berthelsen, challenged the Auditor-General, Mr K F Brigden, over his decision to discontinue all work on the efficiency audit of Australia Post.⁵ Mr Berthelsen wrote to Mr Brigden several times and also had several discussions with him.⁶

9.4 The Committee is not and cannot be an arbitrator in such cases. Because of the principles involved, however, the Committee was interested in the mechanisms which exist for resolution. The Committee requested⁷ information from the Public Service Board observer on this matter and on the release of official documents. This is discussed in the next section.

9.5 The Public Service Board advised that there were a number of formal avenues available for the pursuit of matters relating to possible maladministration⁸:

For example, where a matter relates to Public Service mismanagement, maladministration, official impropriety or a criminal offence, an officer can approach the Auditor-General, the Department of

1. Minutes of Evidence, p 446.
2. Ibid., p 448.
3. Ibid., p.446.
4. Ibid., p 447.
5. Ibid., p 921.
6. Ibid., pp 222-3, 298, 504-5, 561, 907-28.
7. Ibid., pp 280-1
8. Appendix G(1)

55

Finance, the Australian Federal Police, the Commonwealth Ombudsman or the Public Service Board, as appropriate.

Where a Commonwealth officer or employee believes that as a result of making an allegation through any of these official channels, he or she has been unfairly discriminated against in matters such as promotion, transfer, availability for higher duties, study assistance or discipline, specific appeal rights are provided for in the Act or Regulations.

Where victimisation or harassment of a less specific kind is alleged, a complainant will have access to the general grievance framework established by the Merit Protection (Australian Government Employees) Act 1984. The Merit Protection and Review Agency became operational on 1 July 1985 and has wide-ranging powers to determine or make recommendations on grievances brought to it.

... The Agency was given jurisdiction for grievances [on 17 November 1985 and this gives] officers and employees ... direct access to the Agency if it is considered in an individual case that it would be inappropriate, because of the nature of the complaint, to require the complainant to raise the matter first with the Secretary of his or her department. The Agency's powers are set out in Divisions 3 and 4 of Part II of the Merit Protection (Australian Government Employees) Act 1984.

9.6 The Public Service Board provided information relating particularly to the situation where the Head of an organisation is concerned with events occurring within that organisation.⁹

Section 25(2) (Attachment A) of the Public Service Act provides that the Secretary of a Department shall, under the Minister, be responsible for the general working and all the business of the Department and shall advise the Minister in all matters relating to the Department. In the light of this broad power it would seem unlikely that events would arise within the Department that the Secretary would be unable to correct after consultation, where necessary, with the Minister.

There may, however, be some situations where the Secretary, having consulted with the Minister has difficulty in coming to terms with

the Minister's views or instructions on a particular matter. The possible avenues available in such circumstances are set out in paragraph 2.16 of 'Guidelines on Official Conduct of Commonwealth Public Servants', August 1982 in Volume 3 of the Board's Personnel Management Manual.

Release of Documents

9.7 As was outlined in Chapter 1 of this Report, articles regarding the efficiency audit of Australia Post - Administration of Counter Services referred to a 'suppressed' Audit Office report and spelt out findings and recommendations from the draft report.¹⁰ This appeared to indicate that the draft report had been made available to a journalist without authorisation. The Auditor-General, Mr J V Monaghan, stated that '... it is evident that the substance of the [informal draft] report had been made available to the media and that had resulted in some one-sided reporting which is damaging to Australia Post, to the Audit Office, and, I think, to my predecessor'.¹¹

9.8 The former Auditor-General, Mr K F Brigden, stated that he found 'it most unfortunate that the matter has been divulged to a section of the public media'.¹²

9.9 The Chief Manager of Australia Post, Mr D G McQuitty, stated that 'as an organisation, Australia Post was somewhat appalled when we found that the writings in the informal draft report had been released to the media, particularly when, certainly in our view, some of the material had not been properly thought through'.¹³ Mr McQuitty also expressed, with a high degree of certainty, that the source of the disclosures was not from within Australia Post.¹⁴

9.10 The Committee was most concerned that the unauthorised release of official documents had occurred. The matter has been examined by the relevant bodies internally and the Committee does not wish to comment further, except to draw attention to the provisions of the Audit Act and the advice of the Public Service Board.

9.11 Section 14C (3) of the Audit Act 1901 relates to the disclosure of information gained in the course of audits, including efficiency audits¹⁵:

The Auditor-General or any other person shall not divulge or communicate, except, in the course of duty, to another person performing duties under

10. Richard Farmer, 'Secret report digs up the bodies at Australia Post', The Bulletin, 21 May 1985, pp 28-30.
11. Minutes of Evidence, p 236.
12. Ibid., p 289.
13. Ibid., pp 363-4.
14. Ibid., pp 375-6.
15. Ibid., p 276.

9. See Appendix G(2)

this Act, any information which has come to his knowledge by reason directly or indirectly of section 11, 13, 14, 14B, 41 or 48E, in any case in which the person from whom the information was obtained under that section, or from whose custody the accounts or records from which the information was derived were produced, could not, but for the provisions of this Act, lawfully have divulged that information to the Auditor-General or authorised officer.

9.12 The Public Service Board advised that¹⁶:

There are specific legislative provisions prohibiting the unauthorised disclosure of information by Commonwealth officers. These include Public Service Regulation 35 and Section 70 of the Crimes Act. The application of these provisions does not have regard to the circumstances in which the information is disclosed. Prima facie, therefore, there is no protection for officers of the Service who bring a matter of maladministration to notice by unauthorised disclosure.

Retention of Personal Copies of Documents

9.13 On 25 November 1985, Mr D E Berthelsen appeared as a witness before the Committee and was questioned on the nature of the documents in his possession. He was asked if the documents were his property or the property of the Auditor-General. Mr Berthelsen expressed the view that he had 'an entitlement to retain a copy of any documents as a professional person, as a Common Law principal'.¹⁷

9.14 The Committee questioned the principle that a professional person employed by the Commonwealth was allowed to retain copies of any Commonwealth documents and referred the issue to the Public Service Board observer at the hearing. The Committee also sought information as to whether the Commonwealth Public Service made a 'great deal of difference between the professional capacity of the employee, of the Commonwealth public servant, and any other employee with regard to his relationship with his superiors'.¹⁸ The Public Service Board observer provided written comment.

9.15 A memorandum from the Public Service Board to the Committee entitled 'Photocopying and retention of official documents by APS professional and other staff' was provided to the Committee on 5 December 1985.¹⁹

16. See Appendix G(1).

17. Minutes of Evidence, p 567.

18. Ibid, p 570.

19. See Appendix H.

9.16 The Board recognised that²⁰:

... in some situations staff, professional or otherwise, may consider it desirable to retain photocopies of official documents for various reasons, which may include later reference in the course of their duties. The extent to which the practice is undertaken would normally be left to the judgement of individual officers, subject to the relevant legal provisions governing the use or disclosure of any such documents and the official duties of staff. In addition, an officer's actions would need to conform with any departmental guidelines ...

9.17 The Board listed relevant legal provisions noting their applicability to all officers of the Australian Public Service. They include²¹:

- Section 70 of the Crimes Act, which prohibits the unauthorised disclosure of information by Commonwealth officers ...
- Public Service Regulation 32, which requires an officer, amongst other matters, to devote himself exclusively and zealously during the hours of official business to the discharge of his public duties and to obey promptly all instructions given to him by any officer under whose control or supervision he is placed ...
- Public Service Regulation 34, which forbids an officer to use for any purpose, other than for the discharge of his official duties, information gained by or conveyed to him through his connexion with the Service ...
- Public Service Regulation 35, which forbids the disclosure of official information, except in the course of official duty, without the express authority of the Chief Officer ...

9.18 Photocopying restrictions were to be found in the Cabinet Handbook, (for Cabinet documents), and the Copyright Act 1968. Under Section 176 (2) of the Act '... the Commonwealth is the owner of the copyright in an original literary work made by or under direction or control of the Commonwealth. Sub-section 183(1) provides that copyright is not infringed if the acts comprised in the copyright are done for the services of the Commonwealth ...'

20. See Appendix H.

21. Ibid.

9.19 If reproduction is not carried out for the service of the Commonwealth, there is an infringement of copyright, and reproducing the work alone is an infringement. It is not necessary for copying to be done with the intention of publishing.²²

9.20 It was noted other legislation could be relevant to this issue, in particular the Audit Act 1901 contained secrecy provisions.

9.21 The Board found no distinction in the abovementioned provisions concerning the use of official information by officers on the basis of their profession or occupation.

Committee's Request for Documents

9.22 This matter has some relevance in connection with a request to Mr Berthelsen to supply to the Committee, copies of documents referred to in his submission.²³ The Committee, mindful of the provisions of the Audit Act in relation to the possible sensitivity of some of the material supplied, sought the advice of the Auditor-General, through his representative at the hearings, on the nature of the material requested by, or proposed to be supplied to, the Committee. The Committee was disturbed to find itself debating with witnesses the methods of obtaining documents. The Committee's power to request documents is absolute - the Committee may summon a person to appear before it to give evidence and produce documents - but it prefers to invite the submission of documents. Section 13(1) of the Public Accounts Committee Act 1951 is the relevant provision.

Finding

9.23 The Committee notes that:

- with reference to disagreements between Commonwealth officers, there are formal avenues for parties to follow;
- and finds that:
- the release of the informal draft report on the efficiency audit of Australia Post - Administration of Counter Services was most improper.

22. See Appendix H.

23. Minutes of Evidence, p 488, and PAC File 1985/6, Part B, Exhibit 1, 4 October 1985.

CHAPTER 10 STAMP SECURITY

Introduction

10.1 The issue of stamp security was raised by Mr D E Berthelsen in a submission to the Committee.¹ In his submission Mr Berthelsen made reference to a minute of 7 November 1984² which he had sent to the Auditor-General. Among other matters, the minute raised the possibility that the Auditor-General may have misled the Minister for Communications on the issue of postage stamp thefts.

10.2 Mr Berthelsen's concern was that, in a report to the Minister on the results of an inspection and audit of the accounts and records of Australia Post, the Auditor-General had provided incorrect information on the value of stamps stolen in hold-ups and post office break-ins. It was Mr Berthelsen's view that the stamps could have been undervalued because the amounts may have represented the value of stamps at cost rather than at face value.³ Mr Berthelsen added, 'If my surmise is correct, then the value of stamps lost as a result of office break-ins, covert use of printing plates, theft from unlocked, unguarded vehicles, etc, could run into tens of millions of dollars annually'.⁴

10.3 The Committee received advice from the Auditor-General to the effect that the amounts in question represented various negotiable items which included bank notes, coin, cheques, money orders, postal notes, tax stamps, duty stamps and postage stamps. Furthermore, information supplied by Australia Post suggested that postage stamps represented only a small proportion of the amounts.

10.4 On the information available, the Committee was of the view that, even if the amounts included stamps valued at cost, the magnitude was not of the order suggested by Mr Berthelsen. Nevertheless, the Committee was concerned and pursued the issue of stamp thefts by seeking information on the following:

- Australia Post's accounting procedures for stamps;
- controls covering Australia Post's policy of repurchasing stamps;
- security measures applied to the production of stamps and the management of stamp stocks;

1. Minutes of Evidence, p 505.

2. Ibid., pp 908-928.

3. The cost value of stamps is the actual production cost incurred by Australia Post. The face value of stamps is the decimal currency amount imprinted.

4. Minutes of Evidence, p 915.

- . auditing of stamp related procedures; and
- . steps taken by Australia Post with regard to stamp thefts.

Australia Post's Accounting Procedures for Stamps

10.5 The Committee found that Australia Post uses the cost value of stamps (ie the production cost) in preparing its annual financial statements. The total amount expended during a year on stamp production is included as an expenditure item, not separately identified, in its Statement of Revenue and Expenditure. As none of this expenditure is capitalised, the Balance Sheet does not record any value, (either at cost or face value), for stamps on hand at the balance date. Similarly, losses of stamps are not recorded in Australia Post's financial statements.

10.6 Advice received from the Auditor-General⁵ on this matter was that the above practice accords with the Australian Accounting Standard AAS2⁶ and is similar to the practice adopted by the Reserve Bank of Australia in accounting for bank notes printed.

10.7 In parallel to the above practice Australia Post maintains a computer system to control the accounting for stamps at their face value from the time they are received from printers until the time they are sold or otherwise written off.

Controls covering Australia Post's Policy of Repurchasing Stamps

10.8 The Committee was aware of Australia Post's policy of repurchasing postage stamps for ninety percent of their face value and was concerned that it provided a means of converting stolen stamps to cash.

10.9 Australia Post supplied information outlining the security procedures involved with this policy.⁷

Security Measures applied to Production of Stamps and Management of Stamp Stocks

10.10 Australia Post advised the Committee that stamps are produced under contract. Stamps are forwarded directly from the primary contractor to Distributors of Stamps in each capital city. Distributors are responsible and accountable for the appropriate safeguarding of stamps until such time as they are issued to post offices or destroyed. Details of stamps at their face value are recorded on a computer system immediately they are received by Distributors.

5. Minutes of Evidence, p 587-8.
 6. Australian Accounting Standard AAS2, paragraph 25 states, '... inventories should be valued at the lower of cost and net realisable value'.
 7. PAC File 1985/6 Part A, 16 May 1986, p 2.

10.11 Australia Post also provided details of the security measures applied to the above procedures. On the basis of that information the Committee found that security measures appeared to be satisfactory.

10.12 The Committee noted comments made by the Auditor-General that⁸:

- . the Distributor of Stamps system of accounting for stamps while sound required rigid observance to be completely effective; and
- . the most vulnerable area appeared to relate to stamps destined for destruction.

10.13 Details of a recent theft, received late in the course of this inquiry, confirm the Auditor-General's view. It is understood that the Australia Post Internal Audit Branch is currently examining the controls over the destruction of stamps.

Auditing of Stamp Related Procedures

10.14 Australia Post and the Auditor-General provided details of areas associated with stamps that are subject to audits by Australia Post's Internal Audit Branch and the Australian Audit Office. Information was also provided on the frequency and nature of audits and current audits.

10.15 On the information supplied, the Committee believes the audit controls applying to the areas associated with stamps appear to be adequate. The Committee notes the view of the Auditor-General that the prime responsibility for internal control rests with management and not the external auditor.

Steps taken by Australia Post with regard to Stamp Thefts

10.16 The Committee received advice from Australia Post on its reporting procedures for stamp thefts. The procedures appeared to be satisfactory in terms of requirements for detail and timeliness.

10.17 Australia Post also advised that its Accounting Instructions provide for a detailed report to be sent to the Australian Audit Office where a loss exceeds \$50,000 (calculated at face value for stamps). The Auditor-General advised that losses and deficiencies of money and stores of amounts less than \$50,000 had formerly been reported to the Australian Audit Office but that since 1977 this requirement had been removed as a means of containing audit costs to Australia Post. The change had not altered the need for Australia Post to maintain adequate records and internal controls to ensure instructions regarding losses, write-offs and details of recovery action were properly recorded and reviewed.

8. PAC File 1985/6 Part A, 15 May 1986, Attachment A, p 3.

Conclusions

10.18 While the Committee recognised that its prime concern was to review the discontinuance of the audit of Australia Post's administration of counter services, it had an obligation to ensure that the issue of stamp security was not related to the decision to discontinue the efficiency audit.

10.19 The Committee was generally satisfied with the information provided to it but noted it had been constrained by time and the parameters of this review to pursue the issue into a detailed examination.

10.20 The Committee concluded that:

- stamp security within Australia Post was not related to the decision to discontinue the efficiency audit of Australia Post - Administration of Counter Services; and
- further detailed investigation of the security of stamps and other negotiable paper by the Auditor-General is warranted.

PART 4 - APPENDICES

APPENDIX A

CHRONOLOGY OF EVENTS

EFFICIENCY AUDIT INTO AUSTRALIA POST - ADMINISTRATION OF COUNTER SERVICES

Abbreviations

AAO - Australian Audit Office
 APC - Australian Postal Commission
 AP - Australia Post
 EAD - Efficiency Audit Division, (AAO)
 or Division E, (AAO)

Introduction of Efficiency Auditing

6 Jun 1974 The Royal Commission on Australian Government Administration (RCAGA), chaired by Dr H C Coombs, commenced.

6 Jun 1976 Coombs Report (RCAGA) completed.

6 Apr 1977 Completion of report by the Working Party of Officials on Efficiency Audits. The Working Party was drawn from the Departments of the Prime Minister and Cabinet and Finance and the Public Service Board. The AAO had observer status.

early 1978 Mr J C M Jones appointed Head (First Assistant Auditor-General) of the new EAD.

7 Mar 1979 Audit Amendment Act 1979 was assented to incorporating amendments relating to efficiency audits and to the independent audit of the AAO.

Sep 1980 A General Audit Manual was issued by the Auditor-General, (Mr D R Steele Craik).

Phase 1 - Australia Post

13 Mar 1980 Letter from Auditor-General, (Mr D R Steele Craik), to Chairman, APC, (Mr D R Rickard), advised of the intention to conduct a feasibility study on AP's operations as a prelude to deciding on a commitment to a formal efficiency audit.

20 Mar 1980 Letter from Chief General Manager, APC, (Mr D G McQuitty), to First Assistant Auditor-General, EAD, (Mr J C M Jones), to confirm arrangements for a meeting between the AAO and the APC on 27 March 1980 in Melbourne.

24 Mar 1980 Letter from First Assistant Auditor-General, EAD, (Mr J C M Jones), to Chief General Manager, APC, (Mr D G McQuitty), indicated matters that could be discussed at the meeting on 27 March 1980.

31 Mar 1980 Letter from Chief General Manager, APC, (Mr D G McQuitty), to First Assistant Auditor-General, EAD (Mr J C M Jones), advised that the earliest commencement date for a feasibility study was 15 April 1980.

10 Apr 1980 Letter from First Assistant Auditor-General, EAD, (Mr J C M Jones), to General Manager Corporate Affairs, APC, (Mr J L Brady), to finalise arrangements for a meeting with APC senior staff on 15 April 1980.

15-30 Apr 1980 AAO conducted the feasibility study - the team was Mr R Laing, Mr C Harding and Mr L Hardy.

6 May 1980 Letter and attachments from Chief Executive Officer, EAD, (Mr R Laing), to Manager, Liaison Branch, Corporate Affairs Department, APC, (Ms J M Spiller). The letter accompanied borrowed reports being returned and requested further material.

28 May 1980 Letter and attachments from Manager, Liaison Branch, Corporate Affairs Department, APC, (Ms J M Spiller), to Chief Executive Officer, EAD, (Mr R Laing). The attached material had been requested by Mr Laing.

18 Jun 1980 Letter and attached outline of proposed efficiency audit from First Assistant Auditor-General, EAD, (Mr J C M Jones), to Chief Manager, APC, (Mr D G McQuitty). The outline was to be put to the Auditor-General within about a week along with additional background material. 'We do not consider an extension of the feasibility study to be necessary and we intend to recommend that we move straight into an efficiency audit.'

30 Jun 1980 Letter and attachment from Acting Auditor-General, (Mr D J Hill) to Chairman, APC, (Mr D R Rickard), advised that an efficiency audit would be conducted on AP's provision of services to the public through post offices. The Terms of Reference for the audit were attached. Field work was to commence in July 1980 and a report of the formal audit was expected to be tabled in Parliament by mid 1981.

Jul 1980	<p><u>Efficiency Audit Division, (EAD), Staff:</u></p> <p>Mr J C M Jones, Division Head, Mr P D Mazey, Branch Head Mr R Laing, Chief Executive Officer (Project Team Leader) Mr C Harding, Senior Executive Officer Mr L Hardy, Executive Officer Mr M Fleeton, Executive Officer Mr J J Peoples, officer attached from Victorian Public Service Board</p>	17 Oct 1980	<p>Letter from Auditor-General, (Mr D R Steele Craik), to General Secretary, Union of Postal Clerks and Telegraphists, (Mr W Rowling), responded to a letter of 22 September 1980. The Auditor-General noted audit arrangements and the role of the AAO. AAO officers were available for discussion if the Union so wished.</p>
3 Jul 1980	<p>Letter and attached outline of the efficiency audit from Chief Executive Officer, EAD, (Mr R Laing), to First Assistant Secretary, Department of Post and Communications, (Mr V Kane), stated that the audit would focus on 'the provision of services to the public through post offices', its principal concern being 'the process associated with the management and development of counter services.'</p>	23 Oct 1980	<p>Meeting held between AP and the AAO.</p>
15 Jul 1980	<p>Letter from Chief Executive Officer, EAD, (Mr R Laing), to Chief General Manager, APC, (Mr D G McQuitty) to confirm meeting between audit team and senior AP management.</p>	28 Oct 1980	<p>Minute from Acting Assistant Auditor-General, (Mr M Jacobs), to Project Leader, EAD, (Mr R Laing), regarding performance at the meeting of 23 Oct 1980 and the problems he saw with (the lack of) the team's findings and conclusions.</p>
17 Jul 1980	<p>Audit team met with AP's senior management and discussed the team's proposed activities.</p>	12 Jan 1981	<p>Letter from Chief Executive Officer, EAD, (Mr R Laing), to Mr K Williams, Operations Department, APC. The letter accompanied copies of the November 1980 correspondence between Auditor-General and Australian Postal and Telecommunications Union and Union of Postal Clerks and Telegraphists.</p>
20 Aug 1980	<p>Letter and audit plan overview for the AP efficiency audit from Assistant Auditor-General, EAD, (Mr P D Mazey), to Chief General Manager, APC, (Mr D G McQuitty).</p>	16 Feb 1981	<p>Mr K F Bridgen replaced Mr D R Steele Craik as Auditor-General.</p>
29 Aug 1980	<p>Letter from Assistant Auditor-General, EAD, (Mr P D Mazey), to Chief General Manager, APC, (Mr D G McQuitty). Enclosed were responses to questions raised by the National Council of the Union of Postal Clerks and Telegraphists in a recent memorandum to General Manager, Industrial Relations, APC regarding the efficiency audit.</p>	Phase 2 - Australia Post	<p>Mr D Berthelsen replaced Mr R Laing as Project Team Leader, EAD. Mr R Laing left for a course on 4 June.</p>
17 Oct 1980	<p>Letter from Auditor-General, (Mr D R Steele Craik), to General Secretary-Treasurer, Australian Postal and Telecommunications Union, (Mr G Slater), noted that the Union would not be making a submission on the efficiency audit. The Auditor-General outlined the scope and ambit of the audit.</p>	20 May 1981	<p>Letter from Chief Executive Officer, EAD, (Mr R Laing), to Mr K Williams, Operations Department, APC advised that additional fieldwork was to be undertaken in July as part of the efficiency audit, that further information was required, and that Mr D Berthelsen would be the team leader after 4 June 1981.</p>
		1 Jun 1981	<p>Letter from Principal Auditor, (Mr R Laing), to Mr K Williams, Operations Department, APC requested papers from a meeting of 11 May 1981 on implications of Review of Commonwealth Functions on Australia Post and papers sent to management consultants on a proposed study of operations departments in APC headquarters and New South Wales.</p>
		19 Jun 1981	<p>Letter and file from Mr K Williams for Chief General Manager, APC, to Chief Executive Officer, EAD, (Mr D Berthelsen). The letter followed a phone conversation of</p>

19 June 1981. The 'Commercially Confidential' file was concerned with the 'calling of tenders and letting of the contract for the supply of Stamp Folder, Vending Machines,...' Actual tenders were included. As the file was in action its return by 30 June 1981 was requested.

24 Jun 1981 Letter from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen). The letter accompanied documents requested 'in your letter of June 1981'.

25 Jun 1981 Letter from Managing Director, AP, (Mr A F Spratt), to Auditor-General (Mr K Brigden). The letter stated that it was a matter of serious concern that the audit team wished to conduct further field investigations. Field investigations had been completed six months earlier and the APC had expected decision papers in December 1980. As at 25 June 1981 nothing had been received. Several other criticisms were also made. Mr Spratt felt sufficient resources had been devoted to the audit and that matters could be drawn to a conclusion without further field work which would involve the supply of 'a great mass of information' requested in the AAO letter of 29 May 1981. Mr Spratt was happy to discuss the matter.

