

**Response to Report 240
Report of the
Auditor-General —
March 1984**

Report

273

Joint Committee of
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 273

RESPONSE TO REPORT 240 - REPORT OF THE AUDITOR-GENERAL
MARCH 1984

(DEPARTMENT OF FINANCE MINUTE ON THE COMMITTEE'S 240TH REPORT)

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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.

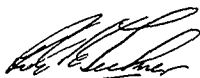
PREFACE

Since 1952 formal procedures have been in operation to ensure that appropriate action is taken in response to each of the Committee's reports.¹ These procedures involve the preparation of a response, known as a Department of Finance Minute, as follows:

1. The Committee's report is tabled in the Senate and the House of Representatives.
2. The Committee's Chairman then forwards a copy of the report to the responsible Minister and to the Minister for Finance with a request that the report be considered and the Chairman subsequently informed of action taken and planned to address the Committee's recommendations.
3. The reply, in the form of a Department of Finance Minute, is then examined by the Committee and submitted, with comment if necessary, as soon as possible as a report to the Parliament.

In accordance with the procedures outlined above, this report documents the Department of Finance Minute which was submitted in response to the Committee's 240th Report.

For and on behalf of the Committee.



R E Tickner, MP
Chairman



M J Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
Canberra
6 May 1987

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1. Formal responses to the Committee's reports are not prepared in the case of discussion papers, handbooks and the Committee's annual report.

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CHAPTER 1

INTRODUCTION AND COMMITTEE COMMENT

1.1 The Committee's 240th Report, which examined the Report of the Auditor-General for March 1984, was tabled in the Parliament on 28 November 1985.

1.2 That report contained the results of the Committee's inquiry following audits into matters affecting several departments and statutory authorities. These were the Departments of Communications, Defence, Defence Support, Employment and Industrial Relations, Finance, Foreign Affairs, Health, Housing and Construction, Immigration and Ethnic Affairs, Social Security, the Treasury and Veterans' Affairs, as well as the Australian Broadcasting Corporation, the Australian National Railways Commission and the Australian Telecommunications Commission.

1.3 Some of the Committee's conclusions and recommendations of Report 240 are included in the Department of Finance Minute, which is printed as Chapter 2. The Department of Finance has not addressed matters concerning the Departments of Defence and Defence Support, as these were dealt with separately in the Committee's 243rd Report, or the Department of the Treasury, as the Committee did not require a response from this Department.

1.4 Generally, the Committee is satisfied with the undertakings offered by Departments in the Department of Finance Minute.

1.5 Nineteen issues were dealt with in Report 240. The five most significant were:

- . unemployment benefit administration arrangements between the Department of Social Security (DSS) and the Commonwealth Employment Service (CES);
- . management of computing systems in the Department of Finance;
- . the National Biological Standards Laboratory (NBSL);
- . the Adult Migrant Education Program (AMEP); and
- . Telephone Rental Concessions to Pensioners.

1.6 The Committee identified significant weaknesses in the administrative arrangements between DSS and the CES, and in the associated procedures and controls in operation at the CES. The Committee is pleased that in response DSS has introduced a new unemployment benefit selective review system which has taken into account the results of trials of CES/DSS liaison arrangements.

The Committee will monitor the effectiveness of the system through the report on its operation promised by the Department. However, the Committee is concerned that the CES resumed its longstanding procedures without providing details in its response of how the weaknesses identified in the Committee's report would be considered and dealt with in future. The Committee notes that this issue has again been raised in the Report of the Auditor-General for March 1986. The Committee will give further consideration to this matter in its review of that report.

1.7 The Committee found certain control weaknesses in relation to the Treasury Remote Input/Output System (TRIO) and the Centralised System for Reconciliation of Drawing Accounts (RECO) in the Department of Finance. The Committee is satisfied with the Department's response outlining progress in the development of the system to replace TRIO. It is pleased that the Department has incorporated Audit's suggestions on screen formats, error displays and keyboard layouts in the replacement system. However, the Committee notes that the planned review of RECO has not yet taken place due to insufficient resources. The Committee expects to be advised of the outcome of the review when it is completed.

1.8 The Committee considered that inadequate and insufficient resources prevented the NBSL from carrying out its functions effectively, and saw the need for appropriate legislative or policy changes to be implemented. The Committee notes that in response the Department of Health has taken steps to secure improved accommodation for the NBSL, establish national registers for pharmaceutical products and therapeutic devices, establish an Advisory Committee on testing programs, and appoint additional staff for inspections of companies manufacturing pharmaceuticals in Australia. However, the Committee is so concerned that insufficient and inadequate resources continue to prevent the NBSL from carrying out its functions effectively that it has decided to embark upon a public inquiry into the National Biological Standards Laboratory, particularly in relation to its ability to carry out its responsibilities.