25 Jun 1981 Letter from Chief General Manager, APC, (Mr D G McQuitty), to First Assistant Auditor-General, EAD, (Mr J C M Jones) in response to Mr Jones' request of 24 June 1981. Mr McQuitty also noted that his Managing Director had written to the Auditor-General regarding the proposed Epping visit and other efficiency audit matters.

26 Jun 1981 Letter from Auditor-General, (Mr K F Brigden), to Managing Director, AP, (Mr A F Spratt), provided brief comments and explanations on the issues raised by Mr Spratt in his letter of 25 June 1981. The Auditor-General stated that the efficiency audit would continue and it would be appreciated if information requested on 29 May could be forwarded.

6 Jul 1981 Letter from Managing Director, AP, (Mr A F Spratt), to Auditor-General (Mr K F Brigden), in reply to Mr Brigden's letter of 26 June 1981. The letter noted that AP was most anxious to have the audit concluded and would continue to co-operate

7 Jul 1981 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen), provided material requested by the former Chief Executive Officer, EAD, (Mr R Laing) on 29 May 1981.

8 Jul 1981 Minute from Assistant Auditor-General, EAD, (Mr P D Mazey), to Auditor-General, (Mr K F Brigden), regarding office staffing and organisation. In response to an earlier address by the Auditor-General, it mentioned the idea of efficiency auditing work being done throughout the AAO and set out a proposed method of change.

14 Jul 1981 Letter and attachments from Mr K Williams for Chief General Manager, AP to Chief Executive Officer, EAD, (Mr D Berthelsen) provided further papers requested by the former Chief Executive Officer, EAD, (Mr R Laing), on 29 May 1981. Further information would be forwarded in a few days.

17 Jul 1981 Letter from Auditor-General, (Mr K F Brigden) to Managing Director, APC, (Mr A F Spratt), further to Mr Spratt's letters of 25 June 1981 and 6 July 1981, explained that issue papers for a December 1980 meeting with AP had been completed but that it had been thought better not to forward them at that time. Rather, the findings and recommendations could be expressed more efficiently if placed in the context of a regional study the audit team had been directed to undertake. An assurance was given that an audit brief would be prepared on the completion of the Epping Study and made available to AP prior to discussion with the team.

17 Jul 1981 Letter and attachments from Mr K Williams for Chief General Manager, APC, to Chief Executive Officer, EAD, (Mr D Berthelsen) provided further material as requested by former Chief Executive Officer, EAD, (Mr R Laing) on 29 May 1981.

20 Jul 1981 Discussions between Mr D Berthelsen and AP staff at AP headquarters, Melbourne. (Visit = 3 days).

21 Jul 1981 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen) provided further material requested by former Chief Executive Officer, EAD, (Mr R Laing), on 29 May 1981.

23 Jul 1981 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen) provided further material as requested.

28 Jul 1981 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen) provided further material as requested.

3 Aug 1981 Meeting between efficiency audit team members and AP staff at AP NSW State Head Office and at Sydney West Divisional Office, followed by visits to all 12 post offices in the Epping Customer Service Area. (Visit = 5 days).

10 Aug 1981 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen) provided material 'you requested prior to a visit to New South Wales last week.'

20 Aug 1981 AP efficiency audit team member, (Mr C Harding), transferred to Division B of the AAO reducing audit team to 2.

Aug 1981 Efficiency Audit Manual, 1st version, completed by First Assistant Auditor-General, EAD, (Mr J C M Jones), and forwarded to the Auditor-General, (Mr K F Brigen).

10 Sep 1981 Letter from Mr E V McCarthy for Chief General Manager, APC to Chief Executive Officer, EAD (Mr D Berthelsen) provided material as requested.

21 Sep 1981 Letter and borrowed documents from Executive Officer, EAD, (Mr L Hardy) to Mr E V McCarthy, Operations Department, APC as requested in Mr McCarthy's letter of 10 September 1981.

11 Nov 1981 Letter and attachments from Chief Executive Officer, EAD, (Mr D Berthelsen), to Mr K Williams, Operations Department, APC. The letter, sent by facsimile, had attached a

copy of a letter proposed to be sent to unions and sought to know if dates mentioned in the union letter were acceptable to the unions.

18 Nov 1981 Letter and attachments from Executive Officer, EAD, (Mr L Hardy), to Mr K Williams, Operations Department, APC provided a copy of a submission made by the Australian Postmasters Association to the AAO. This submission along with another by the Non-Official Postmasters Association, (NOPMA), had been requested by Mr Williams. The NOPMA did not agree to this request.

Nov 1981 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen) provided material as requested the previous Friday. This letter does not have an exact date.

20 Nov 1981 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen) provided material as requested.

29 Nov 1981 Discussions between EAD, AAO (Mr J C M Jones, Mr P D Wazey and Mr D Berthelsen) and representatives of 5 postal unions and staff associations. (Duration of discussions = 2 days)

3 Dec 1981 Letter from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen), answered Mr Berthelsen's questions and provided explanations on the 'Trading Analysis - Counter Activities' proforma used by state administrations.

8 Jan 1982 Letter from Mr E V McCarthy for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen). Enclosed was material requested in a phone conversation of the previous Wednesday and in Mr Berthelsen's discussion with Mr K Fennell, APC.

18 Jan 1982 Letter from Mr E V McCarthy for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen), provided answers to questions posed by Mr Bertelsen.

21 Jan 1982 Letter and attachments from Mr E V McCarthy for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen), provided papers as requested.

5 Feb 1982 Letter from Executive Officer, EAD, (Mr L Hardy), to Mr E V McCarthy, Operations Department, APC requested details of numbers of staff employed in post offices. This information was to be used by Mr Hardy in the introduction to the audit report.

8 Feb 1982 AP efficiency audit team member, (Mr L Hardy), transferred to ACT Branch of the AAO, reducing audit team to 1.

1 Mar 1982 Letter with attached APC Briefing Paper, 'Automation and Work Simplification', from First Assistant Auditor-General, EAD, (Mr J C M Jones), to Chief General Manager, APC, (Mr D G McQuitty) for meeting to be held 29 March 1982.

5 Mar 1982 Letter and attachments from Mr K Williams for Chief General Manager, APC, to Chief Executive Officer, EAD, (Mr D Berthelsen). The attachments provided details of staff numbers as requested by the former Executive Officer, EAD, (Mr L Hardy) on 5 February 1982.

10 Mar 1982 Letter from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen) provided details on the Telegram Service as requested in a conversation with Mr R Thomas of the Accounting Department, APC.

25 Mar 1982 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen). The attachments provided data requested by Mr Berthelsen.

29 Mar 1982 Meeting held between AAO and AP.

15 Apr 1982 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen). Attachments were two reports on the postal money order service requested by Mr Berthelsen.

29 Apr 1982 Letter from Chief General Manager, APC, (Mr D G McQuitty), to the First Assistant Auditor-General, EAD, (Mr J C M Jones) provided comments on the briefing paper 'Automation and Work Simplification.'

30 Apr 1982 Letter and attachments from Mr K Williams for Chief General Manager, APC, to Chief Executive Officer, EAD, (Mr D Berthelsen).

The material, on philatelic mail order services, was requested in a conversation of 29 April 1982 between Mr Williams and Mr Berthelsen.

6 May 1982 Letter and part of APC Briefing Paper, 'Money Transfer Service,' from First Assistant Auditor-General, EAD, (Mr J C M Jones), to Chief General Manager, APC, (Mr D G McQuitty). The letter included a request for a discussion with Mr D Berthelsen and a request for access to a legal advising on the Postal Services Act 1975.

21 May 1982 Letter and attachment from Mr K Williams for Chief General Manager, APC, to First Assistant Auditor-General, EAD, (Mr J C M Jones), in reply to a letter from First Assistant Auditor-General to Chief General Manager, APC, (Mr D G McQuitty) on 6 May 1982. The attachment was a legal advising on the Postal Services Act 1975.

16 Jun 1982 Meeting in Sydney between AAO, (Mr J C M Jones and Mr D Berthelsen) and Committee of Inquiry into the Australian Postal Commission, (Mr A E Bradley, Mr J P Coleman and Mr H J Mayoh).

2 Jul 1982 Letter and part of APC Briefing Paper, 'Philatelic Services', from First Assistant Auditor-General, EAD, (Mr J C M Jones), to Chief General Manager, APC, (Mr D G McQuitty). The letter requested comments on material as it was forwarded to the APC.

16 Jul 1982 Letter, enclosing a copy of an Urwick International report on the operations and marketing functions at AP headquarters and areas of activity in NSW, from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen). Other material also requested by Mr Berthelsen was enclosed.

30 Jul 1982 Letter and attachment from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen). The attachment provided details of AP's position regarding agency work as requested by Mr Berthelsen.

Aug 1982 Mr B Boland, Chief Executive Officer, seconded from EAD, to work on an Audit Office restructuring proposal which would include disbandment of EAD, the division responsible for efficiency audits.

19 Aug 1982 Letter and attachment from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen). The attachment provided a reworked table on revenue and expenditure for agency work.

13 Sep 1982 Letter and attachments from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen). The material had been requested in discussions of the previous week and of 13 September 1982.

21 Sep 1982 Letter from Acting Chief General Manager, APC, (Mr R J Page), to the First Assistant Auditor-General, EAD, (Mr J C M Jones), provided comments on Briefing Paper 'Money Transfer Service'.

Sep 1982 Interdepartmental Committee of Review of Efficiency Audits was commenced by officers of the Departments of the Prime Minister and Cabinet and Finance and the Public Service Board. AAO had observer status.

Oct 1982 Briefing Paper 'Agency Services' sent informally to Australia Post for comment.

Oct 1982 Efficiency Audit Manual, 2nd version, by the First Assistant Auditor-General, EAD, (Mr J C M Jones).

22 Nov 1982 Discussions between the Chief Executive Officer, EAD, (Mr D Berthelsen) and AP staff or
24 Nov 1982 at AP headquarters, Melbourne. Matters discussed included the Briefing Paper 'Agency Services' (Visit = 3 days).

23 Dec 1982 Discussions between Chief Executive Officer, EAD, (Mr D Berthelsen) and AP staff at AP headquarters, Melbourne. (Visit = 1 day)

Feb 1983 Completion of the AAO Review of Organisation and Staffing, (Boland Report). (Investigation had commenced in August 1982).

28 Feb 1983 Minute from First Assistant Auditor-General, EAD, (Mr J C M Jones) to Mr B Boland, Chief Executive Officer, commented on the restructuring proposal contained in Mr Boland's report. Mr Jones made several recommendations based on the idea that it was necessary to integrate efficiency auditing into the Divisions forthwith. Mr Jones concluded that 'it may be seen as pre-empting, and possibly contradicting, the outcome of the review of

8 Mar 1983

EA [efficiency auditing] if the Office were seen as re-organising itself now in such a way to change the character of EA.'

Minute from First Assistant Auditor-General, EAD, (Mr J C M Jones), to Auditor-General, (Mr K F Bridgen), questioned the transfer of EAD establishment to other Divisions. Staff were available to start an efficiency audit but if the Auditor-General intended to no longer allocate staff to the EAD these staff should be transferred out immediately. Mr Jones believed these sort of decisions would be influenced by the Boland review or the Review of Efficiency Audits and stated, 'Neither has come to a conclusion and is unlikely to do so for several months.' (NB: This conflicts with 28 Feb 1983).

24 Mar 1983

Minute from Auditor-General, (Mr K F Bridgen) to First Assistant Auditor-General, (Mr J C M Jones), responded to Mr Jones' minute of 8 March 1983. Mr Bridgen stated that whether or not the AAO establishment would be reduced from five to four divisions would only be settled on terms agreed in consultation with the Public Service Board. He reiterated his intention that efficiency audits be correlated with audits being programmed in Divisions A, B, and D. He also repeated earlier directions to Mr Jones:

'(a) that you do not sign advices to the Presiding Officers or any members of the House of Representatives or the Senate to inform them of new efficiency audits being undertaken. Such advices as are necessary under the procedures previously agreed to should be prepared for my signature,

(b) that the scope and depth of efficiency audits be much more curtailed in future and be more closely controlled than has been the case in the past. Ideally these audits should require the involvement of no more than two officers and should be capable of being completed within about six months at the longest,

(c) that we maintain informal relationships with the Board, PM&C and Finance only so that we do not embark on audits in areas that have very recently been reviewed or set up or that are earmarked for early

examination eg by way of Joint Management Review or Program Effectiveness Review,

- (d) as to reports of efficiency audits, I would prefer to see the findings embodied in report paragraphs embracing both the financial etc audit and the value-for-money examination where that can be done without loss of impact. In any event the detail provided in future efficiency audit reports has to be much less than what has been seen as the norm on past occasions,
- (e) in our written communications with auditees we should use management letters of the ordinary kind and not provide them with field or draft reports. In essence management letters should issue on conclusion of an audit and should expose audit findings where necessary and invite comments without providing an opportunity for auditees to appear to be influencing the content of the audit report, and
- (f) as we will be relying basically on portfolio information acquired and held by the Principal Auditors, there will not be any need to ask Departments to provide copies of forward staff or expenditure estimates. We can do so in particular cases if it is ever necessary but the general practice is to cease.'
- 13 May 1983 Briefing Paper 'Development of the Counter Network' from First Assistant Auditor-General, EAD, (Mr J C M Jones) to AP for comment.
- 19 May 1983 Minute from Auditor-General (Mr K F Brigden), to First Assistant Auditor-General, EAD, (Mr J C M Jones) advised of intention to proceed with integration of EAD operations with those of line divisions.
- 19 May 1983 Minute from First Assistant Auditor-General, EAD, (Mr J C M Jones), to all EAD staff advised of the integration of EAD operations with those of line divisions.
- 20 May 1983 Minute from First Assistant Auditor-General, EAD, (Mr J C M Jones) to Auditor-General, (Mr K F Brigden), advised him of arrangements for transferring staff out of EAD.

- 26 May 1983 Minute sent from Director (Management), (Mr B Boland), to Chief Executive Officer, EAD, (Mr D Berthelsen), and all other EAD staff inviting expressions of placement preferences.
- 27 May 1983 Minute from Chief Executive Officer, EAD, (Mr D Berthelsen), to Director (Management), (Mr B Boland), expressed a preference for Postal & Communications Directorate.
- 2 Jun 1983 Minute with attached letter from First Assistant Auditor-General, EAD, (Mr J C M Jones), to Auditor-General, (Mr K F Brigden). The letter, from the Canadian Deputy Auditor-General, provided details of an audit of Canada Post including hours worked.
- 10 Jun 1983 Minute from Assistant Auditor-General Planning and Management to Chief Executive Officer, EAD, (Mr D Berthelsen), advised his placement would be in Division B not Postal & Communications Directorate.
- 8 Jul 1983 Letter from Auditor-General, (Mr K F Brigden), to Chairman, Public Service Board, conveyed AAO restructuring proposal.
- 21 Jul 1983 Administrative Circular from Auditor-General to AAO staff discussed integration of efficiency auditing with other Office operations.
- Jul 1983 'Report of the Inter departmental Committee Established to Review the process of Efficiency Audits' was finalised.
- 19 Aug 1983 Minute from First Assistant Auditor-General, EAD, (Mr J C M Jones), to Deputy Auditor-General, (Mr D J Hill), re follow-up action on article in Australian Business of 27 July 1983.
- 7 Sep 1983 Letter from Mr K Williams for Chief General Manager, to Chief Executive Officer, EAD, (Mr D Berthelsen), enclosed material on unlawful entry into AP premises 1980-82 as requested.
- 21 Oct 1983 Letter from Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen), enclosed Australia Post corporate plan as requested.
- 26 Oct 1983 Letter from Mr K Williams for Chief General Manager, APC to Chief Executive Officer, EAD, (Mr D Berthelsen) enclosed further material for the efficiency audit as requested.

2 Nov 1983 Minute from Chief Executive Officer, EAD, (Mr D Berthelsen) to First Assistant Auditor-General, EAD, (Mr J C M Jones) re causes of slippages in AP efficiency audit report.

30 Nov 1983 Mr D Berthelsen alleges that the Report on Interdepartmental Committee on Efficiency Audits incorporating AAO proposal went to Cabinet.

19 Dec 1983 Draft report on the AP efficiency audit given to Division A. Mr D Berthelsen states the report at this point was significantly different to that previously given to the First Assistant Auditor-General, EAD, (Mr J C M Jones).

31 Jan 1984 First Assistant Auditor-General, EAD, (Mr J C M Jones), left AAO on 12 months leave without pay.

2 Feb 1984 Minute from Chief Executive Officer, EAD (Mr D Berthelsen), to Assistant Auditor-General, EAD, (Mr C Baragwanath) proposed that current AP efficiency audit report be placed with that originally submitted and that appendices be restructured. Proposal was approved verbally in discussion with the Assistant Auditor-General, EAD, and the First Assistant Auditor-General, EAD, (Mr C Monaghan).

7 Mar 1984 Auditor-General, (Mr K F Brigden), appeared before the House of Representatives Standing Committee on Expenditure as part of its inquiry into the efficiency audit of the management of the Main Battle Tank and stated that the audit had gone wrong. Audit staff had been inexperienced and there had been insufficient management control over the audit. With reference to all efficiency audits Mr Brigden said 'I have not been satisfied with one of them'.

27 Mar 1984 Minute from Assistant Auditor-General, Policy Planning and Management, (Mr P D Mazey) to the First Assistant Auditor-General, EAD, (Mr C Monaghan) provided comments on AP draft report.

16 May 1984 Letter and draft report with new Appendix 3 from First Assistant Auditor-General, EAD, (Mr C Monaghan) to Chief General Manager, AP, (Mr D G McQuitty). The report was based on that version originally submitted to the

former First Assistant Auditor-General, EAD, (Mr J C M Jones). The letter requested comments be made prior to the furthering of a formal Section 48F(3) draft report.

4 Jun 1984 House of Representatives Standing Committee on Expenditure tabled in Parliament a report titled 'Management of the Main Battle Tank - Who was outgunned'? In it the former Auditor-General, Mr K F Brigden, said that he had not been satisfied with any efficiency audits.

6 Jun 1984 Financial Review article mentioned 5 outstanding efficiency audits but excluded the AP efficiency audit.

28 Jun 1984 Minute from First Assistant Auditor-General EAD, (Mr C Monaghan), to Assistant Auditor-General, EAD, (Mr C Baragwanath), re phone conversation with AP liaison officer, (Mr K Williams) who stated that the last of the Departmental managers' responses had been received and he expected a response to AAO would be despatched shortly.

4 Jul 1984 Letter from Chief General Manager, APC, (Mr D G McQuitty), to First Assistant Auditor-General, EAD, (Mr C Monaghan) corrected misunderstandings about the provision of appendices to AP for examination and comment, made general comments on the draft report, expressed concern at further resources required, and proposed that the present liaison arrangement be discontinued, further work be handled formally and that there could be mutual advantage in a joint discussion.

13 Jul 1984 Assistant Auditor-General, EAD, (Mr C Baragwanath), requested comments from Chief Executive Officer, EAD, (Mr D Berthelsen), on AP letter of 4 July 1984.

18 Jul 1984 Minute and attachment from Chief Executive Officer, EAD, (Mr D Berthelsen), to Assistant Auditor-General, EAD, (Mr C Baragwanath), responded to request of 13 July 1984. The minute provided comments on statements made in a letter of 4 July 1984 from Chief General Manager, AP, (Mr D G McQuitty) to First Assistant Auditor-General, EAD, (Mr C Monaghan). While Mr McQuitty had suggested that a meeting to discuss steps to conclude the audit would be mutually advantageous

Mr Berthelsen wrote 'There is no suggestion [by Mr McQuitty]... that a meeting to clear up misunderstandings, errors of fact or to provide other perspectives would be welcome'. He suggested a brief acknowledgement be sent to AP to reiterate the invitation to comment on the draft report and to indicate the expected transmittal date for the 48F(3) report. The attachment was a draft of a letter to AP.

9 Aug 1984 Minute from First Assistant Auditor-General, EAD, (Mr C Monaghan), to Auditor-General, (Mr K F Brigden), re AP efficiency audit noted that:

(a) Mr D Berthelsen is the only person apart from the auditee who can debate the validity of AAC conclusions and recommendations.

(b) With Mr Berthelsen's position in mind, Mr C Monaghan had requested comments on 16 May 1984 from AP on the informal draft report. He hoped to discover where the AAO was 'well off the track and be able to identify areas of major dispute'. The reply did not meet his expectations.

(c) The AAO was faced with 2 options:

(1) a formal section 48F(3) draft report could be sent to AP but the AAO could be left 'seriously exposed'.

(2) Further resources could be expended to bring an end to the audit. If Mr Berthelsen should depart from the AAO it would be in 'diabolical trouble'.

14 Sep 1984 Auditor-General, (Mr K F Brigden), advised Principal Auditor, EAD (Mr D Berthelsen), that he would be placed in a research position in the Data Processing Branch.

17 Sep 1984 AAO Staff Circular indicated that a new Directorate with responsibility for AP and Home Affairs had been established in Division B. A Class 9 officer without previous experience in AP would be transferred to this area on promotion.

19 Sep 1984 Minute from Chief Executive Officer, EAD, (Mr D Berthelsen), to First Assistant Auditor-General Division A, (Mr C Monaghan), re Mr Berthelsen's dissatisfaction at his placement in the Data Processing Branch.

26 Sep 1984 Minute from First Assistant Auditor-General, Division A, (Mr C Monaghan), to Auditor-General, (Mr K F Brigden), re placement of Mr Berthelsen in the Data Processing Branch. The Auditor-General wrote on the minute that 'If Mr Berthelsen is still dissatisfied he had better talk to me about it.'

4 Oct 1984 Auditor-General's report on the financial statements tabled in Parliament. It stated that the AP efficiency audit was still to be completed.

10 Oct 1984 Responsibility for the audit arrangements of AP transferred from Division A to Division B.

Discontinuance of Australia Post Audit

26 Oct 1984 At meeting of the Auditor-General, (Mr K F Brigden), Deputy Auditor-General, (Mr D J Hill), and Chief Executive Officer, EAD, (Mr D Berthelsen), Mr Berthelsen was told work on AP efficiency audit was to cease immediately.

29 Oct 1984 Minute from Chief Executive Officer, EAD, (Mr D Berthelsen), to Auditor-General, (Mr K F Brigden), noted a meeting of these officers earlier on 29 Oct 1984 where the Auditor-General had agreed to accept a minute from Mr Berthelsen on the Auditor-General's decision to cease work on the efficiency audit. This minute requested the Auditor-General set out the reasons for his decision to facilitate preparation of the previously agreed minute.

5 Nov 1984 Auditor-General annotated a minute of 29 Oct 1984 from Chief Executive Officer, EAD, (Mr D Berthelsen), to the effect that the AP efficiency audit should not be carried out, certainly for the time being, that he should hand over the working papers and other materials to the Director, Home Affairs and AP and that he should report for duty on Monday as the Director, Technical Audit, Data Processing, Branch. (Request to be transferred to Director, Home Affairs and AP refused.)

6 Nov 1984 Auditor-General, (Mr K F Brigden), sent minute of 9 August 1984 from former First Assistant Auditor-General, EAD, (Mr C Monaghan), to First Assistant Auditor-General

Division B, (Mr P Lidbetter), annotating his intention not to carry out the AP efficiency audit 'at this stage' and that material collected could be of use in planning other work with AP.

7 Nov 1984 Minute, as mentioned in meeting and minute of 29 Oct 1984, sent from Director, Technical Audit, Data Processing Branch, (Mr D Berthelsen), to Auditor-General, (Mr K F Bridgen). The minute discussed 3 possible reasons for discontinuing the AP efficiency audit, viz, the audit had already cost too much, the unfinished status of the audit report was preventing operational audits of AP from being undertaken, and the Auditor-General was not prepared to allocate resources necessary so that the report would be prepared to the standard required by Section 48F(3) of the Audit Act.

7 Nov 1984 Minute from Deputy Auditor-General, (Mr D J Hill), to Auditor-General, (Mr K F Bridgen), stated Mr Berthelsen's views were now on record; 'the AG [Auditor-General] is not obliged to argue or rebut them'. Mr McQuitty, Chief General Manager, AP could make the AAO look 'pretty silly'; other audits had not been carried out on AP for the duration of the efficiency audit, however, they could now begin.' The [efficiency audit] work would not be entirely wasted if used as a basis for planning further (and narrower scope) audits'.

8 Nov 1984 Minute from Auditor-General, (Mr K F Bridgen), to the First Assistant Auditor-General Division B, (Mr P Lidbetter), re Mr D Berthelsen. It stated in part 'I have directed him [Mr D Berthelsen] to return all material concerning Australia Post to your Division ...He is not to use office resources for further office submissions about this matter'.

8 Nov 1984 Note for file prepared by Acting Director, Home Affairs and Environment, (Ms J K Thomson), re discussion with Director, Technical Audit, (Mr D Berthelsen), on handover of AP efficiency audit papers and documents. Ms Thomson rejected a proposal by Mr Berthelsen for the handover of papers and documents. She had been told by the Assistant Auditor-General Division B, (Mr D Lennie), that she would receive all the efficiency audit working papers. An arrangement was later agreed upon at a meeting of Mr Berthelsen, Mr Lennie and Ms Thomson.

15 Nov 1984 Draft Minute written by Director, Technical Audit, (Mr D Berthelsen), to Auditor-General, (Mr K F Bridgen) requested under section 13 of the Administrative Decisions (Judicial Review) Act 1977 that the Auditor-General furnish a statement in writing setting out the reason or reasons on which he had based his decision to terminate work on the AP efficiency audit report. The minute was not sent.

19 Dec 1984 Senator Peter Rae (Shadow Minister for Finance), issued a press statement which stated 'The Minister for Finance must immediately initiate an urgent investigation into the financial efficiency of Australia Post'...Senator Walsh, [the Minister for Finance has]...been strangely quiet on the strong criticism of Australia Post by the PSA and unresponsive to the pleas of the Australian Federation of Consumer Organisations'. The Minister's failure to institute an inquiry by his Department or seek an efficiency audit would mean the Government was prepared to tolerate inefficient government operations.

7 Feb 1985 Letter from Auditor-General, (Mr K F Bridgen), to the Chief General Manager, AP, (Mr D G McQuitty), noted that for some time the Auditor-General had been concerned about the scope and management of early efficiency audits. The EAD had now been disbanded and audits of efficiency aspects had become part of the comprehensive audit program of the AAO. Furthermore, efficiency audits commenced in recent years had been more manageable. The Auditor-General then stated that, following a review of papers associated with the counter services audit and comments provided by Mr McQuitty, he had decided that further work necessary to carry out the audit should not be undertaken. The Division Head now responsible for AP, Mr P Lidbetter, would contact Mr McQuitty to discuss future arrangements.

7 Feb 1985 Division B requested Director, Technical Audit, (Mr D Berthelsen), to provide a copy of the revised and extended version of Appendix 2 of the AP efficiency audit report. The copy supplied in November 1984 appeared to be missing. Mr Berthelsen supplied a copy which was not returned.

8 Feb 1985 Mr K F Brigden, Auditor-General, retired and Mr J V Monaghan commenced as Auditor-General.

6-8 Mar 1985 AAO held AP and Telecom planning conference. Former Chief Executive Officer, EAD, (Mr D Berthelsen) was not invited.

8 Mar 1985 Minute from Director, Technical Audit, (Mr D Berthelsen), to new Auditor-General, (Mr J V Monaghan), informed him of events leading up to the decision of previous Auditor-General, (Mr K F Brigden), to discontinue the AP efficiency audit. The Auditor-General responded to this Minute on 10 May 1985.

21 Mar 1985 Letter and attachment from Acting Assistant Director, Division B (Mr J Niven) to Chief Auditor, Perth, (Mr C Dolman). The attached document provided guidelines for a project audit (including legal compliance, financial regularity and efficiency) of AP's Customer Service Department in Western Australia. The audit was to 'extend beyond the mere operation of the management information system and to encompass an analysis of the effectiveness of the individual areas controlled by the department. The review should not however duplicate areas covered within the standard interim audit items'. 300 hours (i.e., about 8.5 weeks) were allocated to the audit.

24 Mar 1985 Newspaper advertisement inviting tenders for the supply of personal business computers and associated software to Australia Post. Mr Berthelsen in his submission to the Committee of 4 October 1985 suggested Section 5 of 'the "Tender Schedule CP1987 for the supply of Personal Business Computers and Associated Software", should be compared with Chapter 3 of the efficiency audit report, and with the revised and extended Appendix 2, "Automation and Work Simplification of Counter Services".

28 Mar 1985 File note prepared by Assistant Auditor-General Division B, (Mr D Lennie), re a telephone enquiry from Ms L Slorach, Secretary to the Federal Member for Wannan, Mr David Hawker. Ms Slorach had wanted to know when the efficiency audit of AP would be finalised. Mr Lennie had advised Ms Slorach on 27 March 1985 that the previous Auditor-General, (Mr K F Bridgen), had decided not to carry out the additional work

required to finalize the audit and consequently a report would not be published. The knowledge gained would be used for future comprehensive audits.

3 Apr 1985 File note prepared by Assistant Auditor-General Division B, (Mr D Lennie), re a telephone enquiry of 2 April 1985 from Ms M Healy, Parliamentary Library, who asked about the efficiency audit on AP. The reply given was similar to that given to Ms Slorach on 27 March 1985.

15 Apr 1985 File note prepared by First Assistant Auditor-General Division B, (Mr P Lidbetter), re a telephone enquiry of 15 April 1985 from Ms J MacDonald, Parliamentary Library, who asked about the efficiency audit on AP. The reply was similar to that given to both Ms Slorach, (27 March 1985), and Ms Healey, (2 April 1985).

19 Apr 1985 Minute from Assistant Auditor-General Division B, (Mr B Kimball), to First Assistant Auditor-General Division B, (Mr P Lidbetter), re an enquiry from Mr D Pye, Department of Communications, who was following up a question asked of the Department by Senator Rae in a recent Senate Estimates Committee hearing. Senator Rae had wanted to know if it was true that the efficiency audit on AP begun in 1980 was not to be continued. Mr Kimball advised Mr Pye that formal comment should be sought from AP but also officially advised him that the audit was not being proceeded with.

30 Apr 1985 Minute from Assistant Auditor-General (Mr B Kimball), to First Assistant Auditor-General Division B, (Mr P Lidbetter), re a telephone call of 29 April 1985 from Mr N Dwyer, Freedom of Information Section, Department of the Prime Minister and Cabinet. Under the Freedom of Information Act Mr Dwyer was requesting on behalf of Senator Rae a copy of the 'Preliminary Draft of the Efficiency Audit into AP Counter services.'

Mr Kimball suggested that the Department of the Prime Minister and Cabinet refer the request to the AAO. He noted, 'We could respond to PM&C explaining our exemption from FOI and the legal constraint on us under Section 14C(3) from divulging audit information except through our public

reports. We may need to use "honey words" to Senator Rae. We could consider directing him to Aust[ralia] Post if we see no harm in their providing the report. (Are they covered by FOI?)'.

2 May 1985

File note prepared by First Assistant Auditor-General Division B, (Mr P Lidbetter), noted that Mr Dwyer, Department of the Prime Minister and Cabinet had rung on 2 May 1985. Agreement had been reached that Mr Dwyer would respond to Senator Rae's request, (see 30 April 1985), along the lines that the Department of the Prime Minister and Cabinet did not have a copy of the draft AP efficiency audit report; the AAO would have a copy but was exempt from the Freedom of Information Act.

7 May 1985

Minute from First Assistant Auditor-General Division B, (Mr P Lidbetter), to Auditor-General, (Mr J V Monaghan), provided comments on a minute of 8 March 1985 from Director, Technical Audit, (Mr D Berthelsen), to the then new Auditor-General, (Mr J V Monaghan). Mr Lidbetter outlined the history of the AP efficiency audit and its management within the AAO. The latter half of the minute discussed points made by Mr Berthelsen regarding the efficiency audit. Mr Lidbetter concluded 'I agree in full with the views put by Mr C Monaghan in his minute to Mr Bridgen of 9 August 1984.'

10 May 1985

Minute from Auditor-General, (Mr J V Monaghan), to Director, Technical Audit, (Mr D Berthelsen), responded to Mr Berthelsen's minute of 8 March 1985. The Auditor-General noted that it was clear from Mr Lidbetter's report (7 May 1985), that 'the Australia Post Efficiency Audit suffered the consequences of a serious management failure'. He also noted Australia Post had been 'disposed to recognise some merit in the thrust of the draft report. The fatal criticism was that the groundwork had not been laid whereby the Auditor-General could with any confidence judge that the draft audit conclusions could be sustained against Australia Post's likely rebuttals'. Mr Monaghan also stated that he would not be reviewing Mr Bridgen's decision further.

15 May 1985

The Bulletin dated 21 May 1985 published an article by Richard Farmer titled 'Secret report digs up the bodies at Australia Post'.

The article suggested AAO had hushed up the findings of a supposed efficiency audit. Much of the article spelt out findings and recommendations in the draft efficiency audit report.

15 May 1985

Chairman of APC, (Mr D R Rickard), interviewed by Mr John Tingle on Radio 2GB, the subject of the interview was an article about a 'secret report' on the efficiency of AP in The Bulletin dated 21 May 1985. Mr Rickard stated in the interview that to his knowledge there was no 'secret report' and it had not been hushed up. While he knew the audit had gone on for some 4.5 years and then been discontinued he was unaware of a report being produced.

16 May 1985

Letter from Acting Auditor-General, (Mr D J Hill), to Secretary, Attorney-General's Department. The letter sought urgent advice as to 'whether the Auditor-General might successfully object to the release of an Audit Office document on the grounds that it is not in the public interest for it to be released.' The document was a working draft of a prospective report arising out of an efficiency audit of counter services in the AP. It had not been furnished under section 48F(3) of the Audit Act 1901 because it had not been cleared by the Auditor-General as a draft report he proposed to make. The report only represented the views and conclusions of the section head who had worked on the audit. The letter went on to suggest possible problems that would arise from the release of 'raw' material of Auditor-General's reports. (The reply to this letter was sent on 11 June 1985.)

21 May 1985

In response to a 'Question without Notice' in the House of Representatives, the Minister for Communications, (Mr Michael Duffy), said he had seen The Bulletin report. At no time had he or AP sought to suppress any efficiency audit. The audit had commenced some five years ago and a draft report had been presented to AP in May 1984. He noted that AP had not argued that the nature of the report was outside the scope of the AAO but had had an attitude of co-operation towards the audit. Many of the major reforms raised in the report had already been addressed or were being carried out. (House of Representatives, Hansard, 1985, p 2768.)

21 May 1985

Senator Peter Rae, (Shadow Minister for Finance), tabled in the Senate a letter of 4 July 1984 from Chief General Manager, Australia Post, (Mr D G McQuitty), to First Assistant Auditor-General, (Mr C T Monaghan). Senator Rae said that this letter answered his question as to whether the audit had gone on for some 4.5 years. Mr McQuitty had in his letter quantified this as 12 work years of effort and Senator Rae further asked the Minister for Community Services, (Senator Don Grimes), what the 12 work years of effort represented by way of cost. Senator Grimes was unable to provide an exact quantification. Senator Rae said that it was his understanding that a figure of the order \$500,000 was involved. Later in the debate that ensued Senator Grimes said '...what happened was that an efficiency audit was conducted in combination with the Auditor-General and Australia Post. It was decided by mutual agreement that they were getting nowhere so they gave it away'. (House of Representatives, Hansard, 1985, pp 2264-2268.)

31 May 1985

Letter and attached response to questions asked by Senator Rae in Senate on 21 May 1985 from Secretary, AP, to Secretary, Department of Communications. The response said that the 12 work years referred to in the letter of 4 July 1984 from Chief General Manager, AP, (Mr D G McQuitty), to the Auditor-General represented an estimated resource commitment of 6.5 work years by the AAO and 5.5 work years by AP. AP's labour and associated costs allocated to the audit were approximately \$334,000.

4 Jun 1985

Letter and copy of seminar paper from First Assistant Auditor-General Division E, (Mr P Lidbetter), to Senator Peter Rae, (Shadow Minister for Finance), the letter related to a discussion held between them during the previous week. Mr Lidbetter provided details of a recent series of comprehensive audit seminars and attached a copy of a paper delivered by himself. He then mentioned material being used for training by the AAO in the Chinese Audit Office in China. Lastly Mr Lidbetter noted the AAO would be appearing before the Joint Committee of Public Accounts on 19 June 1985. The AP efficiency audit would be discussed and he would notify the Senator when the AO formal submission was available for public release.

5 Jun 1985

Letter from Managing Director, AP, (Mr D H Eltringham), published in The Bulletin dated 11 June 1985. The letter rebutted claims made by Richard Farmer in an article, 'Secret report digs up bodies at Australia Post' in The Bulletin dated 21 May 1985. In particular, the letter stated there was no secret report and that AP had never received a formal draft report under section 48F(3) of the Audit Act. Richard Farmer, in a comment appearing below this letter, said that draft material referred to was a report submitted informally to AP so that it would have time to consider it before the formal draft was forwarded under section 48F(3) of the Audit Act. He noted the Auditor-General had decided not to continue with the audit after receiving a letter from AP concerning the draft report it had been sent.

11 Jun 1985

Letter from Mr M Brennan for Secretary, Attorney General's Department, to Acting Auditor-General, (Mr D J Hill), responded to a memorandum from Acting Auditor-General to Secretary, Attorney General's Department on 16 May 1985. The letter provided detailed legal opinion as to whether the Auditor-General might successfully object to the release of an AAO document on the grounds that it would not be in the public interest for it to be released. The document concerned was the draft report on the AP efficiency audit. The letter concluded, 'In my view, there is adequate protection under the FOI Act for Audit Office documents in the possession of other agencies'.

13 Jun 1985

Auditor-General, (Mr J V Monaghan), and senior officers of AAO were invited to have discussions with the Joint Committee of Public Accounts on 19 June 1985.

18 Jun 1985

Auditor-General, (Mr J V Monaghan), provided a submission to the Joint Committee of Public Accounts. The submission detailed the events leading up to the decision of the previous Auditor-General, (Mr K F Brigden), not to proceed with the AP efficiency audit.

19 Jun 1985

Auditor-General, (Mr J V Monaghan), and senior officers of the AAO met with the Joint Committee of Public Accounts and discussed, among other matters, the discontinuance of the efficiency audit of AP's administration of counter services.

19 Jun 1985 The Bulletin published an article by Richard Farmer titled '\$30 million savings at stake in Australia Post row'. The article noted that the efficiency report had recommended the scrapping of 1150 jobs to save \$30 million a year and that AP was worried about possible resultant industrial unrest. The article provided an outline of the history of the AAO report and examined the role of the AAO and the former Auditor-General, (Mr K F Brigden). Some of the report's recommendations were also discussed.

Committee's Review

20 Jun 1985 Chairman, Joint Committee of Public Accounts, (Senator George Georges), announced that the Committee would review the circumstances surrounding the alleged suppression of the efficiency audit into counter services of AP.

2 Jul 1985 The former First Assistant Auditor-General of the disbanded EAD, (Mr J C M Jones), gave evidence to the House of Representatives Standing Committee on Expenditure as part of its inquiry into Public Service efficiency review mechanisms.

3 Jul 1985 The former Auditor-General, (Mr K F Brigden), gave evidence to the House of Representatives Standing Committee on Expenditure as part of its inquiry into Public Service efficiency review mechanisms.

7 Aug 1985 The Joint Committee of Public Accounts held a public hearing as part of its 'Review of the discontinuance of the Audit into Australia Post - administration of counter services'.

16 Sept 1985 The Joint Committee of Public Accounts held a public hearing as part of its 'Review of the discontinuance of the audit into Australia Post - administration of counter services'.

25 Nov 1985 The Joint Committee of Public Accounts held a further public hearing as part of its 'Review of the discontinuance of the audit into Australia Post - administration of counter services'.

LIST OF ALL DOCUMENTS SUPPLIED TO THE COMMITTEE

	Page
A. Australian Audit Office (AAO)	94
B. Mr K F Brigden, Former Auditor-General	96
C. Australia Post	97
D. Mr J C M Jones, Former Head, Efficiency Audit Division, AAO	108
E. Mr D E Berthelsen, Former Project Officer, Australia Post Efficiency Audit, Efficiency Audit Division, AAO	109
F. Public Service Board	120
G. Department of the Prime Minister and Cabinet	121
H. Attorney-General's Department	122
I. Department of Finance	123

Abbreviations

Assist	Assistant
A-G	Auditor-General
AAO	Australian Audit Office
Aust Post or APC	Australia Post or Australian Postal Commission
Ch. Exec. Off.	Chief Executive Officer
Ch. Gen. Mgr	Chief General Manager
C'th	Commonwealth
Dir.	Director
Div.	Division
EAD	Efficiency Audit Division or Division E
FOI	Freedom of Information
GAO	General Accounting Office of the United States of America
H of R	House of Representatives
HQ	Headquarters
Mg Dir.	Managing Director
Mgr	Manager
Op. Dept	Operations Department
PAC	Public Accounts Committee
P.O.	Post Offices
Tech. Audit	Technical Audit

NOTE: The majority of submissions and documents received are available either in the Minutes of Evidence or upon request from Committee files.

Date	From	To	Subject
A. Australian Audit Office			
30.06.80	Mr D J Hill Acting A-G, AAO	Chairman Aust Post	Letter advising Australia Post of the Efficiency Audit (AAO Exhibit A 18.6.85)
16.05.84	Mr C T Monaghan First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter seeking comments on informal draft report plus one copy of the informal draft (AAO Exhibit B 18.6.85)
4.07.84	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Mr C T Monaghan First Assistant A-G, EAD, AAO	Letter responding to Mr C Monaghan's letter dated 16.5.84 (AAO Exhibit C 18.6.85)
9.08.84	Mr C T Monaghan First Assistant A-G, EAD, AAO	Mr K F Brigden A-G	Minute canvassing possible future action together with Mr Brigden's annotated comments dated 6.11.84 (AAO Exhibit D 18.6.85)
7.02.85	Mr K F Brigden A-G	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter re decision not to proceed further with Efficiency Audit (AAO Exhibit E 18.6.85)
8.03.85	Mr D Berthelsen Dir., Tech.Audit, AAO	Mr J V Monaghan A-G	Minute re Australia Post Efficiency Audit (AAO Exhibit F 18.6.85)
7.05.85	Mr P L Lidbetter First Assistant A-G, Dir. B, AAO	Mr J V Monaghan A-G	Minute commenting on Mr Berthelsen's minute dated 8.3.85 (AAO Exhibit G 18.6.85)
10.05.85	Mr J V Monaghan A-G	Mr D Berthelsen Dir., Tech. Audit, AAO	Minute responding to Mr Berthelsen's minute of 8.3.85
22.4.86	PAC	Mr J V Monaghan A-G	Letter providing comment on submissions and evidence, given to PAC by Messrs JCM Jones and D E Berthelsen, and asking for further detailed information
1.5.86	Mr J V Monaghan A-G	PAC	Letter and attachment A answering request of PAC letter dated 22.4.86
2.5.86	Mr J V Monaghan A-G	PAC	Letter and attachment B answering request of PAC letter dated 22.4.86.

Date	From	To	Subject
2.15.86	Mr J V Monaghan A-G	PAC	Letter and attachment C answering request of letter dated 22.4.86
12.5.86	PAC	Mr J V Monaghan A-G	Letter re decision by former A-G, Mr Brigden, to discontinue efficiency audit
16.5.86	Mr J V Monaghan A-G	PAC	Letter responding to request by PAC dated 12.5.86.
14.5.86	PAC	Mr J V Monaghan A-G	Letter requesting additional information further to Attachment A, letter dated 1.5.86
11.9.85	PAC	Mr J V Monaghan A-G	Letter including questions not completed at the public hearing
13.9.85	Mr J V Monaghan A-G	PAC	Letter answering questions of request of 11.9.85
31.10.85	Mr P L Lidbetter First Assistant A-G, Div. B, AAO	PAC	Letter and enclosed list of officers involved with the efficiency audit into Australia Post
25.11.85	Mr P L Lidbetter First Assistant A-G, Div. B, AAO	PAC	Letter and attachment, memorandum from Mr D Berthelsen to Mr D Hill dated 22.11.85.
7.2.86	Mr J V Monaghan A-G	PAC	Letter providing comment on submissions and evidence given by PAC by Messrs J C M Jones and D E Berthelsen
3.4.86	Mr P L Lidbetter First Assistant A-G	PAC	Letter and attachment, list of all efficiency audits completed
15.5.86	Mr J V Monaghan A-G	PAC	Letter and attachments for specific questions asked in PAC letter dated 14.5.86.