1.9 A number of deficiencies were identified by the Committee in the administration of AMEP by the Department of Immigration and Ethnic Affairs. The Committee is pleased to note that the Department has taken steps to implement a number of the recommendations arising out of the major review of AMEP. It expects to be advised of progress in the implementation of the outstanding recommendations. However, the Committee is very concerned that a formal agreement between the State of Queensland and the Commonwealth has still not been signed, and that regulations for payment of living allowances remain to be finalised, despite indicating the urgency of the matter in Report 240.

1.10 In its report, the Committee expressed concern that the matter of telephone rental concessions to pensioners, which has been raised in many reports of the Auditor-General, remained unresolved. The Committee is satisfied, at this stage, with the

discount voucher system currently being introduced, but recognises that this system needs to be tested in practice, and is aware of concerns expressed by representative organisations.

CHAPTER 2

DEPARTMENT OF FINANCE MINUTE

2.1 This Minute has been prepared on the basis of responses received from the Departments of Communications, Defence, Employment and Industrial Relations, Finance, Health, Housing and Construction, Immigration and Ethnic Affairs, Social Security and Veterans' Affairs, as well as from the Australian Development Assistance Bureau, the Australian Broadcasting Corporation, the Australian National Railways Commission and the Australian Telecommunications Commission.

2.2 In this chapter each of the Committee's conclusions is reproduced in turn and is followed by the response.

Department of Defence

Major Exercises and Manufacture of Munitions

2.3 These matters have been addressed in detail in the Committee's 243rd Report and the Finance Minute to that Report has provided the necessary responses.

Department of Employment and Industrial Relations

Unemployment Benefit Administration

Conclusion (paragraphs 3.20 and 3.21 of Report 240)

The Committee is very concerned that weaknesses in the administrative arrangements between the Department of Social Security (DSS) and the Commonwealth Employment Service (CES) and in the associated procedures and controls in operation at CES were found by Audit.

The Committee endorses the establishment of the DSS/CES review group and the introduction of revised liaison arrangements between CES and DSS. The Committee expects to be advised of progress in the response to this Report.

Response

2.4 The Department of Employment and Industrial Relations (DEIR) commenced evaluation of the revised trial procedures for unemployment benefit administration in June 1985 and DSS became jointly involved in July.

2.5 The major difficulties identified by the trial procedures were the fundamental administrative differences between the two agencies. For the CES' purposes, failure to reply to correspondence results in a jobseeker's application for employment assistance lapsing. On the other hand, DSS require more definitive proof that a person is no longer entitled to receive or no longer requires Unemployment Benefit assistance; the re-registration cycle is set in train in this instance.

2.6 Similarly, a significant proportion of the information forwarded to DSS by CES related to people who had not lodged a claim for Unemployment Benefit with DSS. DEIR consider that whilst a long term answer is computerisation of respective registers/records, in the short term there is no acceptable clerical solution given the quite different administrative requirements of the two agencies. The CES therefore resumed its long standing procedures on 2 December 1985 until the matters were further considered.

Department of Social Security

2.7 The results of the trials of CES/DSS liaison arrangements were taken into account in the development of a comprehensive unemployment benefit selective review system by the Department of Social Security. The liaison arrangements themselves were further developed through the introduction in the 1986 Budget of a legislative requirement that unemployment beneficiaries be registered with the CES.

2.8 The Budget also saw the introduction of a requirement for personal lodgement of Unemployment Benefit Continuation forms as a further measure designed to ensure that recipients of unemployment benefits are both genuinely unemployed and genuinely available for work.

2.9 In relation to reviews, the Department of Social Security adopted a concept of reviewing selectively in order to make more efficient and effective use of the Department's resources. In the early stages of its development, the process focussed only on cases chosen by Central Office and it gradually became apparent that the arrangements were not working as intended. Steps were taken to re-develop the package and a new version was implemented in all States and both Territories.

2.10 The new arrangements recognise that the concept of reviewing selectively should accommodate all reviews which are undertaken regardless of why, how and by whom they were chosen. This will enable the results to be analysed and the characteristics identified of those groups of clients with a higher than average risk of incorrect payment. These types of cases can then be targetted more accurately on the master-file through a process of risk analysis.

2.11 The new selective review system was introduced in late September 1986 and it is therefore too early to measure the effectiveness of this approach. A comprehensive report will be prepared within the first six months of 1987 and will be made available to the Committee.

Department of Employment and Industrial Relations

Public Sector Training - Salary Payments

Conclusion (paragraph 3.34 of Report 240)

The Committee notes the initiatives which have been taken to reduce the incidence of overpayments. The Committee does not accept that any overpayment of Commonwealth funds is merely a matter of miscoding. All cases detected must be investigated and recovery action instituted. The incidence of the incorrect use of DEIR appropriation codes must be lessened by the further development of appropriate controls and training of staff, including supervisory staff. The Committee regards these elements as essential ingredients of any program involving the transfer of funds. The Committee will continue to monitor this item in subsequent Auditor-General's Reports and in the response to this Report.

Response

2.12 DEIR has been successfully identifying overpayments for over two years by means of printouts produced every two months by the Department of Finance. Action is then taken to recover these amounts.