Date	From	To	Subject
B. Mr K F Brigden			
7.8.85	PAC	Mr K F Brigden (former A-G)	Letter re PAC questions
20.8.85	Mr K F Brigden	PAC	Letter responding to request from PAC letter dated 7.8.85:

Date	From	To	Subject
C. Australia Post			
13.03.80	Mr D R Steele Craik A-G	Chairman Aust Post	Letter advising intention to conduct a feasibility study on Australia Post's operations (AP Exhibit 1 31.7.85)
30.06.80	Mr D J Hill Acting A-G, AAO	Chairman Aust Post	Letter advising efficiency audit to be conducted on Australia Post's services (AP Exhibit 2 31.7.85)
			Details of the AAO Team's Formal Investigation Programme (1980-83) (AP Exhibit 3 31.7.85)
25.06.81	Mr A F Spratt Ch.Gen.Mgr Aust Post	Mr K F Brigden A-G	Letter expressing concern over lack of progress on efficiency audit and of the prospect of further field investigations (AP Exhibit 4 31.7.85)
29.04.82	Mr D G McQuitty Aust Post Ch.Gen.Mgr	Mr J C M Jones First Assistant A-G, EAD, AAO	Letter commenting on AAO team's briefing paper 'Automation and Work Simplification in Official Post Offices' (AP Exhibit 5 31.7.85)
21.7.82	Mr R J Page Acting Chief Gen. Mgr Aust Post	Mr J C M Jones First Assistant A-G, EAD, AAO	Letter commenting on the AAO team's briefing paper on Australia Post's Money Transfer Service (AP Exhibit 6 31.7.85)
7.02.85	Mr K F Brigden A-G	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter advising that efficiency audit on Aust Post had been terminated (AP Exhibit 7 31.7.85)
13.3.80	Mr D R Steele Craik, A-G	Chairman Aust Post	Letter re intention to conduct feasibility study on Aust Post operations prior to decision on efficiency audit
20.3.80	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Mr J C M Jones First Assistant A-G, EAD, AAO	Letter confirming meeting (27.3.80) Efficiency Audits

Date	From	To	Subject
24.3.80	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter re matters to be discussed at meeting (27.3.80).
31.3.80	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Mr J C M Jones First Assistant A-G, EAD, AAO	Letter suggesting 15 April as a convenient date for discussions re feasibility study
10.4.80	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr J Brady Gen.Mgr Corporate Affairs Aust Post	Letter re interviews with senior management by feasibility study team to commence 15 April
6.5.80	Mr R Laing Ch.Exec.Off., EAD, AAO	Ms J Spiller Mgr, Liaison Branch Corporate Affairs, Aust Post	Letter re documentation for background study of Aust Post
28.5.80	Ms J Spiller Mgr, Liaison Branch Corporate Affairs, Aust Post	Mr R Laing Ch.Exec.Off. EAD, AAO	Letter enclosing supplementary documentation
18.6.80	Mr J C M Jones First Assistant, A-G, EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter enclosing outline of proposed efficiency audit
30.6.80	Mr D J Hill Acting A-G, AAO	Chairman Aust Post	Letter - inclusion in next efficiency audits of Aust Post's administration of counter services
3.7.80	Mr R Laing Ch.Exec.Off. EAD, AAO	Mr V Kane First Assistant Secretary Dept of Post & Telecommunications	Letter re efficiency audit - management and development of counter services (outline attached)
4.7.80	Mr A F Spratt Mg.Dir, Aust Post	Mr D J Hill Acting A-G, AAO	Letter re comment on efficiency audit proposed to be made in Aust Post's Annual Report for 1979/80

Date	From	To	Subject
14.7.80	Mr D J Hill Acting A-G, AAO	Mr A F Spratt Mg.Dir. Aust Post	Letter re proposed comment to be made in Aust Post's Annual Report, confirming advice given to Chief Gen.Mgr. by First Assistant A-G
15.7.80	Mr R Laing Ch.Exec.Off. EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter re meeting between AAO team and senior management (17 July) enclosing copy of teams' proposed activities
19.8.80	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter re Second Division Seminar on Implementation of Efficiency Audits (11-13 Nov 1980) - request to address Seminar
20.08.80	Mr P D Mazey Asst. A-G, EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter enclosing audit plan overview for the efficiency audit - provision of service to the public through post offices
21.08.80	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter correcting mistake in correspondence of 19 August dealing with Second Division Seminar
29.08.80	Mr P D Mazey First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter enclosing response to questions raised by National Council of Union of Postal Clerks and Telegraphists
1.09.80	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Mr J C M Jones First Assistant A-G, EAD, AAO	Letter agreeing to address Seminar (Second Division) on 12 Nov 1980
17.10.80	Mr D R Steele Craik, A-G	Mr G Slater APU	Letter re efficiency audit, noting that APTU will not make any submission and suggesting reconsideration

Date	From	To	Subject
17.10.80	Mr D R Steele Craik, A-G	Mr W Pauling UPT	Letter re efficiency audit re-issuing invitation to Union to make a submission
12.01.81	Mr R Laing Ch. Exec. Off. EAD, AAO	Mr K Williams Operations Dept Aust Post	Letter enclosing copies of November correspondence from A-G to APTU and UPT and copies of letters from the unions re efficiency audit
29.05.81	Mr R Laing Ch. Exec. Off. EAD, AAO	Mr K Williams Operations Dept Aust Post	Letter re additional field work to be undertaken as part of efficiency audit
1.06.81	Mr R Laing Ch. Exec. Off. EAD, AAO	Mr K Williams Operations Dept Aust Post	Letter requesting - (a) papers presented at Aust Post meeting of 11 May 1981 re implications of Review of Commonwealth Functions on Aust Post and (b) papers sent to management consultants on proposed study of Depts in HQ and NSM
19.06.81	Mr K Williams for Chief Gen. Mgr Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Covering letter re provision of file concerned with calling tenders of letting of contract in respect of Stamps Folder Vending Machines
24.06.81	Mr K Williams for Chief Gen. Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter enclosing (a) paper presented to Aust Post May meeting re implication of Review of C'th Functions, and (b) paper distributed to management consultants as requested (1.6.81)
24.06.81	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch. Gen. Mgr Aust Post	Memo (Vocadex) requesting supply of information necessary in respect of field work, Epping region

Date	From	To	Subject
25.06.81	Mr A F Spratt Mg Dir. Aust Post	Mr K F Brigden A-G	Letter suggestion further field work not necessary in respect of efficiency audit
25.06.81	Mr D G McQuitty Ch. Gen. Mgr Aust Post	Mr J C M Jones First Assistant A-G, EAD, AAO	Letter re Epping visit advising despatch of material sought in letter of 1 June
26.06.81	Mr K F Brigden A-G	Mr A F Spratt Mg. Dir. Aust Post	Letter re Epping study and further request for the supply of information requested 29 May
6.07.81	Mr A F Spratt Mg. Dir. Aust Post	Mr K F Brigden A-G	Letter advising that much information sought in connection with the Epping study would be provided within a short time.
7.07.81	Mr K Williams for Chief Gen. Mgr Aust Post.	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re provision of some papers requested on 29 May - section 2.1 and 2.3 of Attachment (Epping study)
14.07.81	Mr K Williams for Chief Gen. Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re provision of further papers requested on 29 May - section 3 of Attachment, and advising the despatch of more information
17.07.81	Mr K F Brigden A-G	Mr A F Spratt Mg. Dir. Aust Post	Letter advising that, on completion of Epping Study, an audit brief will be made available prior to discussion with AAO Team
17.07.81	Mr K L Williams for Chief Gen. Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re provision of further papers requested 29 May section 2.2 and 3.6 of Attachment - and advising further information will be provided

Date	From	To	Subject
21.07.81	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re provision of further papers requested 29 May sections 2.2, 3 and 4 of Attachment
23.07.81	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re provision of further papers as requested - Section 2.2, 3(5)(d), 3(6), 4.2(6) - Franking Machines also provided
28.07.81	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re provision of further papers as requested - Section 3(5)(d) and 3(6) - completing list requested 29 May; also Index of UPU Studies and information on BAS system
10.08.81	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re papers requested prior to recent visit to NSW
10.09.81	Mr E V McCarthy for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re provision of a number of papers requested (BAS, Caringbah, Rydalmere, Victoria) finalising all outstanding information requested
21.09.81	Mr L Hardy EAD, AAO	Mr E V McCarthy Aust Post	Letter re return of BAS input documents for each of the 10 Vict. Post Offices
11.11.81	Mr D Berthelsen Acting Principal Auditor EAD, AAO	Mr K Williams for Chief Gen. Mgr Aust Post	Letter re provision of advance copy of letter to Unions, with attachments suggesting possible meetings
18.11.81	Mr L Hardy EAD, AAO	Mr K Williams Op.Dept. Aust Post	Letter with copy of submission made to A-G by APA (NOPMA declined)

Date	From	To	Subject
11.81	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re provision of papers i) Corporate Plan ii) Restruct. of counter outlets iii) Marketing Plant iv) Urwick Study v) Philatelic Control Machine vi) New technology
20.11.81	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter enclosing papers i) Aust Post's Staff Employment Policy (1979) ii) Papers outlining - • Consultative practices available to Staff, etc. Draft proposed agreement between Aust Post and consultative arrangements re technological change • Consultative arrangements agreement - change in work place • Aust Post's industrial philosophy • Postal Consultative Council • Consultative Forum ADP Programme (iii) Outline of Aust Post's management Trainee Scheme
3.12.81	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re information and some explanation on 'Trading Analysis - Counter Activites' proforma
8.08.82	Mr E V McCarthy for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re provision of papers • 2 papers on OPSTATS system • Sect. 1 of PPS System Manual • Current ADP Program List • Overview of General Ledger System and Stock Movement System • Chart showing what Systems introduced and where

Date	From.	To	Subject
18.01.82	Mr E V McCarthy for Chief Gen. Mgr Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter with answers to 1) Why cannot Aust Post sell postage stamps at a discount? 2) Why does Aust Post continue to maintain Postal Money Order service? 3) Has Aust Post considered a system of 'netting' instead of remitting cheques to State Head Office for lodgment in State Receipts A/c? Answer to question on substitution of cheques for Money Orders to be sent in near future
21.01.82	Mr E V McCarthy for Chief Gen. Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Provision of papers requested re APTU news - letter of their survey on 'Razor Gang' recommendations
5.02.82	Mr L Hardy EAD, AAP	Mr E V McCarthy Op. Dept Aust Post	Request for completion of tables in respect of number of people employed in post offices on counter work, etc.
1.03.82	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch. Gen. Mgr. Aust Post	Letter forwarding APC Briefing Paper to be considered before a meeting to be held 29 March - further material to be forwarded
5.03.82	Mr K L Williams for Chief Gen. Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter providing information requested by Mr L Hardy re numbers employed in post offices on counter work, etc.
10.03.82	Mr K L Williams for Chief Gen. Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter providing details requested concerning Telegram Service

Date	From	To	Subject
25.03.82	Mr K L Williams for Chief Gen. Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter providing: <u>Attach 1:</u> Working papers re cost calculations for various service components re Public Telephone work <u>Attach 2:</u> Cost calculations for Telegram Service <u>Attach 3:</u> Unit cost calculations for Telephone and Telegraph a/c payments <u>Attach 4:</u> Results of Agency Analysis Study, August 1979
15.04.82	Mr K L Williams for Chief Gen. Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter forwarding two recent reports on Money Order Service (by Internal Market Research Group and Mr Ian Anderson)
29.04.82	Mr D G McQuitty Ch. Gen. Mgr. Aust Post	Mr J C M Jones First Assistant A-G, EAD, AAO	Response to letter of 1.3.82 commenting on recommendations in part Briefing Paper provided.
6.05.82	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch. Gen. Mgr. Aust Post	Letter re provision of further sections of APC Briefing Paper for comment. Request for discussion with Mr Berthelsen. Request for access to legal advising
21.05.82	Mr K L Williams for Chief Gen. Mgr. Aust Post	Mr J C M Jones First Assistant A-G, EAD, AAO	Letter attaching copy of legal advising - certain changes to be noted
2.07.82	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch. Gen. Mgr. Aust Post	Letter enclosing the paper 'Philatelic Services' (and draft recommendations) to be added to Briefing Paper. Request for comment on material as it is forwarded

Date	From	To	Subject
16.07.82	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter enclosing report by Urwick on Operations and Marketing Functions at HQ and areas in NSW Head Office. Also enclosing summaries of work units and related costs at non-official post offices for year to 30.6.82
30.07.82	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter enclosing document outlining Aust Post's position in respect of Agency work
19.08.82	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter enclosing re-worked table showing assessed revenue and expenditure for Agency work other than Telecom, 1980/81
13.9.82	Mr K L Williams for Chief Gen. Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter enclosing: a) Papers giving 3 examples of Service Profitability calculations 80/81 b) Agency Analysis Study (Aug 79) C'th Summary (manhours for P.O.) c) Amendment to Management Manual Part 4. Also papers re extension of Mail Agency into Urban Areas
1.09.82	Mr R J Page Acting Ch. Gen.Mgr. Aust Post	Mr J C M Jones First Assistant A-G, EAD, AAO	Letter commenting on AAO's Briefing Paper on Aust Post's Money Transfer Service
7.09.83	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter re material requested

Date	From	To	Subject
21.10.83	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter enclosing Aust Posts' Corporate Plan (1983/88)
6.10.83	Mr K L Williams for Chief Gen.Mgr. Aust Post	Mr D Berthelsen Ch. Exec. Off. EAD, AAO	Letter enclosing copy of most recent draft of Catalogue of Official Post Office Work Units. Also details of proposed scale of 'percentage loadings' for counter staffing
16.05.84	Mr C T Monaghan First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch. Gen.Mgr. Aust Post	Letter re efficiency audit on administration of counter services - draft report enclosed
4.07.84	Mr D G McQuitty Ch.Gen.Mgr. Aust Post	Mr C T Monaghan First Assistant A-G, EAD, AAO	Letter with comments on efficiency audit and suggesting a discussion
7.02.85	Mr K F Bridgen A-G	Mr D G McQuitty Ch. Gen.Mgr. Aust Post	Letter advising of decision that further work necessary to carry out the efficiency audit on Aust Post should not be taken, the knowledge to be used in future audits. Mr Lidbetter to contact Aust Post with view to discussion
22.4.86	PAC	Mr I B Campbell Acting Secretary Australia Post	Letter providing comment on submissions and evidence, given to PAC, by Messrs J C M Jones and D E Berthelsen
5.5.86	Mr I B Campbell Acting Secretary Aust Post	PAC	Letter and attachments responding to PAC letter dated 22.4.86
14.5.86	PAC	Mr J L Brady Secretary Australia Post	Letter requesting further information
16.5.86	Mr J L Brady Secretary Aust Post	PAC	Letter responding to PAC letter dated 14.5.86

Date	From	To	Subject
D. Mr J C M Jones			
10.82	Mr J C M Jones First Assistant A-G EAD, AAO		Curriculum Vitae 'Efficiency Audit Manual'

Date	From	To	Subject
E. Mr D E Berthelsen			
1980			General Audit Manual 1980, p 70 (DB Exhibit 1 16.9.85)
17.07.80			Minutes of meeting between Aust Post and AAO (DB Exhibit 2 16.9.85)
1.03.82	Mr J C M Jones First Assistant A-G EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr. Aust Post	Letter and attached AAO briefing paper and paper entitled 'Automation and Work Simplification' (DB Exhibit 3 16.9.85)
6.05.82	Mr J C M Jones First Assistant A-G EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr. Aust Post	Letter and paper entitled 'Money Transfer Services' (DB Exhibit 4 16.9.85)
2.07.82	Mr J C M Jones First Assistant A-G EAD, AAO	Mr D G McQuitty Ch.Gen.Mgr. Aust Post	Letter and paper entitled 'Philatelic Services' (DB Exhibit 5 16.9.85)
10.82		Aust Post	Paper 'Agency Services' given for comment (DB Exhibit 6 16.9.85)
28.02.83	Mr J C M Jones First Assistant A-G EAD, AAO	Mr B Boland AAO	Minute commenting on Report on the Audit Office Review of Organisation and Staffing (DB Exhibit 7 16.9.85)
8.03.83	Mr J C M Jones First Assistant A-G EAD, AAO	Mr K F Brigden A-G	Minute re transfer of Division E establishment to other Divisions (DB Exhibit 8 16.9.85)
24.03.83	Mr K F Brigden A-G	Mr J C M Jones First Assistant A-G, EAD, AAO	Minute responding to Minute (8.3.83) repeating earlier instructions re new arrangements for efficiency audits (DB Exhibit 9 16.9.85)
19.05.83	Mr K F Brigden A-G	Mr J C M Jones First Assistant A-G, EAD, AAO	Minute advising intention to integrate operations of Division E and line Divisions (DB Exhibit 10 16.9.85)
19.05.83	Mr J C M Jones First Assistant A-G EAD, AAO	All Division E Staff	Minute re Auditor-General's decision on integration (DB Exhibit 11 16.9.85)

Date	From	To	Subject
20.05.83	Mr J C M Jones First Assistant A-G EAD, AAO	Mr K F Brigden A-G	Minute advising arrangements for transferring staff out of Division E (DB Exhibit 12 16.9.85)
26.05.83	Mr B Boland Director AAO	Mr D Berthelsen Principal Auditor, EAD, AAO	Minute inviting expression of placement preferences (DB Exhibit 13 16.9.85)
2.06.83	Deputy A-G Office, Canada, and Mr J C M Jones First Assistant A-G EAD, AAO	Mr K F Brigden A-G	Minute and attached letter re attachment showing resources used by Canadian Audit Office in an audit of Canada Post (DB Exhibit 14 16.9.85)
8.07.83	Mr K F Brigden A-G	Chairman Public Service Board	Letter re AAO restructuring proposal (DB Exhibit 15 16.9.85)
7.83	Mr D Berthelsen Principal Auditor EAD, AAO	Aust Post	Paper 'Development of the Counter Network' given for comment (DB Exhibit 16 16.9.85)
30.11.83			Report of the Inter-departmental Committee established to Review the Process of Efficiency Audits given to Cabinet (DB Exhibit 17 16.9.85)
1.84	Mr J C M Jones First Assistant A-G EAD, AAO	Division B	Australia Post efficiency audit report (DB Exhibit 18 16.9.85)
2.02.84	Mr D Berthelsen Principal Auditor EAD, AAO	Mr C Baragwanath Assist. A-G EAD, AAO	Minute proposing original report be substituted for truncated version approved by former First Assistant A-G, EAD, and that report appendixes be restructured (DB Exhibit 19 16.9.85)
4.06.84			House of Reps Standing Committee on Expenditure report 'Management of the Main Battle Tank - Who was Outgunned?' (DB Exhibit 20 16.9.85)
6.06.84			Article by Greg Earl 'Criticism of Govt Efficiency Audits Exposes Weakness' - Financial Review (DB Exhibit 21 16.9.85)

110

Date	From	To	Subject
28.06.84	Mr C T Monaghan First Assistant A-G EAD, AAO	Mr C Baragwanath Assist. A-G EAD, AAO	Minute re telephone conversation advising the return of responses to Aust Post re draft efficiency audit report (DB Exhibit 22 16.9.85)
18.07.84	Mr D Berthelsen Principal Auditor EAD, AAO	Mr K F Brigden A-G	Minute re comments on audit report of letter 4.7.84 (DB Exhibit 23 16.9.85)
29.10.84	Mr D Berthelsen Principal Auditor EAD, AAO	Mr K F Brigden A-G	Minute requesting reasons for terminating Efficiency Audit report (DB Exhibit 24 16.9.85)
7.11.84	Mr D Berthelsen Principal Auditor EAD, AAO	Mr K F Brigden A-G	Minute stating reasons for termination of efficiency audit invalid (DB Exhibit 25 16.9.85)
15.11.84	Mr D Berthelsen Dir., Tech. Audit AAO	Mr K F Brigden A-G	Draft of minute requesting reasons for decision to terminate Efficiency Audit (DB Exhibit 26 16.9.85)
7.02.85			Appendix 2 to Aust Post draft report 'Automation and Work Simplification in Counter Outlets' (DB Exhibit 27 16.9.85)
24.03.85			Table of contents and part of section 5 - 'Proposed Systems' extracted from 'Tender Schedule CP 1987 - for the Supply of Personal Business Computers and Associated Software' (DB Exhibit 28 16.9.85)
15.05.85			Richard Farmer 'Secret report digs up the bodies at Aust Post' The Bulletin Magazine (21.5.85) (DB Exhibit 29 16.9.85)
15.05.85			Transcript of interview 2GB. Aust Post - denying knowledge of report mentioned by The Bulletin Magazine (DB Exhibit 30 16.9.85)

111

Date	From	To	Subject
19.06.85			Article by Richard Farmer '\$30 million saving at Stake in Australia Post row' Bulletin Magazine (25.6.85) (DB Exhibit 31 16.9.85)
8.08.85			Transcript of interview ZGB. A-G denied efficiency audit report really an audit report (DB Exhibit 32 16.9.85)
6.09.85	Mr J V Monaghan A-G	Mr D Berthelsen Dir., Tech. Audit AAO	Minute with attachment re members of Senior Executive Service (DB Exhibit 33 16.9.85)
8.85			Paper by Dr R P Albon Dept of Economics ANU. 'Aust Post: In search of the Better Mail' (DB Exhibit 34 16.9.85)
1.05.85	Mr P L Lidbetter First Assistant A-G, Div. B, AAO	Mr D G McQuitty Ch.Gen.Mgr Aust Post	Letter advising audit fee for year ended 1984-85 \$566 000 (DB Exhibit 35 16.9.85)
3.06.85	Mr P L Lidbetter First Assistant A-G, Div. B, AAO	D McQuitty Ch.Gen.Mgr Aust Post	Letter advising audit fee 1985-86 estimated at \$610 000 (DB Exhibit 36 16.9.85)
16.04.85	Mr J V Monaghan A-G	Parliament	Extracts of A-G Annual Report for Year ended - 1985 (Ch 41) Aust Post 1984 (Ch 42) Aust Post 1983 (Ch 31) Aust Post 1982 (Ch 30) Aust Post (DB Exhibit 37 16.9.85)
8.07.81	Mr P D Mazey Assist A-G EAD, AAO	Mr K F Brigden A-G	Minute re Office Staffing and Organisation (DB Exhibit 38 16.9.85)

Date	From	To	Subject
25.09.85	PAC	Mr D Berthelsen Dir., Tech. Audit AAO	Letter re review of the discontinuance of the audit into Australia Post (DB Exhibit 1 4.10.85)
27.09.85	Mr D Berthelsen Dir., Tech. Audit AAO	Mr P L Lidbetter Acting A-G AAO	Minute re PAC request for documents (DB Exhibit 2 4.10.85)
1.10.86	Mr P L Lidbetter Acting A-G, AAO	Mr D Berthelsen Dir., Tech. Audit AAO	Minute re PAC requests for documents (DB Exhibit 3 4.10.85)
7.03.84			Standing Committee on Expenditure pp 94-96 (DB Exhibit 4 4.10.85)
4.10.84	Mr K F Brigden A-G	Parliament	Extract from A-G Annual Report 1984 concerning progress of Aust Post audit (DB Exhibit 5 4.10.85)
19.12.84	Senator P Rae (Shadow Minister for Finance)		Press Release 'Financial Efficiency of Australia Post' (DB Exhibit 6 4.10.85)
16.04.85	Mr J V Monaghan A-G	Parliament	Refer to DB Exhibit 37 16.9.85 (DB Exhibit 7 4.10.85)
11.06.85			Letter by Aust Post - Bulletin Magazine - replying to R Farmer's article of 21.5.85 Bulletin Magazine (DB Exhibit 8 4.10.85)
Summer 1980	GAO Review		GAO Financial Savings: Defence Audits Lead the way
23.10.80			Meeting between AAO and Aust Post - briefing of management on progress with efficiency audit
28.10.80	Mr M J Jacobs Acting Assistant A-G, AAO	Mr R Laing Ch.Exec. Off. EAD, AAO	Comments and thoughts following meeting with Aust Post

Date	From	To	Subject
8:03:83	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr K F Bridgen A-G	Staffing of E A Division
20.05.83	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr K F Bridgen A-G	Transfer-out of EAD Staff
27.05.83	Mr D Berthelsen Principal Auditor EAD, AAO	Mr B Boland AAO	Expression of placement preferences
10.06.83	Mr P D Mazey Assist A-G EAD, AAO	Mr D Berthelsen Principal Auditor EAD, AAO	Integration of the Efficiency Audit Function - Deployment of Staff
10.06.83	Mr P D Mazey Assist A-G EAD, AAO	Mr B MacDonald AAO	Integration of the Efficiency Audit Function - Deployment of Staff
21.07.83	A-G's Administrative Circular		Organisational Developments and Integration of Efficiency Auditing with other Office operations
2.11.83	Mr D Berthelsen Principal Auditor EAD, AAO	Mr J C M Jones First Assistant A-G, EAD, AAO	Progress on Aust Post efficiency audit
22.12.83	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr D Berthelsen Principal Auditor EAD, AAO	Staff reference
7.03.84			H of R Standing Committee on Expenditure
27.03.84	Mr P D Mazey Assist A-G, EAD, AAO	Mr C T Monaghan First Assistant A-G, EAD, AAO	Aust Post audit
27.03.84			Audit Overview
27.03.84			Report on an efficiency audit of Aust Post counter services
16.05.84	Mr C T Monaghan First Assistant A-G, EAD, AAO	Mr D G McQuitty Ch. Gen. Mgr Aust Post	Efficiency Audit: administration of counter services

Date	From	To	Subject
4:07.84	Mr D G McQuitty Ch. Gen. Mgr Aust Post	Mr C T Monaghan First Assistant A-G, EAD, AAO	Comments on draft audit report
18.07.84	Mr D Berthelsen Principal Auditor EAD, AAO	Mr C Baragvanath Assist. A-G, EAD, AAO	Response to transmission of draft report
9.08.84	Mr C T Monaghan First Assistant A-G, EAD, AAO	Mr K F Bridgen A-G	Suggestions on how to finish Aust Post audit
17.09.84	A-G's Staff Circular		Allocation of Portfolios, Branch Heads and Directors.
18.09.84	Mr P L Lidbetter First Assistant A-G, Div. B, AAO	Division B Staff	Division B Staffing and Organisation
19.09.84	Mr D Berthelsen Principal Auditor EAD, AAO	Mr C T Monaghan First Assistant A-G, EAD, AAO	Redeployment into the DP Branch
27.09.84	Mr C T Monaghan First Assistant A-G, EAD, AAO	Mr D Berthelsen Principal Auditor EAD, AAO	Placement in DP Branch
8.11.84	Mr K F Bridgen A-G	Mr P L Lidbetter First Assistant A-G, Div B, AAO	Note re request for working papers
8.11.84	Ms J K Thomson Dir., Div. B AAO		File Note re handing over of working papers from Aust Post audit
19.12.84	Senator P Rae (Shadow Minister) for Finance)		Press Release - Financial Efficiency of Australia Post
5.02.85	Mr P L Lidbetter First Assistant A-G, Div. B, AAO	Chief Auditor SA, WA, QLD, NSW, VIC	Aust Post and Telecom Planning Conference
7.02.85	Mr K F Bridgen A-G	Mr D G McQuitty Ch. Gen. Mgr Aust Post	Advice to Aust Post of discontinuance of audit
8.03.85	Mr D Berthelsen Dir., Tech. Audit AAO	Mr J V Monaghan A-G	Background of audit for incoming A-G
21.03.85	Mr J Niven Acting Assist. Director Div. B, AAO	Chief Auditor WA	Australian Post Commission Customer Services Dept Broad Audit Guidelines

Date	From	To	Subject
28.03.85	Mr D S Lennie Assist A-G Div. B, AAO		File Note re Query from MP on AP Audit
3.04.85	Mr D S Lennie Assist A-G Div. B, AAO		File Note re Query from Parliamentary Librarian on AP Audit
19.05.85	Mr B T Kimball Assist. A-G, Div. B, AAO	Mr P L Liddbetter First Assistant A-G, Div. B, AAO	Query from Department of Communications on AP Audit
30.04.85	Mr B T Kimball Assist. A-G, Div. B, AAO	Mr P L Liddbetter First Assistant A-G, Div. B, AAO	Request from Senator P Rae for copy of Preliminary Draft of Audit Under FOI
1.05.85	Mr P L Liddbetter First Assistant A-G, Div. B, AAO	Ch. Gen. Mgr Aust Post	Audit Fee 1984-85
7.05.85	Mr P L Liddbetter First Assistant A-G, Div. B, AAO	Mr J V Monaghan A-G	Background information on Aust Post audit for incoming A-G
10.05.85	Mr J V Monaghan A-G	Mr D Berthelsen Dir., Tech. Audit, AAO	Confirmation of previous A-G's decision to terminate Aust Post audit
10.05.85	Mr J V Monaghan A-G	A-G Staff	An open letter from the Auditor-General
16.05.85	Mr D J Hill Acting A-G	Attorney-General's Dept.	Freedom of Information Legislation Release of Audit Documents by another Agency
21.05.85	Hansard (H of R)		Questions without Notice re Article in 'The Bulletin' on Aust Post
21.05.85	Hansard (Senate)		Approp. Bill (No.3) Efficiency Audit of Australia Post
22.05.85	'The Australian'		Article re Mr Duffy denying allegations in 'The Bulletin'
30.05.85	Senator P Rae	Mr D G McQuitty Ch. Gen. Mgr Aust Post	Request for copies of the 'Draft of a Draft' Efficiency Audit
31.05.85	Secretary Aust Post	Secretary Dept of Communications	Replies to Senator Rae's question on AP Audit

Date	From	To	Subject
4.10.85	Mr P L Liddbetter First Assistant A-G, Div. B, AAO	Senator P Rae	Re Audit Seminar and appearance at PAC Hearing
11.06.85	'The Bulletin'		Letter from Aust Post refuting previously published Bulletin Article on Aust Post
5.06.85	Mr J Brady Aust Post	Mr P L Liddbetter First Assistant Div. B, AAO	Response to Senator Rae's Questions
11.06.85	Attorney-General's Dept	Mr D J Hill Acting A-G	FOI Act 1982: release of Audit Documents by another agency
26.06.85	'The Age' D Humphries		Australia Post Audit was not suppressed, says the Auditor-General
8.07.85	Mr D Berthelsen	H of R Expenditure Committee	Request for copies of terms of reference, hearing dates, submissions for inquiry into efficiency review mechanisms
8.07.85	Mr D Berthelsen	Public Accounts Committee	Request for copies of terms of reference, hearing dates, submissions for Aust Post inquiry
19.07.85	H of R Expenditure Committee	Mr D Berthelsen	Copies of request information
22.07.85	Mr A A Taylor First Assistant A-G, AAO	Dept of the Prime Minister and Cabinet	Responses to FOI requests
23.07.85	PAC	Mr D Berthelsen	Letter with copy of Press Release. Advised unable to supply other requests
31.07.85	Mr K Brigden Former A-G	PAC	Letter with reasons for cancelling audit
6.08.85	PAC		Media Release on Public Hearing
18.06.85	AAO	PAC	Submission on Aust Post audit
31.07.85	Aust Post	PAC	Submission on Aust Post audit

Date	From	To	Subject
7.08.85	PAC		Minutes of Evidence
8/9.08.85	Various Newspapers		Aust Post audit
9.08.85	Mr D Berthelsen Dir., Tech. Audit, AAO	Deputy A-G, AAO	Attendance at PAC meeting
22.08.85	Mr D Berthelsen Dir., Tech. Audit, AAO	PAC	Request for copy of Transcript of Evidence
22.08.85	Mr D Berthelsen Dir., Tech. Audit, AAO	H of R Expenditure Committee	Request for Copy of Transcripts of Evidence
29.08.85	PAC	Mr D Berthelsen	Invitation to prepare a brief submission and appear before PAC enclosing a copy of transcript for 7.8.85
2.09.85	H of R Expenditure Committee	Mr D Berthelsen Dir., Tech. Audit, AAO	Advice that 2 sets transcripts previously sent - suggestion of alternate delivery
6.09.85	Mr D Berthelsen Dir., Tech. Audit, AAO		Statement relevant to S.61(2) Proceedings.
9.09.85	Mr D Berthelsen Dir., Tech. Audit, AAO	Mr J V Monaghan A-G	Requests for papers to assist preparation of submission for PAC
10.09.85	Mr B Boland Assist A-G, Special Projects Branch, AAO	Chief Officer, AAO	Counselling of Mr D Berthelsen
11.09.85	Mr B J O'Donnell Acting Assist. A-G, Resource Man. & Dev. Br., AAO	Mr D Berthelsen Dir., Tech. Audit AAO	Documents to be placed on Personal File
4.10.84			Report of the Auditor-General 30 June 1984. Section 4: Efficiency Audit
10.06.83	Mr K McKenzie for Chief Auditor Vic., AAO	Principal Auditor, Communications, AAO	Printing of stamps

Date	From	To	Subject
18.05.83	Mr K J Fennell for Ch. Gen. Mgr Aust Post	Mr K McKenzie for Chief Auditor, Vic., AAO	Printing of stamps
28.02.83	Mr F Moore for Chief Auditor Vic., AAO	Principal Auditor, Communications, AAO	Printing of stamps plus attachments
18.09.84	Mr D Connelly for Chief Auditor, NSW, AAO	State Manager Aust Post	Post Office security
2.03.84	Mr P Hinchey for Chief Auditor, NSW, AAO	Principal Auditor Communications, AAO	Post Office security
27.02.84	Ms J van der Holde, Senior Auditor Communications		Note for File re APC Security - information from Mr D Berthelsen
29.02.84	Ms J van der Holde, Senior Auditor Communications		Note for File re security of Post Office assets and valuables plus attachments
21.11.83	Mr I McPhee Principal Auditor, Communications, AAO		File Note re Post Office Security
10.08.83	'Australian Business'		Letters page - Australia Post Replies by Acting Chairman, Aust Post
15.07.83	Australia Post Press Release		Allegations of Corruption in Aust Post in Australian Business Magazine
19.08.83	Mr J C M Jones First Assistant A-G, EAD, AAO	Mr D J Hill Deputy A-G, AAO	Article in Australian Business titled The Telecom Connection
15.07.83	Australia Post Press Release		Unheaded Paper - Copy of above Press Release
Sept 1985	'Stamp News'		Article on 60c Whale Stamp
12.2.86	Mr D E Berthelsen	PAC	Supplementary Submission

Date	From	To	Subject
F. Public Service Board			
13.8.85	Public Service Board	PAC	Letter and attachments 'Unauthorised disclosure of information by Commonwealth Officers'
22.8.85	Public Service Board	PAC	Letter and attachments 'Unauthorised disclosure of information by Commonwealth Officers'
5.12.85	Public Service Board	PAC	Letter and attachments A-E 'Photocopying and retention of official documents by APS professional and other staff'

Date	From	To	Subject
G. Department of the Prime Minister and Cabinet			
26.9.85	Assist Secretary, Fiscal Branch, Dept of the Prime Minister and Cabinet	PAC	Letter and attachments (i) 'Report of the Inter-Departmental Committee established to review the process of efficiency audits'. (ii) Public Service Board 'Guidelines for Liaison and co-ordination on efficiency auditing'.

Date	From	To	Subject
<hr/>			
H. Attorney-General's Department			
4.6.86	Mr P Clay	PAC	Letter advising that he was officer who advised A-G.

Date	From	To	Subject
<hr/>			
I. Department of Finance			
23.5.86	Dr M S Keating	PAC	Letter of explanation re not advising PAC of legal opinion obtained from Attorney-General's Department.

APPENDIX C

THE AUDITOR-GENERAL'S PROPOSAL TO THE PUBLIC SERVICE BOARD FOR THE ESTABLISHMENT OF THE EFFICIENCY AUDIT DIVISION¹

Extract 1:

'The Government has allocated to the Auditor-General, responsibility for the development and implementation of a system of efficiency audit and has authorised recruitment in advance of legislation.

An organisation must now be established within the Auditor-General's Central Office, capable of meeting the requirements of the development phase which include:

- . the legalisation of the new role
- . the definition of precise objectives
- . the development of methodologies and guidelines
- . the training of teams to undertake pilot efficiency audits
- . the selection, implementation and evaluation of pilot audits
- . the preparation of a plan for future development of the role of efficiency audit.'

Extract 2: Proposed Functional Statement

'1. Undertake the development and implementation of the extended role of efficiency audit by:

- . defining the objectives of efficiency audit
- . developing and continually testing and refining methodologies to achieve the defined objectives
- . preparing guidelines for audit teams on the conduct of efficiency audits
- . preparing, in liaison with other controlling authorities, guidelines for Departments and developing measures of their own efficiency
- . training audit teams in the methodologies

1. Minutes of Evidence, pp 239-40.

- . selecting, implementing and evaluating efficiency audits.

2. Liaise with other Divisions of the Audit Office on such matters as:

- . the selection of audit areas
- . the relationship of selected audits to planned financial, compliance and operational audits

3. Liaise with the Departments of Finance, Prime Minister and Cabinet and the Public Service Board as appropriate on:

- . the revision of legislation
- . the relationship of selected audits to 'efficiency reviews' and 'program effectiveness reviews'.

4. Prepare reports resulting from efficiency audits for transmission by the Auditor-General to the Parliament or in certain cases to Ministers.

5. Lead the development and training of all staff of the Audit Office in relation to efficiency audit.

6. Maintain a continual awareness of overseas practice in the efficiency audit field.'

APPENDIX D

CALCULATION OF TIME SPENT ON AUSTRALIA POST
EFFICIENCY AUDIT

Phase 1 (March 80 - May 81) (includes Feasibility Phase)		
R Laing (March 80 - May 81)	15 months	
C Harding (March 80 - May 81)	15 months	
L Hardy (March 80 - May 81)	15 months	
J Peoples (July 80 - Dec 80)	5 months	
M Fleeton (July 80 - April 81)	9 months	
	<u>59 months</u>	ie 4.9 years
Phase 2 (June 81 - October 84)		
D Berthelsen (June 81 - Oct 84)	41 months	
C Harding (June 81 - Aug 81)	3 months	
L Hardy (June 81 - Jan 82)	8 months	
	<u>52 months</u>	ie 4.3 years
Phase 1		
(4.9 years x 47 weeks x 35 hours/weeks) ¹	=	8060.5 hours
Phase 2		
(4.3 years x 47 weeks x 35 hours/weeks)	=	7073.5 hours
Total	=	15,134 hours
or		9.2 man years
or		18.2% greater than the estimate of 12800 hours (or 7.8 man years) ²

1. Minutes of Evidence, p 514.

2. Ibid. pp 479, 514.

APPENDIX E

CONTENTS PAGE OF A DRAFT OF A REPORT ON AN EFFICIENCY AUDIT OF
AUSTRALIA POST COUNTER SERVICES PREPARED BY MR BERTHELSEN¹

CONTENTS	Page
AUDIT OVERVIEW	i
MAIN CONCLUSIONS	iv
RECOMMENDATIONS	v
A STRATEGY FOR CHANGE	xv
<u>CHAPTER</u>	
1 INTRODUCTION	
	Outline of services 1
	Overview of the counter network 2
	Scope of Audit review 3
2 THE STRUCTURE OF THE COUNTER NETWORK	
	Australia Post's network re-structuring program 4
	Establishment and closure of counter outlets 6
	Collocation of counter and delivery functions 11
	The ratio of official to non-official outlets 28
3 COUNTER OPERATIONS ¹	
	Automation of counter outlets 37
	The money transfer service 51
	Agency services in an automated network 60
<u>APPENDIX</u>	
1 DEVELOPMENT OF THE COUNTER NETWORK	
2 AUTOMATED COUNTER SERVICES	
3 THE PUBLIC TELEGRAM SERVICE	
4 WORK MEASUREMENT	
1. 'Contents' page only. Draft report at Minutes of Evidence, pp 19-63, 177-212. This is the informed draft report discussed in Chapter 4.	

AUSTRALIAN AUDIT OFFICE

DURATION OF EFFICIENCY AUDITS UNDERTAKEN IN
ACCORDANCE WITH PART VI, DIVISION 2 OF THE AUDIT ACT
THAT WERE COMPLETED BY MARCH 1986

<u>Title</u>	<u>Date audit Commenced</u>	<u>Date of audit Report to Parliament</u>
1. Department of Admin Services - Australian Property Function	Aug 1978	17 April 1980
2. Commonwealth Administration of Nursing Home Programs	Apr 1979	13 Feb 1981
3. Administration of Australia's Bilateral Overseas Aid Program by the Australian Development Assistance Bureau	June 1979	28 Oct 1981
4. The Collection of Excise Duties and Deferred Customs Duties by the Department of Business and Consumer Affairs	June 1979	11 Mar 1982
5. Administration of Public Hospitals by the Capital Territory Health Commission	Sep 1980	3 May 1983
6. The Management of the Main Battle Tank by the Department of Defence	April 1980	3 May 1983
7. Special Youth Employment Training Program - Department of Employment and Industrial Relations	Nov 1981	11 Oct 1983
8. The Installation and Maintenance of Airways Facilities by the Department of Aviation	Oct 1981	27 June 1984
9. Control of Prohibited Immigration by the Department of Immigration and Ethnic Affairs	Apr 1983	27 June 1984

1. This information was supplied by the Australian Audit
Office.

<u>Title</u>	<u>Date audit Commenced</u>	<u>Date of audit Report to Parliament</u>
10. Administration of Widows' Pensions and Supporting Parents' Benefits by the Department of Social Security	Sep 1981	27 June 1984
11. Collection of Sales Tax by the Australian Taxation Office	Jan 1982	27 June 1984
12. Administration of the Disability Pension and Service Pension Schemes by the Repatriation Commission and the Department of Veterans' Affairs	Aug 1980	27 June 1984
13. Observation Program of the Bureau of Meteorology	Aug 1982	4 Oct 1984
14. Control over Manpower and Property by the Overseas Telecommunications Commission	Sep 1982	4 Sep 1984
15. Administration of the Export Market Development Grants Act 1974 by the Export Development Grants Board	Apr 1983	4 Sept 1984
16. Administration of the Offsets Policy	Dec 1983	4 Oct 1984
17. Administration of the Australian Industry Participation Program in Relation to Overseas Procurement	Dec 1983	4 Oct 1984
18. Controls over Processing of Income Tax Assessments	May 1983	7 Dec 1984
19. Processing and Assessment of Income Tax Returns	Feb 1984	7 Dec 1984
20. Checking of Dividends and Interest Disclosed in Income Tax Returns	Dec 1983	7 Dec 1984

<u>Title</u>	<u>Date audit Commenced</u>	<u>Date of audit Report to Parliament</u>
21. Processing of Income Tax Instalment Declaration	Dec 1983	7 Dec 1984
22. Administration of Quarantine Services	Nov 1984	26 Nov 1985
23. Australian Wool Corporation Property Operations	Aug 1983	26 Nov 1985
24. Department of Territories - ACT Internal Omnibus Network (ACTION)	Nov 1984	26 Nov 1985
25. Department of Housing and Construction - Construction Project Management	Nov 1984	28 Nov 1985
26. Defence Science and Technology Organisation task cost management	Nov 1984	19 Mar 1986
27. Australian Taxation Office - External Sources of Information	Sep 1984	19 Mar 1986
28. Australian Taxation Office - Disclosure of Diesel Fuel Rebates	Sep 1984	19 Mar 1986
29. Australian Taxation Office - Partnership and Trust Distributions	Sep 1984	19 Mar 1986
30. Australian Taxation Office - Late Lodgement Penalties	Aug 1984	19 Mar 1986

Note Audits 1 to 15 were conducted by the Efficiency Audit Division. Subsequent audits were conducted by Operational Divisions.



OFFICE OF THE PUBLIC SERVICE BOARD

McLACHLAN OFFICES
National Circuit, Canberra, A.C.T. 2600

Telephone 72 3977

Reference:

13 August 1985

The Secretary
Joint Parliamentary Committee of Public Accounts
Parliament House
CANBERRA ACT 2600

UNAUTHORISED DISCLOSURE OF INFORMATION BY COMMONWEALTH OFFICERS

At the meeting of the Joint Parliamentary Committee of Public Accounts held on Wednesday 7 August 1985 which inquired into the conduct of an efficiency audit of Australia Post by the Auditor-General, the Public Service Board observer undertook to provide the Committee with further information regarding the avenues available to public servants to disclose information of alleged maladministration. Further information on this matter is attached.

Anne Buttsworth
Secretary

ATTACHMENT

UNAUTHORISED DISCLOSURE OF INFORMATION BY COMMONWEALTH OFFICERS

There are specific legislative provisions prohibiting the unauthorised disclosure of information by Commonwealth officers. These include Public Service Regulation 35 and section 70 of the Crimes Act (copies at Attachment A and B). The application of these provisions does not have regard to the circumstances in which the information is disclosed. Prima facie, therefore, there is no protection for officers of the Service who bring a matter of maladministration to notice by unauthorised disclosure.

Nevertheless there are a number of formal avenues available for the pursuit of such matters.

For example, where a matter relates to Public Service mismanagement, maladministration, official impropriety or a criminal offence, an officer can approach the Auditor-General, the Department of Finance, the Australian Federal Police, the Commonwealth Ombudsman or the Public Service Board, as appropriate.

Where a Commonwealth officer or employee believes that as a result of making an allegation through any of these official channels, he or she has been unfairly discriminated against in matters such as promotion, transfer, availability for higher duties, study assistance or discipline, specific appeal rights are provided for in the Act or Regulations.

Where victimisation or harassment of a less specific kind is alleged, a complainant will have access to the general grievance framework established by the Merit Protection (Australian Government Employees) Act 1984. The Merit Protection and Review Agency became operational on 1 July 1985 and has wide-ranging powers to determine or make recommendations on grievances brought to it. However, pending the making of regulations some matters, in particular grievances, have not yet been formally brought within its jurisdiction. When the Agency is given jurisdiction for grievances (this is expected to happen before the end of 1985) officers and employees will have direct access to the Agency if it is considered in an individual case that it would be inappropriate, because of the nature of the complaint, to require the complainant to raise the matter first with the Secretary of his or her department. The Agency's powers are set out in Divisions 3 and 4 of Part II of the Merit Protection (Australian Government Employees) Act 1984 (Attachment C).

Pending these changes grievances are being handled by the Acting Director of the Grievance and Appeals Bureau, in accordance with Public Service regulations 33 to 33G (Attachment D). The acting Director is an officer of the Agency on temporary loan to the Board for this purpose.

ATTACHMENT A

Delegation

33G. (1) In this regulation "Deputy Director" means Deputy Director of the Grievance and Appeals Bureau, Office of the Public Service Board.

(2) The Director may, by writing signed by him, delegate, either generally or as otherwise provided by the instrument of delegation, to a Deputy Director all or any of his powers and functions under regulations 33D and 33E.

(3) An instrument under sub-regulation (2) may describe a Deputy Director by name or by reference to an office of Deputy Director.

(4) A power or function delegated under sub-regulation (2), when exercised or performed by the delegate, shall, for the purposes of these Regulations, be deemed to have been exercised or performed by the Director.

(5) A delegation of a power or function under this regulation does not prevent the exercise of the power, or the performance of the function, by the Director.

Public comment on administration

34. An officer shall not -

- (a) use for any purpose, other than for the discharge of his official duties, information gained by or conveyed to him through his connexion with the Service.

Information not to be given

Except in the course of official duty, no information concerning public business or any matter of which an officer or employee has knowledge officially shall be given, directly or indirectly, nor shall the contents of official papers be disclosed, by an officer or employee without the express authority of the Chief Officer.

Outside influence

36. Officers are prohibited from seeking the influence or interest of any person in order to obtain promotion, transfer, or other advantage, or from supplying to another officer, for use for any such purpose, certificates or testimonials relating to official capacity or performance of official duties.

Solicitation or acceptance of gifts

37. No officer shall, directly or indirectly, solicit or accept gifts or presents from any member of the public concerned, directly or indirectly, with any matter connected with the duties of the officer or in which Australia is interested.

Provided that this regulation shall not prevent the acceptance by an officer, with the permission in writing of the Chief Officer, of a public testimonial presented on retirement from the Public Service, or upon removal from the locality in which he has been employed, or a presentation from fellow-officers or from a Public Service organization.

Acceptance of fees, &c.

38. An officer shall not demand, or, except with the approval of the Board, receive for his own use any fee, reward, gratuity, or remuneration of any kind whatsoever, other than his official salary and allowances, for services performed by him either in or out of office hours, in connexion with the Service.

Crimes Act 1914

PART VI—OFFENCES BY AND AGAINST PUBLIC OFFICERS

70. (1) A person who, being a Commonwealth officer, publishes or communicates, except to some person to whom he is authorized to publish or communicate it, any fact or document which comes to his knowledge, or into his possession, by virtue of his office, and which it is his duty not to disclose, shall be guilty of an offence.

Disclosure of information by Commonwealth officers
Substituted by No. 84, 1960, s. 49

(2) A person who, having been a Commonwealth officer, publishes or communicates, without lawful authority or excuse (proof whereof shall lie upon him), any fact or document which came to his knowledge, or into his possession, by virtue of his office, and which, at the time when he ceased to be a Commonwealth officer, it was his duty not to disclose, shall be guilty of an offence.

Penalty: Imprisonment for two years.



Merit Protection (Australian Government Employees) Act 1984*

No. 65 of 1984

TABLE OF PROVISIONS

PART I—PRELIMINARY

Section	
1.	Short title
2.	Commencement
3.	Interpretation
4.	Object

PART II—ESTABLISHMENT, FUNCTIONS AND POWERS OF THE AGENCY

Division 1—Establishment and functions

5.	Merit Protection and Review Agency
6.	Functions of Agency

*Division 2—Review Committees**Subdivision A—Preliminary*

7.	Interpretation
8.	Agency to ensure efficiency of Review Committees

Subdivision B—Promotion Appeal Committees

9.	Promotion Appeal Committees
1366/84	Cat. No. 84 7130 8—Recommended retail price \$2.90

* Front page only.

29. Officers in charge of any sub-department, branch, or section of the Public Service shall be responsible for the maintenance of good order, and shall afford the utmost assistance to the Chief Officer and Secretary.

Breaches of Regulations to be reported

30. All officers in charge of any sub-department, branch, or section of the Public Service shall report to the Chief Officer any breaches of these Regulations which come to their knowledge.

Obligations as to duty and behaviour

32. Every officer shall -

- (a) during the hours of official business devote himself exclusively and zealously to the discharge of his public duties;
- (b) behave at all times with courtesy to the public, giving prompt attention to all reasonable requirements;
- (c) obey promptly all instructions given to him by any officer under whose control or supervision he is placed;
- (d) promptly and correctly carry out all duties appertaining to his office, or any other duty he is directed to perform; and
- (e) in due course and at proper times comply with, and give effect to, all enactments, regulations, and authoritative instructions made or issued for his guidance in the performance of his duties.

Interpretation of regulations 33, 33A, 33B, 33C, 33D, 33E and 33F

33. (1) In this regulation and in regulations 33A, 33B, 33C, 33D, 33E and 33F, a reference to an officer includes a reference to an employee.

(2) In regulations 33B, 33C, 33D, 33E and 33G, "the Director" means the Director, Grievance and Appeals Bureau, Office of the Public Service Board.