2.13 Another DEIR initiative has been the preparation of a new form which, based on the advice of the Australian Government Solicitor, formalises the arrangements between the CES and participating Departments. This form was introduced on 1 December 1985 to coincide with the introduction of a new integrated wage subsidy program - JOBSTART. The form sets out:

- . the objectives of the program;
- . the amount of subsidy which may be claimed;
- . the types of payments which may not be claimed, for example, overtime payments;
- . the responsibilities of participating Departments including:
 - the need to appoint a supervisor for the period of the subsidised placement;

- the need to provide the supervisor with a copy of the form;

payment arrangements including:

- the need to use the DEIR charge code;
- the need to ensure payments do not extend beyond the subsidy period; and
- the need to obtain and check the Department of Finance printouts to ensure that only legitimate payments are charged.

2.14 This form, which includes a schedule setting out the particulars of each placement, is sent to the appropriate Departments. Since the introduction of the form in January 1986, there has been a discernible improvement in control with overpayments reduced in both number and amount. The overpayments are also being corrected more quickly and are not being repeated as often. In addition, the training of staff has been enhanced by the inclusion in the Public Service Board's pay clerk's course of the correct payment arrangements for Commonwealth Work Experience Program participants.

Department of Finance

Treasury Remote Input/Output System

Centralised System for Reconciliation of Drawing Accounts

Conclusion (paragraph 4.9 of Report 240)

The Committee notes the action taken in response to the comments made by the Auditor-General in relation to both of these items. The Committee's Sectional Committee on Automatic Data Processing will be maintaining an interest in the management of the computing systems in the Department of Finance.

Response

2.15 Development of the system which will replace the Treasury Remote Input/Output System (TRIO) on the Department of Finance's re-equipped network has now been completed. Implementation in the department's Regional Offices is well under way and is expected to be completed during the early part of the 1987/88 financial year. The Australian Audit Office's suggestions dealing with VDU screen formats, error displays and keyboard layouts have been incorporated in the replacement system.

2.16 Data files passed between the department's Central and Regional Offices will be encrypted by the replacement system. The question of whether other data transmitted via the network requires encryption will be examined after implementation of the replacement system.

2.17 The planned review of a Centralised System for Reconciliation of Drawing Accounts (RECO) has not yet taken place due to the Department's commitment of resources to other high priority tasks such as the development of a TRIO replacement system and the provision of facilities for Budget Management, Program Budgeting, Human Resource Budgeting and Financial Management Improvement. It is intended that the review will be undertaken when staff resources become available upon completion of these tasks and it will give consideration to the Audit Office's comments regarding system controls. The review of documentation is now complete.

Department of Foreign Affairs
Australian Development Assistance Bureau (ADAB) - Emergency
Humanitarian Assistance and Disaster Relief

Conclusion (paragraph 5.5 of Report 240)

The Committee notes the report of the Aid Review Committee, ADAB's in-principle agreement with the suggested introduction of guidelines and procedures and the action now being undertaken. The Committee expects to be informed of the development of policy in this field and advised of the consequent guidelines and procedures.

Response

2.18 Consistent with the findings of the Aid Review Committee, ADAB has been reorganised to include the creation of a section dealing with Refugees and Disaster Co-ordination. It is entirely separate from the section handling liaison with Non-Government Organisations and will address both policy and procedural issues when its full complement of staff is acquired. Meanwhile the section has been able to maintain the previous practice of close Ministerial involvement with few decisions made under delegation.

2.19 This process has helped the Section establish some practical guidelines over the years, whilst encouraging a high level of Ministerial consultation on unforeseen and unusual events that may elicit an exceptional response. Recent examples include the decision to provide \$2 million towards the cost of reconstruction after a volcanic eruption in Columbia and the provision of a refurbished Hercules aircraft to support relief programs of the International Committee of the Red Cross in the Horn of Africa.

2.20 This section is also currently negotiating a revised framework of support for the program of the Australian Overseas Disaster Relief Organisation and has reviewed its working relations with the Natural Disasters Organisation.

These reviews have highlighted new elements in the work of the section, which will be codified in the guidelines to be developed.

2.21 ADAB believe that because of their nature, disasters themselves are rarely amenable to being handled entirely by means of such guidelines, but there are many other aspects of the work of the new section that are. In particular, the criteria for distinguishing between funding of preventative, preparatory, relief and rehabilitation activities will be addressed as well as the question of what the most appropriate response mechanisms are, for example, multilateral or bilateral, governmental or non-governmental.

2.22 The first draft of guidelines is expected to be submitted to the Minister for Foreign Affairs early in the second half of 1987, and ADAB have resolved to keep the Committee informed of progress.

ADAB - Desiccated Coconut Factory, Tonga

Conclusion (paragraph 5.13 of Report 240)

The Committee concludes that most of the unsatisfactory matters referred to by Audit have been addressed. Some responsibility for the failure of the factory must be borne by the consultants whom the Bureau engaged to design a factory that would achieve the desired level of output, and to supervise its construction. The consultants did not adhere to the original specifications and some of the modifications implemented only exacerbated problem areas.