(3) In regulations 33A, 33B, 33C, 33D and 33E, a reference to a matter affecting an officer shall be read as a reference to a matter that affects the officer in his capacity as an officer other than -

- (a) the classification of an officer;
- (b) the rate of salary applicable to an officer;
- (c) the conditions of service, or employment, of officers in so far as those conditions are set out in, or under, a law of the Commonwealth, other than a matter concerning the application of those conditions to the officer;
- (d) a matter arising under the Australian Security Intelligence Organization Act 1956, the Compensation (Commonwealth Government Employees) Act 1971 or the Superannuation Act 1976; or
- (e) a matter in respect of which the officer has, under the Commonwealth Employees (Redeployment and Retirement) Act 1975, the Public Service Act 1922 or these Regulations (other than regulations 33A, 33B, 33C or 33D), a right of review or appeal, whether or not that right has been exercised.

Personal grievances-requests for inquiries by the Secretary

33A. (1) An officer aggrieved by a matter affecting him for which the Secretary of the Department in which the officer performs his duties has a responsibility may request the Secretary to inquire into the matter.

(2) A request under sub-regulation (1) by an officer to the Secretary to inquire into a matter shall -

- (a) describe the matter in writing;
- (b) set out the reasons why the officer is aggrieved; and
- (c) be furnished -
 - (i) in the case of a matter that concerns the conduct of the supervisor of the officer - to the Secretary; or
 - (ii) in any other case - to the supervisor of the officer who shall, as soon as practicable, refer the application to the Secretary.

(3) As soon as practicable after receiving from an officer a request to inquire into a matter, the Secretary shall -

- (a) inquire into the matter in any manner he thinks fit; and
- (b) advise the officer in writing of the results of his inquiries, of his decision in relation to the matter and of his reasons for his decision.

(4) For the purposes of his inquiries under sub-regulation (1) into a matter affecting an officer, the Secretary may request any person, including the officer, to provide information or documents relevant to the matter.

Personal grievances - requests for review by the Director of inquiries by the Secretary

33B. (1) An officer who is dissatisfied with the advice given to him under sub-regulation 33A(3) by the Secretary in relation to a matter may, in writing, request the Secretary to refer the matter to the Director for review.

(2) On receiving from an officer a request to refer a matter to the Director for review, the Secretary shall furnish to the Director a copy of -

- (a) the request;
- (b) the request made by the officer under sub-regulation 33A(1);
- (c) the advice given to the officer under sub-regulation 33A(3); and
- (d) any other document relevant to the matter,

and where necessary shall furnish to the Director a report on the matter.

(3) The Secretary shall furnish to an officer who requests him to refer a matter to the Director for review a copy of any report on the matter furnished to the Director under sub-regulation (2) and of any document referred to in paragraph (2)(d).

Personal grievances - requests for inquiries by the Director

33C. (1) An officer aggrieved by a matter affecting him for which the Secretary of the Department in which the officer performs his duties has no responsibility may request the Director to inquire into the matter.

(2) A request under sub-regulation (1) by an officer to the Director to inquire into a matter shall -

- (a) describe the matter in writing;
- (b) set out the reasons why the officer is aggrieved; and
- (c) be furnished to the Director.

Personal grievances - functions of the Director and the Board

33D. (1) Where a matter is referred under regulation 33B to him for review or a request is made under regulation 33C to him to inquire into a matter, the Director shall -

- (a) inquire into the matter in any manner he thinks fit;
- (b) refer any aspect of the matter to the Board for review and inquire into the other aspects of the matter in any manner he thinks fit; or
- (c) refer the matter to the Board for review.

(2) The Board shall review in any manner it thinks fit a matter or any aspect of a matter referred to it under sub-regulation (1) and shall advise the Director in writing of the results of its review, of its decision in relation to the matter and of its reasons for its decision.

(3) As soon as practicable after being required to review or inquire into a matter affecting an officer, the Director shall advise the officer, and any Secretary who has a responsibility for the matter, in writing of the results of his inquiries into the matter, or of the results of the review by the Board of the matter, as the case requires, of his or the Board's decision in relation to the matter and of the reasons for that decision.

(4) For the purposes of his inquiries under sub-regulation (1) into a matter affecting an officer, the Director may request any person, including the officer and any Secretary who has a responsibility for the matter, to provide information or documents in relation to the matter.

Personal grievances: inquiries into, and review of, decisions

33E. (1) Notwithstanding regulation 33D, where a matter affecting an officer -

- (a) that is a decision of an authorized person refusing approval for the officer to undertake a scheme of study referred to in Public Service Board Determination No. 1983/10;
- (b) that is a decision of an authorized person not to authorize the full or partial reimbursement of fees paid by the officer in respect of such a scheme of study;
- (ba) that is a decision of an authorized person under a determination made by the Board under section 82D of the Act, being a decision that specifies, for the purposes of the determination, the classification that shall be deemed to be the classification of an office part only of the duties of which the officer has been directed to perform; or

(bb) that it is a decision of an authorized person under a determination made by the Board under section 82D of the Act -

- (i) to defer an increment to which the officer would otherwise have been entitled; or
- (ii) to refuse an application by the officer for the grant of a subsequent increment that would have been payable to the officer but for that deferment,

is referred to the Director under regulation 33B, the Director shall -

- (c) inquire into the matter; or
- (d) refer the matter to the Board.

(2) Where the Director inquires under paragraph (1)(c) into a decision of an authorized person, the Director shall confirm, vary or set aside the decision.

(3) Where a matter is referred to the Board under paragraph (1)(d), the Board shall -

- (a) review the matter;
- (b) confirm, vary or set aside the decision of the authorized person; and
- (c) advise the Director in writing of its decision in relation to that matter and of its reasons for its decision.

(4) As soon as practicable after being required to review a matter referred to in paragraph (1)(a), (b), (ba) or (bb) the Director shall advise the officer, and any Secretary who has a responsibility for the matter, in writing of his or the Board's decision, as the case may be, in relation to the matter and of the reasons for that decision.

(5) For the purposes of his inquiries under sub-regulation (1) into a matter affecting an officer, the Director may request any person, including the officer and any Secretary who has a responsibility for the matter, to provide information or documents in relation to the matter.

(6) In this regulation, a reference to an authorized person in relation to a decision shall be read as a reference to an officer or employee who is authorized by, or under, the relevant determination to make the decision.

Official directions to be carried out

33F. An officer who has made under regulation 33A, 33B or 33C a request concerning an official direction to him shall, as far as practicable, carry out the direction unless it is withdrawn.

Delegation

33G. (1) In this regulation "Deputy Director" means Deputy Director of the Grievance and Appeals Bureau, Office of the Public Service Board.

(2) The Director may, by writing signed by him, delegate, either generally or as otherwise provided by the instrument of delegation, to a Deputy Director all or any of his powers and functions under regulations 33D and 33E.

(3) An instrument under sub-regulation (2) may describe a Deputy Director by name or by reference to an office of Deputy Director.

(4) A power or function delegated under sub-regulation (2), when exercised or performed by the delegate, shall, for the purposes of these Regulations, be deemed to have been exercised or performed by the Director.

(5) A delegation of a power or function under this regulation does not prevent the exercise of the power, or the performance of the function, by the Director.



APPENDIX G (2)
OFFICE OF THE PUBLIC SERVICE BOARD

McLACHLAN OFFICES
National Circuit, Canberra, A.C.T. 2600

Telephone: 72 3977

Reference: 85/5398

22 August 1985

The Secretary
Joint Parliamentary Committee
of Public Accounts
Parliament House
CANNBERRA ACT 2600


UNAUTHORISED DISCLOSURE OF INFORMATION BY COMMONWEALTH OFFICERS

In a memorandum dated 13 August 1985 I provided to the Committee some information regarding the avenues available to public servants to disclose information of alleged maladministration. The information was provided following an undertaking made by the Public Service Board observer at the Committee's public hearing on 7 August 1985 as part of the Auditor-General/Australia Post Audit Inquiry.

2. Having had the opportunity to read the transcript of evidence, I am now providing some further information relating particularly to the situation where the Secretary of a department may find him or herself in a position where he or she is not happy with events occurring within the department.

3. Section 25(2) (Attachment A) of the Public Service Act provides that the Secretary of a Department shall, under the Minister, be responsible for the general working and all the business of the Department and shall advise the Minister in all matters relating to the Department. In the light of this broad power it would seem unlikely that events would arise within the Department that the Secretary would be unable to correct after consultation, where necessary, with the Minister.

4. There may, however, be some situations where the Secretary, having consulted with the Minister has difficulty in coming to terms with the Minister's views or instructions on a particular matter. The possible avenues available in such circumstances are set out in paragraph 2.16 of "Guidelines on Official Conduct of Commonwealth Public Servants", August 1982 in Volume 3 of the Board's Personnel Management Manual (Attachment B).


Anne Buttsworth
Secretary

Public Service Act 1922

25(2) The Secretary of a Department shall, under the Minister, be responsible for its general working, and for all the business thereof, and shall advise the Minister in all matters relating to the Department.

2.13.1 Sub-section 25 (2) of the Public Service Act, in giving Permanent Heads responsibility for the general working of a department and 'all the business thereof', does not purport to deprive Ministers (subject to the Governor-General in Council) of the power to decide what the work of a department shall be. In that respect the sub-section leaves Permanent Heads subject to general Ministerial direction and control which itself may be circumscribed by legislation relating to the functions to be performed. Ministers may, expressly or impliedly, authorise Permanent Heads to decide that particular functions should be shed or reduced. In making these decisions however Permanent Heads are not exercising power under sub-section 25(2) or any other statutory provision; they are acting on behalf of Ministers in the exercise of general executive powers.

2.13.2 In relation to the staffing of departments of State, section 67 of the Constitution provides that, until the Parliament otherwise provides, the appointment and removal of all the officers of the executive Government of the Commonwealth (other than Ministers) shall be vested in the Governor-General in Council. Parliament has otherwise provided for the appointment and removal of departmental staff by its passage of the Public Service Act and the Commonwealth Employees (Redeployment and Retirement) Act.

2.13.3 Under the Public Service Act, for example, the Governor-General in Council creates and abolishes offices in Departments on the recommendation of the Public Service Board after the Board has received a report from the relevant Permanent Head. The Act also provides, among other things, for the Board or Permanent Heads, as the case may be, to appoint, transfer or promote persons to those offices or to remove them from office. Neither the Minister administering a particular department nor the Minister administering the Public Service Act has any statutory powers in this regard.

2.13.4 In general terms then the position is that Permanent Heads' duties are to be exercised subject to Government policy and Ministers' direction and control, subject to any legislation to the contrary. On questions of Government policy Permanent Heads must give without question their loyalty to the Government of the day. If delicate issues arise, Permanent Heads must ultimately rely on their own judgment and experience, in the light of all the circumstances relevant at the time of the particular issue, in deciding what action they should take to carry out their responsibilities to their Ministers and the Government. This includes deciding what action is required to satisfy themselves whether there is in fact justification for raising an issue with their Ministers. In carrying out their duties cases may arise where Permanent Heads need to bring to the Minister's attention the effect of particular policy initiatives on other elements of Government policy. Permanent Heads should also accept that their responsibilities do not exist in isolation and that it is a basic part of their duty to respond within the framework of the law to the policy initiatives of their Ministers.

Convention and precedents

2.14 There is no accepted convention governing conduct in this area. There are several notable precedents which probably point to the need for accepted procedures in cases of conflict rather than serving as suitable models for conduct.

Suggested procedures

2.15 It is generally accepted that a recognised procedure should be available to Permanent Heads in the event that in a full understanding of their obligations to Ministers as outlined in 2.13 above, they nonetheless have a serious disagreement with Ministers. The Royal Commission on Australian Government Administration recommended, inter alia, in relation to disagreements on financial matters that Permanent Heads should have a statutory right to record with the Auditor-General and the Treasurer (now Minister for Finance) their dissent from a Ministerial decision which they believe conflicts with the law governing financial administration.

2.16 The desirability of expressing such a right in legislation is open to debate. This aspect aside, Permanent Heads who find themselves in situations with potential for conflict with their Ministers on matters related to their responsibilities might reasonably be expected to act as follows:

- (a) Matters affecting the efficient and economical administration of the department. Under section 17 of the Public Service Act, the Public Service Board has duties, in conjunction with Permanent Heads, related to efficiency and economy in the management and working of departments. Additionally, aspects of efficiency are subject to review and report to the Parliament by the Auditor-General. Those specific arrangements aside, should a Permanent Head disagree with his/her Minister he/she should:
- set out points of disagreement clearly and explicitly in writing to the Minister and seek explicit written instructions
 - accept and follow the Minister's written instructions, and
 - in the light of the Minister's response, if still seriously concerned and after any appropriate consultations with, for example, the Chairman of the Board, seek to have his/her views and the views of the Minister brought before the Prime Minister. To press matters to this point constitutes a drastic step which must therefore be taken only after the most careful deliberation.
- (b) Matters where following a Minister's instructions appears to conflict with the law. Neither Ministers nor Permanent Heads are above the law. Should a Permanent Head believe that a proposed action or decision, authorised in writing by a Minister, may be in any way illegal he or she should:

if satisfied that there is justification for raising the matter at Ministerial level, raise the matter orally, and if necessary subsequently in writing, with the Minister, suggesting means by which the Minister's objective might otherwise be achieved, and

in the light of the Minister's response, if still seriously concerned and after any appropriate consultations with, for example, the Chairman of the Board, seek to have his/her views and the views of the Minister brought before the Prime Minister. Where an instruction is known to be illegal, ie, a direction barred by the statute prescribing a statutory officer's and public servant's responsibility, the official must decline to follow the instruction.

- (c) Matters where following a Minister's instructions appears to conflict with professional standards or objectivity or political neutrality in presenting facts or analyses to the public. Certain departments and authorities have obligations to correct information from households or enterprises and to inform the public of the facts or analyses of the facts ascertained. Should a Permanent Head believe that a direction by the Minister in relation to public presentation of the facts could involve compromise of professional standards, objectivity or official neutrality he or she should raise the matter orally or in writing with the Minister on the basis that the department should not be associated with such an approach.



OFFICE OF THE PUBLIC SERVICE BOARD

McLACHLAN OFFICES

Parliamentary Buildings, Canberra ACT 2600

Telephone 72 30 77

Reference 85/8110

- 5 DEC 1985

The Secretary
Joint Parliamentary Committee
of Public Accounts
Parliament House
Canberra ACT 2600

PHOTOCOPYING AND RETENTION OF OFFICIAL DOCUMENTS BY APS
PROFESSIONAL AND OTHER STAFF

At the meeting of the Joint Parliamentary Committee of Public Accounts held on Monday 25 November in relation to the review of the discontinuance of the audit into Australia Post counter services, Senator Watson asked for the Board's view of a claim that photocopying and retention of official documents was a necessary part of a professional officer's work, to enable him to perform his professional duties. Senator Guilfoyle further asked whether the approach towards professional staff in this matter would be different to that for other staff. The Board's observer undertook to provide the Committee with a written reply.

2. The Board recognises that in some situations staff, professional or otherwise, may consider it desirable to retain photocopies of official documents for various reasons, which may include later reference in the course of their duties. The extent to which the practice is undertaken would normally be left to the judgement of individual officers, subject to the relevant legal provisions governing the use or disclosure of any such documents and the official duties of staff. In addition, an officer's actions would need to conform with any departmental guidelines or procedures which may have been developed as part of a Secretary's responsibilities for the general working of his or her department, including efficiency and economy considerations.

3. The following legal provisions are relevant to this question, and apply to all officers of the Australian Public Service:

Section 70 of the Crimes Act, which prohibits the unauthorised disclosure of information by Commonwealth officers (Attachment A).

Public Service Regulation 32, which requires an officer, amongst other matters, to devote himself exclusively and zealously during the hours of

official business to the discharge of his public duties and to obey promptly all instructions given to him by any officer under whose control or supervision he is placed (Attachment B).

Public Service Regulation 34, which forbids an officer to 'use for any purpose, other than for the discharge of his official duties, information gained by or conveyed to him through his connexion with the Service' (Attachment C).

Public Service Regulation 35, which forbids the disclosure of official information, except in the course of official duty, without the express authority of the Chief Officer (Attachment D).


4. Restrictions on the photocopying of particular types of material are provided by the Cabinet Handbook, for Cabinet documents and the Copyright Act 1968.

5. Sub-section 176(2) of the Copyright Act provides that the Commonwealth is the owner of the copyright in an original literary work made by or under the direction or control of the Commonwealth. Sub-section 183(1) provides that copyright is not infringed if the acts comprised in the copyright are done for the services of the Commonwealth (Attachment E).

6. If the acts done are not for the services of the Commonwealth, there is an infringement of the copyright, and reproducing the work alone is an infringement - it is not necessary for the copying to be done with the intention of publishing.

7. Other legislation, the administration of which is the responsibility of particular departments or authorities, in some cases also contains specific provisions relating to the use or disclosure of official information. Any such additional restrictions would need to be observed by officers proposing to photocopy and retain documents in the departments or authorities concerned. In this regard it is understood that the Audit Act 1901 contains secrecy provisions, and the Committee may wish to pursue these with the Auditor-General's Office, which is responsible for administering that Act.

8. In the provisions outlined above, no distinction is made concerning the use of official information by officers on the basis of their profession or occupation.


Anne Buttsworth
Secretary

ATTACHMENT A

Crimes Act 1914

PART VI—OFFENCES BY AND AGAINST PUBLIC OFFICERS

70. (1) A person who, being a Commonwealth officer, publishes or communicates, except to some person to whom he is authorized to publish or communicate it, any fact or document which comes to his knowledge, or into his possession, by virtue of his office, and which it is his duty not to disclose, shall be guilty of an offence.

(2) A person who, having been a Commonwealth officer, publishes or communicates, without lawful authority or excuse (proof whereof shall lie upon him), any fact or document which came to his knowledge, or into his possession, by virtue of his office, and which, at the time when he ceased to be a Commonwealth officer, it was his duty not to disclose, shall be guilty of an offence.

Penalty: Imprisonment for two years.

Disclosure of
information
by Common-
wealth
officers
Subsannsed by
No. 84, 1960.
s. 49

PUBLIC SERVICE REGULATIONS

Obligations as to duty and behaviour

32. Every officer shall -

- (a) during the hours of official business devote himself exclusively and zealously to the discharge of his public duties;
- (b) behave at all times with courtesy to the public, giving prompt attention to all reasonable requirements;
- (c) obey promptly all instructions given to him by any officer under whose control or supervision he is placed;
- (d) promptly and correctly carry out all duties appertaining to his office, or any other duty he is directed to perform; and
- (e) in due course and at proper times comply with, and give effect to, all enactments, regulations, and authoritative instructions made or issued for his guidance in the performance of his duties.

ATTACHMENT C

PUBLIC SERVICE REGULATIONS

Public comment on administration

34. An officer shall not -

- (a) use for any purpose, other than for the discharge of his official duties, information gained by or conveyed to him through his connexion with the Service.

ATTACHMENT D

PUBLIC SERVICE REGULATIONS

Information not to be given

35. Except in the course of official duty, no information concerning public business or any matter of which an officer or employee has knowledge officially shall be given, directly or indirectly, nor shall the contents of official papers be disclosed, by an officer or employee without the express authority of the Chief Officer.

Copyright Act 1968

PART VII—THE CROWN

Crown copyright in original works made under direction of Crown

176. (1) Where, apart from this section, copyright would not subsist in an original literary, dramatic, musical or artistic work made by, or under the direction or control of, the Commonwealth or a State, copyright subsists in the work by virtue of this sub-section.

(2) The Commonwealth or a State is, subject to this Part and to Part X, the owner of the copyright in an original literary, dramatic, musical or artistic work made by, or under the direction or control of, the Commonwealth or the State, as the case may be.

* * * * *

Use of copyright material for the services of the Crown

183. (1) The copyright in a literary, dramatic, musical or artistic work or a published edition of such a work, or in a sound recording, cinematograph film, television broadcast or sound broadcast, is not infringed by the Commonwealth or a State, or by a person authorized in writing by the Commonwealth or a State, doing any acts comprised in the copyright if the acts are done for the services of the Commonwealth or State.

(2) Where the Government of the Commonwealth has made an agreement or arrangement with the Government of some other country for the supply to that country of goods required for the defence of that country—

- (a) the doing of any act in connexion with the supply of those goods in pursuance of the agreement or arrangement; and
- (b) the sale to any person of such of those goods as are not required for the purposes of the agreement or arrangement.

shall, for the purposes of the last preceding sub-section, be each deemed to be for the services of the Commonwealth.

(3) Authority may be given under sub-section (1) before or after the acts in respect of which the authority is given have been done, and may be given to a person notwithstanding that he has a licence granted by, or binding on, the owner of the copyright to do the acts.

(4) Where an act comprised in a copyright has been done under sub-section (1), the Commonwealth or State shall, as soon as possible, unless it appears to the Commonwealth or State that it would be contrary to the public interest to do so, inform the owner of the copyright, as prescribed, of the doing of the act and shall furnish him with such information as to the doing of the act as he from time to time reasonably requires.

(5) Where an act comprised in a copyright has been done under sub-section (1), the terms for the doing of the act are such terms as are, whether before or after the act is done, agreed between the Commonwealth or the State and the owner of the copyright or, in default of agreement, as are fixed by the Copyright Tribunal.

(6) An agreement or licence (whether made or granted before or after the commencement of this Act) fixing the terms upon which a person other than the Commonwealth or a State may do acts comprised in a copyright is inoperative with respect to the doing of those acts, after the commencement of this Act, under sub-section (1), unless the agreement or licence has been approved by the Attorney-General of the Commonwealth or the Attorney-General of the State.

(7) Where an article is sold and the sale is not, by virtue of sub-section (1), an infringement of a copyright, the purchaser of the article, and a person claiming through him, is entitled to deal with the article as if the Commonwealth or State were the owner of that copyright.

(8) An act done under sub-section (1) does not constitute publication of a work or other subject-matter and shall not be taken into account in the application of any provision of this Act relating to the duration of any copyright.

(9) Where an exclusive licence is in force in relation to any copyright, the preceding sub-sections of this section have effect as if any reference in those sub-sections to the owner of the copyright were a reference to the exclusive licensee.

(11) The copying of the whole or a part of a work for the teaching purposes of an educational institution of, or under the control of, the Commonwealth, a State or the Northern Territory shall, for the purposes of this section, be deemed not to be an act done for the services of the Commonwealth, that State or the Northern Territory.

APPENDIX I

AUDIT ACT 1901, SECTIONS 14C, 48A - 48H

Secrecy
Inserted by
No. 60, 1948, L. 9
Sub-section (1)
amended by
No. 8, 1979, L. 12

14C. (1) The operation of sections 13, 14, 14A, 14B, 41 and 48E shall not be limited by any provision (including a provision relating to secrecy) contained in any other law (whether made before or after the commencement of this section) except to the extent to which any such other law expressly excludes the operation of any of those sections.

(2) Notwithstanding anything contained in any other law, and notwithstanding the making of an oath or declaration of secrecy, a person shall not be guilty of any offence by reason of anything done by him for the purposes of section 11, 13, 14, 14B, 41 or 48E.

(3) The Auditor-General or any other person shall not divulge or communicate, except, in the course of duty, to another person performing duties under this Act, any information which has come to his knowledge by reason directly or indirectly of section 11, 13, 14, 14B, 41 or 48E, in any case in which the person from whom the information was obtained under that section, or from whose custody the accounts or records from which the information was derived were produced, could not, but for the provisions of this Act, lawfully have divulged that information to the Auditor-General or authorized officer.

(4) The last preceding sub-section shall not prevent the making, divulging or communicating, in any report of the Auditor-General, of conclusions, observations or recommendations which are based on information obtained in pursuance of section 11, 13, 14, 14B, 41 or 48E.

48A. (1) In this Division, unless the contrary intention appears—

“Commonwealth organization” means—

- (a) the Defence Force;
- (b) the Commonwealth Teaching Service;
- (c) the Australian Security Intelligence Organization; or
- (d) the Australian Federal Police;

“eligible incorporated company” means an incorporated company over which the Commonwealth is in a position to exercise control;

“public authority of the Commonwealth” means an authority or other body that, or a person holding, or performing the duties of, an office or appointment who, is a public authority of the Commonwealth for the purposes of this Division by virtue of section 48B;

“relevant body” means—

- (a) a Department;
- (b) a public authority of the Commonwealth;
- (c) a Commonwealth organization;
- (d) an eligible incorporated company with which an arrangement has been made under sub-section 48C (2);
- (e) a body referred to in sub-section 48C (4);
- (f) a body responsible for the administration of a fund referred to in sub-section 48C (6);
- (g) a body referred to in sub-section 48C (7); or

Interpretation.
Inserted by
No. 8, 1979, L. 40
Sub-section (1)
amended by
No. 155, 1979,
L. 3

s. 48A

(h) a person or persons (not being a person who constitutes, or persons who constitute, a public authority of the Commonwealth)—

- (i) responsible for the administration of a fund referred to in sub-section 48C (6); or
- (ii) referred to in sub-section 48C (7).