Response

2.23 The Bureau has established a Pacific Regional Team of technically competent personnel to monitor the provision of Australian aid to the region. The Bureau has also revised its procedures in the context of the Bilateral Programs Operations Manual in relation to feasibility studies, project approval practice and cost-benefit analysis.

2.24 The Minister for Finance and the Treasurer have agreed to procedures for consultation between ADAB and their Departments on the economic aspects of large aid projects. Procedures have also been introduced to ensure closer monitoring of expenditure against financial limitations on contracts. The Bureau is continuing efforts to improve its performance in the area of control systems for the administration of projects.

2.25 With regard to the reference to the consultants engaged by the Bureau, at the direction of the Minister for Foreign Affairs, their role is being examined closely.

Department of Health
National Biological Standards Laboratory (NBSL)

Conclusion (paragraph 6.50 of Report 240)

The Committee notes that the Commonwealth Department of Health has taken action in relation to the matters raised in the Auditor-General's report. The Committee is very concerned that NBSL's facilities are so inadequate, below standard and scattered that it cannot carry out its functions effectively. The Committee concludes that the appropriate legislative or policy changes need to be implemented and, at the same time, the lack of resources needs to be addressed urgently. The Committee will be monitoring this situation closely.

Response

2.26 The Department of Health has been aware of the need to provide more appropriate accommodation for the NBSL since the establishment of the laboratories in 1958.

2.27 In 1979 the Parliamentary Works Committee approved the detailed design and construction of an integrated laboratory/administrative complex at Symonston, ACT. The Ross Committee of Inquiry into Commonwealth Laboratories accepted the need to provide more appropriate accommodation but questioned the magnitude of the proposed complex. In 1984 the Government deferred construction of the proposed building pending a review; a 1985 Government decision required the Minister for Health to report on possible alternative arrangements for NBSL.

2.28 The Government has subsequently considered a range of options proposed by the Minister for Health in collaboration with the Department of Housing and Construction and approved expenditure for the design of an integrated laboratory/administrative complex at Symonston, ACT in 1987/88. The funds involved had already been secured by the Minister in anticipation of Government approval in principle to the development of the proposal.

2.29 The Department of Health has also acknowledged the need to implement legislative or policy changes in various areas. These are:

Establishment of the National Product Register

- Pharmaceuticals: Information which was provided by the 60 major manufacturers of prescription products regarding approximately 4,000 products has been entered into a National Product Register. The Department now considers that the initial estimate

of 12,000-14,000 products for entry into the Register was too conservative and that a figure of 20,000 items would appear to be a more realistic estimate.

- Additional resources have been provided through the establishment of three temporary Science 2 level positions to assist with the review of data and establishment of the Register.
- Therapeutic Devices: A survey conducted by the Department revealed that there were at least 700 companies/individuals engaged in the importation of medical devices in Australia. Details of approximately 14,000 items provided by the companies have been entered into a Register established using computer software purchased from the Emergency Care Research Institute. The resources allocated to the establishment of the Register included departmental staff and consultants to input the data.

2.30 The Department of Health's Therapeutics Division is currently reviewing the provisions of the Therapeutic Goods Act and the Customs (Prohibited Imports) Regulations with a view to providing a legislative basis for a uniform approach to the licensing of manufacturers and registration of therapeutic goods. Proposals in accordance with these objectives have been referred by the Australian Health Services Council to SCOHM/National Therapeutic Goods Committee for detailed consideration.

2.31 The promulgation of revised legislation will facilitate the establishment of a uniform approach to ensure that quality, safety and efficacy of therapeutic goods are available in Australia. It will also assist the Commonwealth in establishing bilateral or multilateral agreements with other countries in regard to good manufacturing practices followed by manufacturers of imported goods.

2.32 New South Wales is presently the only State where the Government has enacted comprehensive legislation in relation to therapeutic goods. The proposed Therapeutic Goods and Cosmetics Act developed by the Victorian State Government was referred to its Social Development Committee which accepted the need for such legislation in an amended form to facilitate registration of therapeutic goods.

2.33 The introduction of program budgeting and the concepts of the management improvement program by the Department of Health together with comments of the Ross Committee have directed attention to the testing programs conducted by NBSL. In accordance with the general recommendations of the

Ross Committee, an Advisory Committee is being established to develop a statement of objectives and operational guidelines. The recommendations of the Advisory Committee will influence the testing program conducted by the laboratory. The laboratory is currently reviewing the components of the sampling program including the frequency of analysis of therapeutic goods and level of testing of veterinary products containing antibiotics.

2.34 Two additional Good Manufacturing Practice (GMP) inspectors have been recruited to allow for the conduct of more frequent inspections of manufacturers of therapeutic goods and to provide for more comprehensive advice in relation to remedial action undertaken by manufacturers.

2.35 When providing comprehensive advice in relation to remedial action undertaken by manufacturers, the Department of Health has noted that the GMP inspectors frequently call upon the advice and assistance of experts in the relevant discipline from various sections of the NBSL. However difficulties have been experienced in obtaining the services of a further suitably qualified person to fill a vacant position in the GMP Inspection Unit.

2.36 Some action has been taken by the Department of Health to improve the lack of appropriate resources available, including the establishment of additional positions to assist with the control of quality, safety and efficacy of medical devices, temporary staffing to assist in the establishment of the product register and formation of an executive unit to assist with the implementation of program budgeting and introduction of concepts of improved management.

2.37 Resources are still needed to facilitate a review of the present legislation, to develop proposals for uniform legislation, to conduct more frequent inspections of manufacturing premises and to conduct more comprehensive analytical surveillance programs.

Department of Housing and Construction
Departmental Accounting and Information System and Central
Office ADP Environment Controls

Conclusion (paragraph 7.14 of Report 240)

The Committee was concerned that the inadequacies in the overall arrangements for the development and implementation of the Departmental Accounting and Information System (DAIS) have not been remedied. The Committee has therefore referred this item to its Sectional Committee on ADP matters for further consideration.

Response

2.38 The Department of Housing and Construction has taken action to resolve outstanding issues and inadequacies in both the overall arrangements for the development and implementation of DAIS and in the control environment for computer processing.

2.39 A Task Force has been established to complete the implementation of DAIS and to remedy the identified deficiencies. It reports directly to a high level Steering Committee chaired by a Deputy Secretary with the following terms of reference:

- . Check and report upon the progress to date in rectifying the outstanding deficiencies in DAIS and in the ADP environment that were identified by the Auditor-General.
- . Report upon any shortcomings and problems in the way that DAIS is managed and operated as a Departmental network.
- . Report upon facilities required in order to implement the Government's recent initiatives in the area of Budget reform and improved financial management.
- . Recommend to the Steering Committee a plan of action for expeditiously implementing within the relevant Central Office Divisions and within Regions the requirements identified above.
- . Report to the Steering Committee on progress in implementing the approved plan of action.

2.40 The Task Force has estimated that it would take 30 person years to deal with all of the identified deficiencies, even on a priority basis. The Australian Audit Office has been formally advised that some 14 of these 44 tasks were not considered as essential to the integrity of the system.

2.41 The Audit Office has indicated satisfaction with the action proposed but it will be assessing this remedial action in future audits. The Department has provided the Audit Office with a copy of its detailed plan for addressing the tasks and is now providing progress reports against the plan.

2.42 The remedial action already completed by the Department includes:

- . Revised system modification controls have been implemented with the introduction of the proprietary package PANEXEC for program library control and security.

- . A review of outstanding requests for system support has been completed and corrections implemented progressively.
- . Backup and contingency planning has been documented, tested and has proven successful.
- . A revised DAIS Operations Manual has been issued. This includes the End of Financial Year processes which have been fully tested and successfully implemented over the past 3 years.
- . Additional sections of the DAIS User Manual have been issued, processes tightened, and procedures fully documented.
- . A review has been undertaken of all DAIS reports.
- . Training has been undertaken within user areas based on documentation provided by the system developers.
- . To the maximum extent possible user areas have been involved in all areas of system specification, testing, and acceptance to widen the overall knowledge of system functions within the Department.
- . Standards for documentation, content and format have been issued to ensure uniformity of approach.

2.43 Significant improvements have been made in the overall control of the ADP environment. These include:

- . Management issues have been actively addressed and procedures and work plans developed where necessary.
- . The role and responsibilities of the data base area have been organisationally decided and action instituted to rectify the shortcomings identified.
- . Procedures have been developed to set up a formal skills registers and training plans for ADP staff.
- . Controls over program release procedures have been introduced.
- . Improved tape handling and maintenance controls have been instituted.
- . A methodology covering systems development has been formally adopted.

Department of Immigration and Ethnic Affairs
Adult Migrant Education Program (AMEP)

Conclusion (paragraphs 8.11, 8.12 and 8.13 of Report 240)

The Committee's Report 233, tabled in May 1985, noted that the Department had advised the Committee that a major review of the Adult Migrant Education Program had commenced on 11 March 1985 and is expected to report in November 1985. The terms of reference for the review are provided in Appendix B to this report. The report is expected in November 1985. The Committee expects to be informed of the results of the review in the response to this Report.

The Committee is concerned that the formal agreements on the Adult Migrant Education Program with all States and the Northern Territory have still not been concluded more than two years after the Minister sought formal agreement. One State still has to accept the agreement.

The Committee sees the finalisation of regulations for the payment of allowances as being necessary and urgent.

Response

2.44 The Review Committee of the AMEP reported to the Minister for Immigration and Ethnic Affairs in November 1985. The report was formally released by the Minister on 12 February 1986 for consideration by interested community groups.