(2) For the purposes of this Division—

- (a) operations carried on by persons employed under the *Naval Defence Act 1910* by virtue of their employment (other than operations carried on by persons employed in offices or appointments in, or as members of, the Australian Navy by virtue of their employment) shall be deemed to be carried on by the Department of Defence;
- (b) operations carried on by persons employed under section 10 of the *Supply and Development Act 1939* by virtue of their employment shall be deemed to be carried on by the Department of Productivity;
- (c) operations carried on by ~~Trade Commissioners and Assistant Trade Commissioners~~ ^{representatives} of the Commonwealth by virtue of their appointments shall be deemed to be carried on by the Department of Trade and Resources; and
- (d) the Auditor-General's Office shall be deemed not to form part of a Department.

48B. (1) Subject to this section, where—

- (a) the accounts and records of financial transactions of an authority or other body established for a public purpose by, or in accordance with the provisions of, an enactment are audited by the Auditor-General, whether in pursuance of an enactment or otherwise; or
- (b) the staff required for the purposes of an authority or other body so established are persons employed under the *Public Service Act 1922*,

the authority or other body is a public authority of the Commonwealth for the purposes of this Division.

(2) Sub-section (1) does not apply to an unincorporated body, being a Board, Council, Committee, Sub-Committee or other body established for the purpose of assisting, or performing functions connected with, a Department or public authority of the Commonwealth, but the operations of the Board, Council, Committee, Sub-Committee or other body shall, for the purposes of this Division, be deemed to be the operations of that Department or public authority of the Commonwealth.

Public
authorities of
the
Common-
wealth
inserted by
No. 4, 1979, s. 40

(3) Subject to this section, a person—

- (a) holding, or performing the duties of, an office or appointment established by an enactment (not being an office in the Australian Public Service); or
- (b) holding, or performing the duties of, an appointment, being an appointment made by the Governor-General, or by a Minister, otherwise than under an enactment,

is a public authority of the Commonwealth for the purposes of this Division.

(4) Sub-section (3) does not apply to—

- (a) a person who holds an office of—
 - (i) Minister of State of the Commonwealth;
 - (ii) Justice or Judge of a Court created by the Parliament;
 - (iii) President, Deputy President or Commissioner of the Commonwealth Conciliation and Arbitration Commission;
 - (iv) Public Service Arbitrator or Deputy Public Service Arbitrator;
 - (v) President, Deputy President or other member of the Administrative Appeals Tribunal;
 - (vi) magistrate or coroner of the Australian Capital Territory; or
 - (vii) member of the Australian Capital Territory Legislative Assembly or member of the Legislative Assembly for the Northern Territory;
- (b) the person who holds, or is performing the duties of, the offices of Commonwealth Ombudsman and Defence Force Ombudsman;
- (ba) a person who holds, or is performing the duties of, an office of Deputy Commonwealth Ombudsman; or
- (c) a person required or authorized by the Governor-General, by Commission, to inquire into and report upon any matter.

(5) Sub-section (3) does not apply to—

- (a) an office of member of an authority or other body (including a Commonwealth organization); or
- (b) an office established by an enactment for the purposes of a public authority of the Commonwealth or of a Commonwealth organization,

but any operation carried on by or on behalf of the holder of the office, being an operation included within the functions of the office, shall, for the purposes of this Division, be deemed to have been carried on by that authority or other body or by that Commonwealth organization, as the case may be.

s. 48a

(6) Where a person who holds an office or appointment referred to in sub-section (3) also holds an office in a Department and performs the functions of the first-mentioned office, or of the appointment, in association with his functions as the holder of that office in that Department, sub-section (3) does not apply to him, but any operations carried on by him within the functions of the first-mentioned office, or of the appointment, shall, for the purposes of this Division, be deemed to have been carried on by that Department.

Auditor-General to carry out efficiency audits
 Inserted by
 No. 8, 1979, s. 40

48C. (1) The Auditor-General may carry out, at such intervals as he thinks fit, an efficiency audit of all or any of the operations—

- (a) of a Department;
- (b) of a public authority of the Commonwealth; or
- (c) of a Commonwealth organization.

(2) A Minister may by writing under his hand, or the Parliament may by resolution of both Houses of the Parliament, request the Auditor-General to carry out efficiency audits of all the operations, or of specified operations, of an eligible incorporated company, and, where the Minister or the Parliament does so, the Auditor-General—

- (a) may make arrangements with the company for the carrying out by him of efficiency audits of all the operations of the company, or of the operations of the company so specified, as the case requires; and
 - (b) may, in accordance with arrangements so made, carry out, at such intervals as he thinks fit, an efficiency audit of all or any of the operations of the company to which the arrangement relates.
- (3) An arrangement made by the Auditor-General with an eligible incorporated company—
- (a) may include provision for the payment of fees by the company to the Commonwealth in respect of the carrying out of efficiency audits of operations of the company to which the arrangement relates; and
 - (b) may be varied or revoked by the Auditor-General or the company—
 - (i) in the case of an arrangement made at the request of a Minister—with the approval of a Minister; or
 - (ii) in the case of an arrangement made at the request of the Parliament—with the approval of the Parliament given by resolution of both Houses of the Parliament.

s. 48c

(4) A Minister may, subject to sub-section (5), by instrument in writing, request the Auditor-General to carry out efficiency audits of the operations of a body (not being a public authority of the Commonwealth) established by, or in accordance with the provisions of, an agreement between the Commonwealth and a State, or between the Commonwealth and 2 or more States, and the Auditor-General may then carry out, while the instrument is in force and at such intervals as he thinks fit, an efficiency audit of all or any of the operations of the body.

(5) A Minister shall not request the Auditor-General to carry out efficiency audits of the operations of a body referred to in sub-section (4) unless the State concerned has consented, or the States concerned have consented, to the Auditor-General carrying out those audits.

(6) Where the Auditor-General audits the accounts and records of a fund established by or under an enactment, not being a fund administered by, or established for the purposes of, a public authority of the Commonwealth—

- (a) if the Auditor-General is required to audit those accounts and records by an enactment—the Auditor-General may carry out, at such intervals as he thinks fit, an efficiency audit of all or any of the operations of the body or persons responsible for the administration of the fund, being operations related to the administration of the fund; or
- (b) in any other case—a Minister may, by instrument in writing, request the Auditor-General to carry out efficiency audits of the operations of the body or persons responsible for the administration of the fund, and the Auditor-General may then carry out, while the instrument is in force and at such intervals as he thinks fit, an efficiency audit of all or any of those operations.

(7) Where the Commonwealth, or a public authority of the Commonwealth, pays moneys to a body (not being a State, a public authority of the Commonwealth or an authority of a State) or to a person, by way of financial assistance to the body or person, a Minister may, with the consent of the body or person, request the Auditor-General, by instrument in writing, to carry out efficiency audits of the operations of the body or person in the carrying out of which those moneys have been, are being or are to be applied, and the Auditor-General may then carry out, while the instrument is in force and at such intervals as he thinks fit, an efficiency audit of all or any of those operations.

(8) For the purposes of sub-section (7), where a body or person accepts any moneys paid to it or him by the Commonwealth, or by a public authority of the Commonwealth, by way of financial assistance, on condition that the body or person will permit the Auditor-General to carry out efficiency audits of the operations of the body or person in the

s. 48C

carrying out of which those moneys have been, are being or are to be applied, the body or person shall be deemed to have given its or his consent to the carrying out by the Auditor-General of efficiency audits of all or any of those operations.

Efficiency
audit extends
to examina-
tion of
certain
procedures
inserted by
No. 8, 1979, L 40

48D. Where moneys are paid in accordance with the provisions of an enactment—

- (a) by the Commonwealth to a State, by way of financial assistance, on condition that—
 - (i) the State will apply the moneys for a purpose specified in the enactment; or
 - (ii) the State will pay the moneys to another body for application by that body for a purpose specified in the enactment; or
- (b) by the Commonwealth to a body other than a State or a public authority of the Commonwealth, by way of financial assistance, on condition that the body will apply the moneys for a purpose specified in the enactment,

an efficiency audit of the operations of the Department or public authority of the Commonwealth responsible for the administration of the grant of that financial assistance may include an examination of the procedures that are being followed by that Department or authority for the purpose of assessing the extent to which the operations in the carrying on of which the moneys are required to be applied are being carried on in an economical and efficient manner.

Investi-
gations and
access to
premises and
records
inserted by
No. 8, 1979, L 40

48E. (1) An efficiency audit of operations of a relevant body shall be conducted by the Auditor-General, subject to this Act, in such manner as the Auditor-General thinks fit.

- (2) Without limiting the generality of sub-section (1)—
 - (a) an efficiency audit of operations of a relevant body may be carried out in conjunction with, and as part of, an inspection and audit of the accounts of the body that is being carried out by the Auditor-General under this Act or under another Act; and
 - (b) any information obtained by the Auditor-General, in the course of carrying out an inspection and audit of the accounts of a relevant body, whether as a result of inspecting the accounts or records of the body or otherwise, may, whether or not the Auditor-General was at the same time carrying out an efficiency audit of operations of that body, be treated as having been obtained for the purposes of carrying out such an audit.

(3) Without prejudice to the powers conferred on the Auditor-General by any other provision of this Act, the Auditor-General or an authorized person shall, at all reasonable times, have full and free access to all records in the possession of—

s. 48E

- (a) a relevant body;
- (b) a person employed by, or under the control of, a relevant body;
- (c) a person employed as a member of a Commonwealth organization; or
- (d) any other person,

being records relating, directly or indirectly, to operations that have been, or are being, carried on by a relevant body or to procedures that have been, or that are being, followed by a relevant body for reviewing any such operations, and may make a copy of, or take extracts from, any such records.

(4) For the purposes of an efficiency audit of operations of a relevant body that is being carried out under this Act—

- (a) the Auditor-General, or an authorized person, may, at any reasonable time, enter any place occupied by the body and carry out an examination of the operations of the body at the place; and
- (b) the Auditor-General, or an authorized person, is entitled to inspect, at a reasonable time arranged with the principal officer of the body, any records relating to the operations of the body that are kept at premises entered by him under this section, and to take copies of, or extracts from, any such records.

(5) Nothing in this section shall be taken to restrict the operation of any other section of this Act in relation to efficiency audits of operations of a relevant body.

48F. (1) Where the Auditor-General carries out an efficiency audit of operations of a relevant body under this Act, he shall prepare and sign a report of the results of the audit.

Reports
concerning
efficiency
audits
inserted by
No. 8, 1979, L 40

(2) A report of the results of an efficiency audit of operations of a relevant body carried out by the Auditor-General—

- (a) may include such information as he thinks desirable in relation to matters referred to in the report;
- (b) shall set out his reasons for opinions expressed in the report; and
- (c) may include any recommendations arising out of the audit that he thinks fit to make.

(3) Where the Auditor-General prepares a report that he proposes to make with respect to the results of an efficiency audit of operations of a relevant body carried out by him under this Act, the Auditor-General shall, before signing the proposed report, furnish a copy of the proposed report to the body in order that the body may furnish to the Auditor-General any comments on the proposed report that it desires to make.

s. 48F

(4) Where a copy of a proposed report of the results of an efficiency audit of operations of a relevant body has been furnished to the body under sub-section (3) and—

- (a) the Auditor-General has received comments from the body on the proposed report and has considered those comments; or
- (b) a period of not less than 28 days has elapsed from the date on which the copy of the proposed report was furnished to the body and the Auditor-General has not received any comments from the body,

the proposed report, or that report amended in such manner as the Auditor-General thinks fit having regard to any comments furnished to him by the body, may be signed by the Auditor-General as his report of the results of that efficiency audit.

(5) The Attorney-General may issue to the Auditor-General a certificate certifying that the disclosure of information concerning a specified matter, or the disclosure of the contents of a specified document, would be contrary to the public interest—

- (a) by reason that the disclosure would prejudice the security, defence or international relations of the Commonwealth;
- (b) by reason that the disclosure would involve the disclosure of deliberations or decisions of the Cabinet or of a Committee of the Cabinet;
- (c) by reason that the disclosure would prejudice relations between the Commonwealth and a State;
- (d) by reason that the disclosure would divulge any information or matter communicated in confidence—
 - (i) by or on behalf of the Government of the Commonwealth to the Government of a State or to a person receiving the communication on behalf of the Government of a State; or
 - (ii) by or on behalf of the Government of a State to the Government of the Commonwealth or to a person receiving the communication on behalf of the Government of the Commonwealth;
- (e) by reason that the disclosure would be prejudicial to the commercial interests of a public authority of the Commonwealth or other body; or
- (f) for any other reason specified in the certificate that could form the basis of a claim by the Crown in right of the Commonwealth in a judicial proceeding that the information or the contents of the document should not be disclosed.

s. 48F

(6) Where information, or the contents of a document, to which a certificate under sub-section (5) applies is disclosed to the Auditor-General in the course of the carrying out of an efficiency audit of operations of a relevant body, the Auditor-General may include any of the information, or any of the contents of the document, in a restricted report of the results of the audit prepared by him, and, if he does so, he shall also prepare and sign a separate report of the results of the audit that does not include any of the information or any of the contents of the document.

(7) Where the Auditor-General prepares a restricted report of the results of an efficiency audit of operations of a relevant body, he shall forward copies of the report to the Prime Minister, to the Minister and to the Public Service Board and, if the relevant person in respect of the body is not the Prime Minister or the Minister, he shall also forward a copy of the report to the relevant person in respect of the body.

(8) Subject to sub-section (9), where the Auditor-General prepares a report (other than a restricted report) of the results of an efficiency audit of operations of a relevant body—

- (a) he may include the report in the next report made by him under section 51 that includes his report with respect to the accounts, or financial statements, of that body;
- (b) he may include the report in a report made by him, otherwise than under section 51, with respect to the financial statements of the body, being a report a copy of which is required by an enactment to be laid before each House of the Parliament; or
- (c) he may treat the report as a special report and transmit signed copies of the report to each House of the Parliament.

(9) Sub-section (8) does not apply to a relevant body (not being a Department of State or a Department of the Parliament)—

- (a) that is specified in the regulations as a relevant body to which sub-section (8) does not apply; or
- (b) that is included in a class of relevant bodies specified in the regulations as a class of relevant bodies to which sub-section (8) does not apply.

(10) Where the Auditor-General prepares a report (other than a restricted report) of the results of an efficiency audit of operations of a relevant body carried out by him, being a relevant body to which, by virtue of regulations in force under sub-section (9), sub-section (8) does not apply, the Auditor-General shall furnish copies of the report to the body and to the relevant person in respect of the body and to the Public Service Board.

s. 48F

- (11) In this section—
- (a) a reference to a restricted report of the results of an efficiency audit of operations of a relevant body carried out by the Auditor-General shall be read as a reference to a report of the results of such an audit that includes any information, or any of the contents of a document, to which a certificate under sub-section (5) applies; and
- (b) a reference to the relevant person in respect of a relevant body shall be read as a reference—
- (i) in the case of a Department of State—to the Minister administering that Department or another Minister acting for and on behalf of that Minister;
 - (ii) in the case of the Department of the Senate—to the President of the Senate;
 - (iii) in the case of the Department of the House of Representatives—to the Speaker of the House of Representatives;
 - (iv) in the case of the Department of the Parliamentary Library, the Department of the Parliamentary Reporting Staff or the Joint House Department—to the President of the Senate and the Speaker of the House of Representatives; and
 - (v) in the case of any other relevant body—
 - (A) to the Minister declared by regulations to be the relevant person in respect of that body; or
 - (B) if no Minister has been so declared to be the relevant person in respect of the body, to the Minister administering the Department of State responsible for dealing with matters relating to the body, or another Minister acting for and on behalf of that Minister.

Annual
report
concerning
efficiency
audits
issued by
No. 2, 1979, L. 40

48G. (1) The Auditor-General shall, as soon as practicable after 30 June in each year, prepare a general report concerning the efficiency audits of operations of relevant bodies carried out by him during the year ended on that date, together with particulars of the costs incurred by him in the carrying out of those audits and the benefits that have, in his opinion, been derived from the carrying out of those audits.

(2) Where the Auditor-General prepares a report in pursuance of sub-section (1) in respect of a year, the Auditor-General—

- (a) may include the report in a report made by him under section 51 in respect of that year; or
- (b) may sign copies of the report and transmit them to each House of the Parliament.

s. 48G

(3) The first report to be prepared by the Auditor-General under this section shall be a report relating to efficiency audits of operations of relevant bodies carried out during the period commencing on the date of commencement of this section and ending on 30 June 1979.

48H. (1) Where the Auditor-General carries out an efficiency audit of operations of a relevant body (not being a Department of State or a Department of the Parliament)—

Audit fees
issued by
No. 2, 1979, L. 40

- (a) determined by the Minister to be a relevant body to which this section applies; or
- (b) included in a class of relevant bodies determined by the Minister to be a class of relevant bodies to which this section applies, there are payable by that relevant body to the Commonwealth, in respect of the audit, fees and charges in accordance with a scale of fees and charges determined by the Auditor-General in a manner approved by the Minister, being a scale applicable to that relevant body.

(2) The Minister may exempt a relevant body included in a class of relevant bodies referred to in paragraph (1) (b) from the payment of fees and charges under sub-section (1).



APPENDIX J

ATTORNEY-GENERAL'S DEPARTMENT

TEL 71 9111

ROBERT GARRAN OFFICES
NATIONAL CIRCUIT
BARTON A.C.T. 2600
PLEASE QUOTE:GC85/106C
YOUR REF

13 August 1985

The Secretary
Department of Finance
Newlands Street
PARKES ACT 2600

Attention: Mr R.G. Humphry

Audit Act 1901, ss.48C and 48F - Report on Efficiency Audit of Public Authority

I refer to your memorandum dated 5 August 1985 seeking urgent advice whether the Auditor-General, having commenced an efficiency audit of the operations of a public authority under s.48C of the Audit Act 1901, may cease carrying out that audit without preparing and signing a report on the results of that audit.

2. It seems to me that your question consists of two sub-questions, which are as follows:

- (1) Must the Auditor-General, having commenced an efficiency audit of a public authority, carry out the audit to completion?
- (2) If the answer to (1) is 'No', is the Auditor-General obliged to make a report on so much of the audit as has been completed?

In my view, the short answer to these sub-questions are:

- (1) No.
- (2) Yes, in so far as the Auditor-General has completed an audit of any of the operations of the public authority.

Relevant Provisions

3. The main relevant provisions of the Act are as follows:

'48C.(1) The Auditor-General may carry out, at such intervals as he thinks fit, an efficiency audit of all or any of the operations-

...

(b) of a public authority of the Commonwealth; ...

...'

'48F.(1) Where the Auditor-General carries out an efficiency audit of operations of a relevant body under this Act, he shall prepare and sign a report of the results of the audit.

(2) A report of the results of an efficiency audit of operations of a relevant body carried out by the Auditor-General -

- (a) may include such information as he thinks desirable in relation to matters referred to in the report;
- (b) shall set out his reasons for opinions expressed in the report; and
- (c) may include any recommendations arising out of the audit that he thinks fit to make.

...'

(A 'relevant body', referred to in s.48F, includes a public authority of the Commonwealth - see definition in s.48A(1)).

Sub-question (1)

4. It is clear that, under s.48C(1), the Auditor-General has a discretion in relation to the carrying out of an efficiency audit of all or any of the operations of a public authority of the Commonwealth. That discretion clearly extends to deciding whether or not to carry out any efficiency audit in respect of the public authority and, if an efficiency audit is to be carried out, deciding which of the public authority's operations are to be subject to the audit. In my view, the discretion, in its terms, is capable also of being construed as extending to the actual carrying out of an audit that the Auditor-General has decided to undertake or has commenced to carry out. I can discern no basis in Division 2 of Part VI of the Act for an implication that the Auditor-General cannot rescind or vary his decision to carry out an audit before commencing an audit or that the Auditor-General, having commenced an audit is under an obligation to carry out the audit wholly or partially in accordance with his original decision. In particular, no such implications can be drawn

from the Auditor-General's reporting obligation under s.48F and a body's obligation to pay fees under s.48H. Both of those obligations are conditional upon an efficiency audit of 'operations' of a body having been carried out.

Sub-question (2)

5. The obligation to prepare a report under s.48F(1) arises '(w)here the Auditor-General carries out an efficiency audit of operations of a relevant body'. In my view, the reference to 'operations' includes any of the operations of a body, both because words in the plural may generally be read as including the singular (s.23(b) of the Acts Interpretation Act 1901) and such a reading appears consistent with s.48C(1) (which refers to 'all or any ... operations' of a body). Moreover, the reference to an efficiency audit seems clearly to be a reference to such audit as has actually been carried out and not necessarily to an audit as originally intended by the Auditor-General to be carried out. Thus, the provision is capable of applying where, for example, the Auditor-General had intended to audit all of the operations of a body and had actually commenced that task but had subsequently decided not to proceed with the audit of certain operations of the body. Furthermore, the reference to the carrying out of the audit is to a complete carrying out or a completed audit. This seems clear from the reference to 'results' in s.48F(1) and elsewhere in the section and from the provisions concerning the content of a report (sub-section (2)).

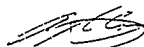
6. In practical terms, whether the Auditor-General has an obligation to report following a premature termination of an efficiency audit project will depend on the nature and extent of the work that he has performed. If he can be regarded as having completed an audit in respect of one or more 'operations' of the body, he would be required to report on his work to that extent.

7. There would no doubt on occasion be difficulties in determining what was an 'operation' of a body in this connexion; the total operations of a body may not be readily divisible into a number of separate operations. In my view, an activity could be regarded as an 'operation' in this context if it could reasonably be examined and reported upon separately from other activities of the body for the purpose in question, i.e. an efficiency audit. Obviously the matter would require a large degree of factual judgment.

8. Another possible area of difficulty might be the determination of whether the carrying out of an audit into an operation has been completed. Again, it appears to me that the

matter needs to be resolved principally on the basis of the context. Section 48F refers to the 'results' of the audit (see, for example, sub-sections (1) and (2)). Thus the obligation to report under s.48F(1) would seem to arise only where the Auditor-General's work could be regarded as having produced meaningful 'results'. Also, the work would need to be of a nature and extent capable of giving rise to recommendations (sub-section (2)(c)). This would exclude a situation where only superficial or substantially incomplete examinations had been carried out in a particular area but would not exclude a situation where, for example, certain matters of detail had not been fully investigated. Again, the matter would involve practical factual judgment.

9. If the Auditor-General has, pursuant to s.48F(3), furnished a copy of his proposed report to the body being investigated, in most cases, I do not consider that it would be open to him, at that stage, not to complete the report. Section 48F(3) only applies where the Auditor-General has prepared a report. A report can only be prepared where an efficiency audit has been completed and at that stage the obligation to make a report arises. However, the fact that a draft report has been furnished does not necessarily preclude termination of the audit if the draft were based on an incomplete audit or were not furnished with the approval of the Auditor-General.


(P. Clay)
for Secretary

Action Officer: G. Witynski
Tel: 71 9417



APPENDIX K

ATTORNEY-GENERAL'S DEPARTMENT
SECRETARY'S OFFICE

ROBERT GARRAN OFFICES
NATIONAL CIRCUIT
BARTON A.C.T. 2600

GC85/10604

TEL: 71 9000

19 May 1986

Mr M.J. Talberg,
Secretary,
Joint Parliamentary Committee on
Public Accounts,
Parliament House
CANBERRA ACT 2600

Dear Mr Talberg,

I refer to your letter dated 12 May 1986 and the letter dated 14 May 1986 from the Chairman of the Committee, Senator Georges, to the Attorney-General.