2.45 The Review Committee saw the current aim of the AMEP as assisting those Non-English Speaking Background permanent residents, who so desire, to acquire levels of proficiency in the English language and such settlement information as will enable them to enter mainstreams of their choices, and thereby attain access to the benefits of living in Australia, equality of opportunity with English Speaking Background persons and, eventually, the fulfillment of potentials as individuals and citizens.

2.46 The Review Committee made 16 recommendations which are designed to consolidate and improve the quality of services provided by the AMEP, rather than an expansion of those services. The Department of Immigration and Ethnic Affairs has made considerable inroads into implementing the recommendations of the Review Committee. Many of the recommendations have been examined and subsequently implemented without any financial implications whilst for other recommendations funds have either been provided in the 1986/87 financial year or are dependent on the outcome of budget negotiations for the 1987/88 financial year.

2.47 The recommendations, and progress made by the Department on each recommendation, are as follows:

- (1) That the dissemination of settlement information be no longer a responsibility of the AMEP.
 - This recommendation has been implemented.
- (2) That existing constraints which prevent the AMEP from providing general courses in English language beyond Australian Second Language Proficiency Rating Level 3 be removed.
 - This recommendation will be put to the Government for consideration.
- (3) That the Terms of Reference of the Joint Commonwealth - States Committee be reviewed to emphasise its policy framing function.
 - This recommendation has been reviewed and a policy role has been agreed.
- (4) That a nationally co-ordinated management development program be evolved and implemented.
 - This recommendation has not yet been implemented.
- (5)
 - (a) That a National Tripartite Advisory Panel be established to advise on policy guidelines, implementation strategies and resource implications relating to the English-in-the-Workplace (EWP) program;
 - (b) that EWP provisions be incorporated into Federal industrial awards and agreements; and
 - (c) that resource allocations for EWP be provided in current Commonwealth and State Equal Employment Opportunity programs and in Labour Market training initiatives.
 - An alternative means of implementing this recommendation has been devised without any additional cost, namely that the Committee on the Multicultural Workforce of the National Labour Consultative Council will act as the advisory panel rather than establishing a new one. The Committee has not yet considered the other elements of this recommendation.
- (6) That the development of an appropriate funding model be addressed as a matter of urgency, and that allocations be made on the basis of calendar, not financial, years.

- Discussions on an appropriate funding model have begun with the States as have discussions with the Department of Finance on calendar funding.
- (7) That a Curriculum Task Force be set up with a brief to:
- (a) help in establishing a sound theoretical foundation for a communicative - curriculum model, and;
 - (b) clarify and make suggestions about the practical aspects of implementing such a model within the AMEP.
- \$50,000 was provided in the 1986/87 financial year to set up a Curriculum Task Force and negotiations are currently proceeding for more funds for the 1987/88 financial year.
- (8) That steps be taken to ensure that as many teachers as possible in the AMEP have undergone an appropriate specialist PG1 course, and that opportunities are available for studies at the higher-degree levels of masterate and doctorate.
- Discussions have commenced with the Commonwealth Tertiary Education Commission on appropriate courses.
- (9) That at an appropriate stage (ie when the Curriculum Task Force has been in operation for at least a year), specialist in-service provisions be extended.
- This recommendation is required to await the outcome of Recommendation 7 and is dependent on the outcome of budget negotiations for funds for the 1987/88 financial year.
- (10) That, by 1990, a total of 100 curriculum advisers, drawn mainly from the existing staff of the AMEP and appropriately trained (either in association with the NCRC or through higher-degree courses), be deployed.
- The outcome of Recommendation 7 needs to be awaited and the implementation is also dependent on the outcome of budget negotiations for funds for the 1987/88 financial year.
- (11) That an additional 10 full-time counsellors be deployed within the AMEP.
- \$150,000 was provided in the 1986/87 financial year towards the implementation of this recommendation and budget negotiations are currently proceeding towards the provision of funds for the 1987/88 financial year.

- (12) That, over a three-year period, 50 Effective Full Time bilingual assistants be recruited, trained and employed.
- \$50,000 was provided in the 1986/87 financial year towards the implementation of this recommendation and budget negotiations are currently proceeding towards the provision of funds for the 1987/88 financial year.
- (13) That a strong effort be made to attract into the AMEP Non-English Speaking Background teachers qualified in English as a Second Language who have native-like proficiency in appropriate Non-English languages, as well as in English.
- The States, being the employers, need to implement this recommendation.
- (14) That funds be made available to enable 85 percent of teaching hours to be undertaken by teachers with permanent status.
- No action has been taken to implement this recommendation at the present time.
- (15) That a key teaching and research centre concerned with English as a second language be established within an institution of higher education.
- Discussions have taken place with the Commonwealth Tertiary Education Commission and budget negotiations are currently proceeding towards the provision of funds for the 1987/88 financial year.
- (16) That a national study be undertaken as soon as possible to develop priorities for access to the AMEP on an equitable basis.
- The Department is currently in the process of designing a research project which will assist in the implementation of this recommendation.

2.48 In regard to Formal Agreements with the States, Queensland remains the only State with which a formal agreement with the Commonwealth has not been signed. Negotiations are continuing at officer level.

2.49 The Department is developing living allowance Regulations in conjunction with the Attorney-General's Department and only some outstanding details remain to be finalised.

Department of Social Security
Unemployment, Sickness and Special Benefits

Conclusion (paragraph 9.21 of Report 240)

The introduction of a new Proof of Identity (POI) guidelines was noted in the Committee's 232nd and 233rd Reports tabled in May 1985. As stated then the Committee is most concerned that beneficiaries are properly identified prior to becoming entitled to, or receiving, benefits. The Committee is pleased to note that early indications are that the system is efficient and effective in meeting its objectives of deterring fraud while improving the source provided to genuine needy clients and that it is reducing client/staff tension during the POI procedure.

Response

2.50 On 1 December 1986, the Department of Social Security implemented a set of enhancements to the procedures it follows in establishing Proof of Identity (POI). A major objective of the enhancements is to provide staff with a clear understanding of the importance of POI and the reasons for the approach that the Department follows.

2.51 The POI package also categorises the types of documents which the Department considers as being acceptable for POI purposes and provides guidelines as to the combinations of documents which may be accepted as establishing POI. The Department of Social Security considers that these enhancements will consolidate the improvements made in the POI process.

Conclusion (paragraph 9.22 of Report 240)

The Committee notes that revised arrangements for the review of Unemployment Benefit recipients have been on trial and DSS is currently assessing the results of those trials. The Committee wishes to be informed of the results of the trials and of any subsequent decisions to be made on the national application of the liaison arrangements.

Response

2.52 See paragraphs 3.7 to 3.11.

Recovery of Overpayments

Conclusion (paragraph 9.26 of Report 240)

This issue has been raised by the Auditor-General in a number of recent reports. The Committee co-ordinated its comments on the matter in Chapter 9

of its 232nd Report. The submission provided by the Department on the matters discussed above was considered in preparing the Committee's recommendations on 'Recovery of Overpayments' published in that Report.

Response

2.53 The Minister for Social Security recently wrote to the Chairman of the Committee giving details of action his Department has taken to develop an integrated approach to the prevention, detection, investigation, calculation, raising and recovery of overpayments. This approach is known as the Overpayment National Action Plan.

2.54 The specific development and implementation work set out in the Plan is currently underway and is being aimed at, inter alia, addressing the deficiencies identified by the Committee and the Auditor-General. The Minister for Social Security has also given an undertaking to the Chairman of the Committee to provide regular updates on progress being made with the implementation of the Plan.

Department of Veterans' Affairs Cheque Production and Distribution

Conclusion (paragraphs 11.14, 11.15 and 11.16 of Report 240)

The Committee notes that the Department is supporting a more gradual evaluation and introduction of the new data base technology. The Committee also notes the progressive implementation of improvements to overcome deficiencies in the existing pensions processing (APAA) system.

The Committee will continue to monitor this item and has referred it to the Committee's Sectional Committee on ADP matters for further examination.

The Committee's Report 232 strongly recommended that the direct credit method of payment be the principal means of payment of all benefits with only exceptional cases being paid by other means. The Committee notes that the Department is implementing the direct credit as its prime mode of benefit payment and would like to be advised of the Department's progress in this direction.

Response

2.55 Action has been taken by the Department of Veterans' Affairs in relation to the two organisational aspects of cheque production and distribution with which the Committee

was concerned. These relate to the implementation of the All Pensions and Allowances (APAA) project and the lack of a long term disaster plan for the National Computer Centre.

2.56 Backup and recovery facilities at the National Computer Centre were significantly upgraded by major equipment acquisitions in the 1985/86 financial year. The physical security of the Centre was extended in the 1984/85 year with the provision of access controls to the computer room complex. Control over program changes have been strengthened and now only designated officers can authorise changes to specific systems. A priority setting procedure for requested changes has been put in place and a comprehensive automated problem reporting and control system, which will further improve the level of control, is currently being developed.

2.57 Control over access to the computer room by software programmers has been upgraded by the relocation of the programmers. Procedures have also been introduced to ensure the quality of systems and their ability to meet defined user requirements, before being released for production use.

2.58 In response to concern expressed by the Committee on comments made by the Audit Office on certain cost effectiveness matters, the Department has introduced a direct credit system which has solved many related problems. A further initiative contained in the proposed Veterans' Entitlement Bill is expected to solve the problem of cheques being drawn for low values.

2.59 The Department has made progress on the APAA project with the introduction of the Interim Disability Pension system in November 1985. The design of the new Entitlement and Treatment Eligibility Recording System is also nearing completion and the system is expected to be implemented in early 1987.

Department of Communications
Department of Social Security
Department of Veterans' Affairs
Australian Telecommunications Commission

Telephone Rental Concessions to Pensioners

Conclusion (paragraph 12.19 of Report 240)

The Committee understands that the Department of Communications is now co-ordinating discussions. The Committee is concerned that this matter continues to be unresolved.