The Committee is seeking, as a matter of urgency, advice as to the basis of the Auditor-General's legal power to discontinue an efficiency audit. The question is asked to enable the Committee to complete its 'Review of the discontinuance of the audit into Australia Post - administration of counter services' and it is clear that the Committee's concern is with the power of the former Auditor-General to discontinue the efficiency audit on 'Australia Post - administration of counter services' (hereafter referred to as the 'Efficiency Audit'). In my opinion, the then Auditor-General had the power to make that decision and to terminate work on the Efficiency Audit.

Legislation

Efficiency audits are provided for in Division 2 of Part VI of the Audit Act 1901 ('the Act'). The Australian Postal Commission (hereafter referred to as 'Australia Post') is a 'public authority of the Commonwealth' for the purpose of that Division (s.48B(1) (a) of the Act and s.84 of the Postal Services Act 1975) and is also a 'relevant body' for the purposes of that Division.

Section 48C(1) of the Act provides in part that:

'(1) The Auditor-General may carry out, at such intervals as he thinks fit, an efficiency audit of all or any of the operations -

...

(b) of a public authority of the Commonwealth;

...

Section 48E(1) of the Act provides:

'48E. (1) An efficiency audit of operations of a relevant body shall be conducted by the Auditor-General, subject to this Act, in such manner as the Auditor-General thinks fit.'

The relevant parts of s.48F of the Act are as follows:

'48F. (1) Where the Auditor-General carries out an efficiency audit of operations of a relevant body under this Act, he shall prepare and sign a report of the results of the audit.

(2) A report of the results of an efficiency audit of operations of a relevant body carried out by the Auditor-General -

- (a) may include such information as he thinks desirable in relation to matters referred to in the report;
- (b) shall set out his reasons for opinions expressed in the report; and
- (c) may include any recommendations arising out of the audit that he thinks fit to make.

(3) Where the Auditor-General prepares a report that he proposes to make with respect to the results of an efficiency audit of operations of a relevant body carried out by him under this Act, the Auditor-General shall, before signing the proposed report, furnish a copy of the proposed report to the body in order that the body may furnish to the Auditor-General any comments on the proposed report that it desires to make.

(4) Where a copy of a proposed report of the results of an efficiency audit of operations of a relevant body has been furnished to the body under sub-section (3) and -

- (a) the Auditor-General has received comments from the body on the proposed report and has considered those comments; or

(b) a period of not less than 28 days has elapsed from the date on which the copy of the proposed report was furnished to the body and the Auditor-General has not received any comments from the body

the proposed report, or that report amended in such manner as the Auditor-General thinks fit having regard to any comments furnished to him by the body, may be signed by the Auditor-General as his report of the results of that efficiency audit.'

Background

In a letter dated 30 June 1980 the then acting Auditor-General advised the Chairman of Australia Post that he had decided to conduct an efficiency audit of the provision of services to the public through Post Offices. The letter indicated that field work would commence in July 1980 and it was anticipated that a report would be tabled in Parliament around the middle of 1981.

A considerable amount of work was done on the Efficiency Audit and there were extensive discussions between officers of the Audit Office and Australia Post. By May 1984 a document entitled 'Report of the Auditor-General on an Efficiency Audit - administration of counter services by the Australian Postal Commission' had been prepared by the officer chiefly concerned with the Efficiency Audit, a Mr Berthelsen who then occupied the position of Principal Auditor, Division E, in the Audit Office, a class 11 position.

On 16 May 1984 the First Assistant Auditor-General, Mr C.T. Monaghan, wrote to the General Manager of Australia Post forwarding a copy of the document referred to in the previous paragraph which was described in the letter as a draft report. The document refers to four appendices of which only one (appendix 3) was attached. Drafts of two of the other appendices had apparently been made available to Australia Post at an earlier stage and comments furnished on one of those drafts. Appendix 4 entitled 'Work Measurement' had not been completed and, I understand, still does not exist. Paragraphs 4 and 5 of Mr Monaghan's letter read:

'4. Section 48F(3) of the Audit Act provides that a copy of a proposed efficiency audit report be made available for comment by the audited body. However, as there has not been the series of formal exchanges through management letters which accompany most audits, I do not feel there has yet been sufficient written expression of the Commission's views to enable a draft report to be furnished to you under section 48F(3).

5. I should be grateful, therefore, if you would let me have your comments on the draft report. When these have been received, I hope we can get the formal section 48F(3) draft to you promptly and that the report can be finalised soon after that.'

In a letter dated 4 July 1984 to Mr C.T. Monaghan the General Manager of Australia Post made some brief comments on the draft report. In a minute dated 9 August 1984 to the then Auditor-General, Mr K. Brigden, Mr C.T. Monaghan forwarded a draft of the report and drafts of two of the appendices and suggested that either a formal s.48F(3) draft be sent to Australia Post or additional resources diverted towards completion of the report. Mr Brigden noted that minute on 6 November 1984 in the following terms:

'As you may know I do not propose at this stage that this efficiency audit be carried out. I will discuss with you later re other projects effecting this auditee and will consider further this audit before speaking to Aust. Post. For the present the material collected will be of use in planning other work with A. Post.'

Prior to that, on 26 October 1984, Mr Brigden had instructed Mr Berthelsen to cease work on the Efficiency Audit immediately. Mr Brigden's decision was conveyed to Australia Post in a letter to the Chief General Manager dated 7 February 1985 advising him of his decision that 'the further work necessary to carry out the audit should not be undertaken.

Reasons

It is clear that, under s.48C(1), the Auditor-General has a discretion in relation to the carrying out of an efficiency audit of all or any of the operations of a public authority of the Commonwealth. That discretion clearly extends to deciding whether or not to carry out any efficiency audit in respect of the public authority and, if an efficiency audit is to be carried out, deciding which of the public authority's operations are to be subject to the audit. In my view, the discretion, in its terms, is capable also of being construed as extending to the actual carrying out of an audit that the Auditor-General has decided to undertake or has commenced to carry out. I can discern no basis in Division 2 of Part VI of the Act for an implication that the Auditor-General cannot rescind or vary his decision to carry out an audit before commencing an audit or that the Auditor-General, having commenced an audit, is under an obligation to carry out the audit wholly or partially in accordance with his original decision.

I do not consider that the obligation imposed on the Auditor-General by s.48F(1) of the Act to 'prepare and sign a report of the results of the audit' arises until the Auditor-General has directed his mind to the relevant issues. In particular, the efficiency audit must have proceeded to such a stage that it has produced 'results' which can be incorporated in a report prepared by the Auditor-General and which can be sent as a 'proposed report' under s.48F(3) of the Act. The report is required to set out reasons for opinions expressed therein (s.48F(2)(b)). Until work on an efficiency

audit has proceeded to a stage where it has produced concrete results which are adopted by the Auditor-General, I do not consider that the reporting obligation under s.48F arises. By arranging for members of his staff to commence work on an efficiency audit the Auditor-General does not 'carry out' that audit. The reporting obligation imposed by s.48F(1) only arises when the Auditor-General 'carries out' an audit, not when he commences to carry it out.

There is nothing to suggest that the document forwarded to Australia Post on 16 May 1984 was a report that the Auditor-General proposed to make. The accompanying letter made it clear that it was not a proposed report within the meaning of s.48F(3). I see no legal reason why, during the course of investigations, officers of the Auditor-General's office should not make material available for comment by the auditee.

One of the reasons given by Mr Bridgen for his decision to terminate work on the Efficiency Audit was that Mr Berthelsen's 'recommendations for "findings" would generally not be supportable because of the lack of audit evidence and because of a basic misconception about where the audit should be focussed' (minutes of evidence Vol.1, 7 August 1985 p.289). Mr C. Monaghan explained in evidence that 'I had the problem that while some of the recommendations looked as if they might be right, with a lot of them I just would not have known' (p.267). Mr J. Monaghan put it: 'There was a lack of evidence on which the then Auditor-General would have been able to form his opinion' (p.270). On the information before me, Mr Hill correctly describes the status of the document forwarded to Australia Post on 16 May 1984 in the following passage from his evidence:

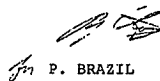
'A document of that nature has only the status which might flow to a document that has been prepared by a team leader in an audit, containing his findings, his conclusions and his recommendations. The normal processes of the Audit Office then apply to any document of that nature and there are many hundreds of such documents prepared. Some are discussed with the auditees and others simply go through the normal scrutiny and review process within the Audit Office - by that I mean examination by a branch head and by a division head - and ultimately before publication, as one of the Auditor-General's reports, by the Deputy and by the Auditor-General himself. Under the audit legislation, as I feel sure the Committee would be aware, there is only one person who can form opinions and include them in reports and that is the Auditor-General himself. So, until a document is examined by the Auditor-General, it cannot be said to have any status other than that of a normal working document within the Office.' (p.271-2).

I am aware that there were, apparently, no working papers to support Mr Berthelsen's conclusion. On that basis, as

Mr Bridgen put it in evidence 'I could not have presented the document because there was no audit evidence to support major recommendations. It was simply not an audit.' (p.302)

For the above reasons I consider that the then Auditor-General's decision in October 1984 to terminate work on the Efficiency Audit was not contrary to any obligations imposed on him under the Act.

Yours sincerely,



P. BRAZIL



PARLIAMENT HOUSE
CANBERRA, A.C.T.
TEL. 72 7455
TELEX AA61688
FAX 727689

Opinion

Re: Review of the Discontinuance of the Audit into Australia Post - Administration of Counter Services

1. Introduction

The Joint Parliamentary Committee of Public Accounts is currently conducting a 'Review of the Discontinuance of the Audit into Australia Post - Administration of Counter Services'.

The former Auditor-General, Mr K F Brigden discontinued the efficiency audit of Australia Post in November 1984 after it had gone on for 4.5 years. In evidence under oath to the Committee, (Minutes of Evidence, page 295), Mr Brigden stated,

'I took the decision because I spoke to this officer after Mr Monaghan had spoken to him and he told me that the audit would be finished within four weeks. I told him that I would give him a month and I saw him five weeks later, when he said that he merely wanted another six weeks to finish it. That was when I said: "That is the end of it. We will now put an end to it". I had discussions with the Deputy Auditor-General, with Mr Monaghan, the division head and with Mr Kimball, the Assistant Auditor-General who had at one time been the branch head responsible for this audit. I discussed it with no one else. I told them that I had decided that the audit would be discontinued. They were of the same view, that it was the only course open to me. But before I did so I contacted by telephone the responsible contact officer in the Department of the Attorney-General, who confirmed that it was entirely within my discretion as to whether or not the audit should be carried out. I merely made certain that I was entitled not to carry out the audit at this time.'

As part of the Committee's review it is seeking to ascertain the legal basis, if any, which allows an Auditor-General to discontinue an efficiency audit once commenced.

2. Documents for consideration

The following documents have been referred to me:

1. Minutes of Evidence, 7 August 1985.
2. Minutes of Evidence, 16 September 1985.

3. Minutes of Evidence, 25 November 1985.
4. Committee letter asking certain questions and the Auditor-General's three letters (and attachments) sent in reply, (one dated 1 May 1986 and two dated 2 May 1986).
5. Exhibit 25 - a minute and attachment presented in evidence by a witness, Mr D E Berthelsen. This exhibit is Exhibit 25 in Mr Berthelsen's submission to the Committee of 16 September 1985.
6. A submission of 12 February 1986 from Mr D E Berthelsen.
7. Copy of the Audit Act 1901.
8. An opinion by the Secretary of the Attorney-General's Department dated 19 May 1986.
9. Advice of Mr P Clay of the Attorney-General's Department to the Secretary of the Department of Finance dated 13 August 1985.

I have now read the relevant parts of the material supplied to me.

3. Background

The documents disclose that on 30th June 1980 the then Acting Auditor-General formally advised Australia Post that an efficiency audit would be undertaken and that it was expected that the report would be tabled in Parliament about the middle of 1981. With the full cooperation of Australia Post the investigation commenced in July 1980. Although at one stage concern was expressed by Australia Post about certain aspects of the investigation a considerable amount of work was done on the efficiency audit including extensive discussions between officers of the Auditor-General's and Australia Post.

Over the period of the audit (1980-1984) there were significant changes in the composition of the audit team including a change in leader. By May 1984 a document entitled 'Report of the Auditor-General on an Efficiency Audit - Administration of Counter Services by the Australian Postal Commission' had been prepared by the officer then involved, Mr Berthelsen, who held the position of Principal Auditor, Division E.

On the 16th May 1984 Mr C T Monaghan, then First Assistant Auditor-General of Division E, sent a copy of the document to the General Manager of Australia Post describing it as a preliminary draft report. One appendix accompanied the report while it appears that early drafts of two other appendices had also been supplied. One appendix was not supplied and it seems has never been completed.

The fact that this efficiency audit was being carried out was reported in each of the following yearly annual reports provided by the Auditor-General pursuant to Section 50. of the Audit Act 1901:

- . year ended 30 June 1982
- . year ended 30 June 1983
- . year ended 30 June 1984.

In the last mentioned report the following remarks appear:

'In addition to audits commenced during the year the efficiency audit of the Administration of Counter Services by the Australian Postal Commission is still to be completed. The audit has examined possibilities for change in many areas of counter services and a preliminary draft of this Report has been commented upon by Commission management.'

On the 4th July 1984, Australia Post by letter, commented on the draft Report, in effect querying its relevance and validity by reason of fundamental and rapid changes in the activities of Australia Post. In addition concern was expressed about the further resources that may be necessary from Australia Post to bring the matter to a speedy conclusion. It was then proposed that the time consuming liaison be discontinued.

On 6th November 1984, the Auditor-General at the time, Mr K Brigden, decided that work on this audit be discontinued. He did not give any written reason at the time but has given reasons to the Committee in a letter dated 31st July 1985 which appears at 288-289 of the Minutes of Evidence.

These reasons are there stated as follows:

- . 'The audit had been assigned to the Efficiency Audit Division several years previously.
- . The officers originally appointed to carry out the audit had long since moved on.
- . It had become clear that the officer to whom the work had been transferred would not be likely to complete the task.
- . Even if he could do so, his recommendations for 'findings' would generally not be supportable, because of the lack of audit evidence and because of a basic misconception about where the audit should be focussed.
- . As long as the officer continued to work on the audit, the Division now responsible for auditing the Communications area would be restrained in selecting audits into aspects of managerial performance in Australia Post.

Finally, it was the last of the very long-running audits that had been undertaken by the now defunct Efficiency Audit Division. I wanted the slate clean before standing aside for the incoming Auditor-General.'

This was further explained by him in his evidence to the Committee (see pages 294-297).

Notwithstanding the reference in the various Reports under Section 50., to which I have referred, to the currency of this particular Efficiency Audit Mr Brigden did not make any report on the discontinuance of the audit and the reasons therefor before he retired on 8th February 1985.

Subsequently on the 13th November 1985 Mr J V Monaghan, who had succeeded Mr Brigden as Auditor-General, transmitted to Parliament a supplementary Report pursuant to Sections 51., 51A' and 53. of the Audit Act 1901.

The following reference is made to the Efficiency Audit under consideration:

- '4.4.24 In his Report tabled in the Parliament on 4 October 1984 my predecessor stated that an efficiency audit of the Administration of Counter Services by the Australian Postal Commission was still to be completed. In November 1984 he decided that this efficiency audit should not be carried out but the material collected be used in planning other audit work in the Commission.
- 4.4.25 It had been my intention to include in my present Report an account of the circumstances relating to that decision of my predecessor.
- 4.4.26 Since then however the JCPA has commenced an inquiry into the discontinuance of the efficiency audit. I have made formal submissions to that Inquiry, and I and officers of the AAO have been examined by the Committee during its public hearings. At the time of drafting of this section of this Report the JCPA had not reported on its inquiry into the discontinuance of this efficiency audit.'

4. Questions to be Answered

I am asked to advise whether:

- (a) Mr Brigden had a discretion under the Audit Act 1901 to discontinue the efficiency audit ?
- (b) Mr Brigden failed to comply with:
 - (i) Section 48F. (1), and
 - (ii) 48G. (1) of the Audit Act 1901 ?

5. Discussion

Provisions governing efficiency audits are set out in Part VI - Division 2 of the Audit Act 1901.

Section 48C. gives the Auditor-General a discretion as to whether or not efficiency audits should be carried out and indeed at what intervals they should take place in relation to all or any of the operations -

- (a) of a Department;
- (b) of a public authority of the Commonwealth; or
- (c) of a Commonwealth organisation.

While Section 48C. (1) is silent on the question of whether an audit once commenced must be continued to a final conclusion Section 48C. sub-sections 4, 6(b) and 7 provide that certain other efficiency audits requested by the Minister shall be carried out only so long as the instrument requesting it is in force.

By its very nature an audit, whether it be of accounts or an efficiency audit, is a continuing process and therefore it could go on indefinitely unless a decision is made to limit or stop it. Once an efficiency audit commences Sections 48E., 48F., 48G. and 48H. come into operation.

By Section 48E. (1) the Auditor-General, is subject to the Act, given power to conduct the audit in such manner as he sees fit. This discretion is so wide that it would, in my view enable the Auditor-General to stop, discontinue or limit any current efficiency audit if he considered it proper or desirable to do so. An examination of Mr Brigden's evidence at page 295 of the Minutes of Evidence shows that he was somewhat confused about the nature of his discretion. He said initially that he 'decided that the audit would be discontinued'. Later he said 'I contacted by telephone the responsible contact officer in the Department of the Attorney-General, who confirmed that it was entirely within my discretion as to whether or not the audit should be carried out. I merely made certain that I was entitled not to carry out the audit at this time'. The responsible officer referred to was Mr P Clay the Advice of whom is mentioned above.

It is clear at this stage that the audit had been continuing for 4.5 years and it obviously got well beyond the exercise of a discretion as to whether or not it should be carried out. Nevertheless Mr Brigden's decision to discontinue the audit was within the discretion conferred by Section 48E. (1). It seems to me that the reasons for discontinuance given by him were valid ones.

As I have already indicated once an efficiency audit commences Section 48F. applies. Section 48F. (1) provides 'where the Auditor-General carries out an efficiency audit ...he shall prepare and sign a report of the results of the audit'. Section 48F. (2) then provides that 'a report of the results of an efficiency audit of operations of a relevant body carried out by the Auditor-General -

- (a) may include such information as he thinks desirable in relation to matters referred to in the report;
- (b) shall set out his reasons for opinions expressed in the report; and
- (c) may include any recommendations arising out of the audit that he thinks fit to make.'

Where the Auditor-General prepares a report that he proposes to make by virtue of Section 48F. (3) he is required before signing it to furnish a copy of the proposed report to the body of the subject of the report for any comments that that body desires to make.

Section 48F. (5) makes provision for a restricted report in certain specified situations.

Section 48G. (1) requires that the Auditor-General shall, 'as soon as practicable after 30 June in each year, prepare a general report concerning the efficiency audits of operations of relevant bodies carried out by him during the year ended on that date, together with particulars of the costs incurred by him in the carrying out of those audits and the benefits that have, in his opinion, been derived from the carrying out of those audits'.

Section 48H. makes provision for the charging of Audit fees 'where the Auditor-General carries out an efficiency audit of operations of a relevant body.'

Both the opinions of Mr Clay dated 13th August 1985 and that of Mr Brazil the Secretary of the Attorney-General's Department dated 19th May 1986 have based their opinion on the proposition that discretion is given to the Auditor-General to discontinue the audit under Section 48C. which provides the discretion as to whether or not an audit should be carried out.

In addition they contend in effect that for Section 48F. to apply the audit must have been completed at least in part or produced a meaningful result which is capable of being the subject of a report giving rise to recommendations. Furthermore it is suggested that the obligation to report does not arise until the Auditor-General has directed his mind to the relevant issues.

I disagree with these views. The plain meaning of the words in the section do not warrant such interpretations. The clear intention of the Act is that where an efficiency audit is in existence there should be a report thereon.

CONDUCT OF THE INQUIRY

These opinions also overlook the fact that the discretion to carry out the audit was exercised in 1980. Furthermore in view of the inclusion of a reference to the currency of the audit in each of the following annual reports under Section 50. of the Audit Act it is difficult to see how he retained any discretion under that Section 'not to carry it out'.

However, as I have already said Mr Brigden had a discretion to discontinue the audit under Section 48E. (1). Thus the question as to whether the discretion is provided in Section 48C. (1) or 48E. (1) would be of no importance except for the existence of Sections 48F., 48G. and 48H.

The requirement of Section 48F. (1) that the Auditor-General shall report the results of the audit do in my view not mean that the audit must have some final and definite result. The word 'result' in my view is used as the equivalent of 'outcome'. In the Macquarie Dictionary the following reference is made to the meaning of 'result' -

'that which results; the outcome, consequence, or effect.'

The fact that a preliminary draft report existed, even though it did not purport to be a proposed report pursuant to section 48F. (3), indicates that the audit had reached a stage where some report on the outcome with reasons was possible.

In any event if an audit is discontinued that is a 'result' within the meaning of that Section and should be the subject of a report. In addition there should be a report thereon in the Annual Report as provided by Section 48G. Finally in appropriate cases fees could be charged pursuant to Section 48H.

In dealing with the question of reporting it is obvious that a report has been made annually on the currency of and the discontinuance of the audit although the reasons for discontinuance have not yet been formally given to Parliament.

6. Conclusion

My answers to the questions asked in paragraph 4 above (Questions to be Answered) are therefore as follows:

- (a) Yes, under Section 48E. (1) of the Audit Act 1901.
- (b) (i) Yes.
- (ii) No, but the report on the discontinuance is not complete as the supplementary report in respect of 1984-1985, referred to above, indicates.

Paul H Toose
Hon Mr Justice P B Toose, C.B.E.
Legal Adviser 184
21 May 1986

Introduction

On 20 June 1985 the Chairman of the Joint Parliamentary Committee of Public Accounts announced that the Committee had decided to review the circumstances surrounding the alleged suppression of the efficiency audit of Australia Post's administration of counter services.

Hearings

Hearings for the Inquiry were held in Parliament House, Canberra.

A public hearing was held on 7 August 1985. The following witnesses appeared before the Committee:

Australian Audit Office

Mr J V Monaghan, Auditor-General

Mr D J Hill, Deputy Auditor-General

Mr C T Monaghan,
First Assistant Auditor-General, Division A

Mr P L Lidbetter,
First Assistant Auditor-General, Division B

Mr D S Lennie,
Assistant Auditor-General, Division B

Ms J K Thomson, Director
Home Affairs and Environment, Division B

Mr K F Brigden, former Auditor-General

Australian Postal Commission

Mr D G McQuitty, Chief General Manager

Ms J M Spiller, General Manager, Operations

Mr K L Williams, Manager, Policy and Planning

A public hearing was held on 16 September 1985. Mr J C M Jones, an unattached officer, Senior Executive Service and former Head of the Efficiency Audit Division, Australian Audit Office, appeared as a witness. Mr D E Berthelsen, Director, Technical Audit, Australian Audit Office appeared as a witness.

A public hearing was held on 25 November 1985. Mr D E Berthelsen, Director, Technical Audit, Australian Audit Office reappeared as a witness. An in-camera hearing was also held on 25 November 1985.

Submissions were received from all witnesses. The majority of submissions and documents received (see Appendix B for list) are available either in the Minutes of Evidence or from Committee files.

Legal Adviser

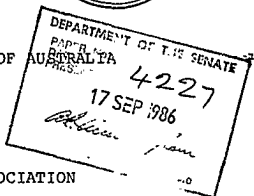
Hon Mr Justice P B Toose, CBE

Observers

Australian Audit Office:	Mr P L Lidbetter Mr D S Lennie Ms J K Thomson
Department of Finance:	Mr C J Louttit
Public Service Board:	Ms C Keens Ms A Roberts



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA



COMMONWEALTH PARLIAMENTARY ASSOCIATION

THIRTY-FIRST COMMONWEALTH PARLIAMENTARY CONFERENCE

SASKATCHEWAN

OCTOBER 1985

Report of the Commonwealth of
Australia Branch Delegation



COMMONWEALTH PARLIAMENTARY ASSOCIATION
Commonwealth of Australia Branch

SASKATCHEWAN
OCTOBER 1985

Report of the
Commonwealth of Australia
Branch Delegation