Response

2.60 As a result of action within the Department of Communications to co-ordinate discussions aimed at determining the most cost effective option for administering the Telephone Rental Concession (TRC) to pensioners, the Minister for Communications and the Minister for Social Security agreed to the establishment of a Working Party comprising representatives of the Departments of Communications, Social Security and Veterans' Affairs, and Telecom.

2.61 The Working Party prepared a report to the three Ministers concerned and four options were put forward:

- . eligibility voucher
- . discount voucher
- . a communications allowance
- . reimbursement (to Telecom) based on statistical sampling.

2.62 The favoured option, which was taken up, was that of a discount voucher system. Under this system:

- . Eligible pensioners/beneficiaries are issued with four vouchers each calendar year by either the Department of Veterans' Affairs or the Department of Social Security.
- . Each voucher has imprinted thereon the name of the pensioner, a value which represents one quarter of the annual concession previously determined, and the dates between which the pack of vouchers is valid.
- . Entitlement to the concession is identical to entitlement under the current scheme. The vouchers include a reference to the Household Income Test to indicate to the client that use of the voucher equates with certification that they satisfy the test. This proposal has been discussed with the staff of the Australian Audit Office who agree that it would be a vast improvement on the current procedure whereby the client only certifies household income at the time of initial application.
- . The value of the concession available to each beneficiary is an amount fixed for each calendar year and as such is no longer directly related to the telephone rental charged to an individual on a particular bill.

- . Initially the value of the vouchers is set at an amount equal to the prevailing proportion of the standard domestic telephone rental. Subsequently the value of the concession can be varied at the discretion of Ministers to correspond with movement in telephone rentals.
- . The eligible pensioner presents a single voucher when paying a quarterly telephone account and, subject to a match of the name on the voucher and telephone account, receives a discount on the account equivalent to the value of the voucher.
- . The vouchers are compatible with Telecom's new Optical Character Recognition System for payment processing, which is being introduced in parallel with a new telephone billing system. The new voucher scheme, therefore, is being progressively introduced, and it commenced in Victoria in January 1987. All other States should have the new billing system and be able to participate in the voucher scheme by January 1988.
- . Reimbursement to Telecom is on the basis of the value of vouchers processed each month and there is no need for verification by the funding Department.

Australian Broadcasting Corporation Hiring and Piloting of Aircraft

Conclusion (paragraph 13.21 of Report 240)

It would appear to the Committee that the administrative procedures of the Corporation for the chartering of aircraft, except for the situations in which a member of the Corporation's staff did the piloting, were appropriate. The Committee notes that in the case of chartering without pilots the Corporation has refined its procedures and laid down minimum standards. The Committee wishes to be advised, in response to this Report, that those standards have been widely promulgated and accepted by the staff.

Response

2.63 The Australian Broadcasting Corporation (ABC) has taken the following action in relation to the above:

- . A memorandum detailing the Corporation's proposed minimum standards for allowing staff to pilot aircraft was issued in March 1985 to each State General Manager and Territory Manager, the Controllers of Human Resources for Television and Radio, and the Controllers of Television and Radio Programmes for distribution to relevant staff.

- . A survey was carried out to identify user requirements, particularly in Queensland, South Australia, Western Australia and Tasmania. This survey was used as the basis for an Industrial Service Memorandum which was circulated during mid 1985 as a draft for comment and was distributed as a final at the end of January 1987.

2.64 The memorandum of March 1985 set a very high standard for the certified level of competence required to enable a staff member to fly an aircraft and the distribution of the draft instruction has further reinforced these standards. As a result, the practice of ABC staff piloting aircraft has, in practice, virtually ceased except in the Northern Territory where there is an average of three flights per year piloted by ABC staff. The finalisation of the new Industrial Service Memorandum has now completed the process of ensuring that the highest practical standards are applied in these situations.

Conclusion (paragraph 13.22 of Report 240)

The Committee appreciates the desire of staff members with pilot's licences employed by the Corporation on other than flying duties to use opportunities, such as occurred in this case, to keep up their flying hours. It is the Committee's belief that the Corporation should not require its personnel to undertake such duties in order to achieve savings in the way revealed or to permit the use of these opportunities unless the piloting of the aircraft on a particular task was incidental to their normal duties.

Response

2.65 The ABC does not require its personnel to undertake piloting duties in order to achieve savings. The only basis upon which an ABC staff member may pilot an aircraft chartered by the ABC is where the staff member volunteers his/her services.

Australian National Railways Commission
Acquisition and Development of Computer Based Systems

Conclusion (paragraph 14.8 of Report 240)

The Committee is concerned at the serious deficiencies raised by Audit and the response by the Australian National Railways Commission on its acquisition and development of computer based systems. The Committee will continue to monitor this item in subsequent Auditor-General's Reports and in the response to this Report.

Response

2.66 The Australian National Railways Commission has developed an ADP Strategic Plan which was approved in May 1984 and has been the monitoring mechanism for all computer systems development since that time. A formal computer systems management methodology was introduced in June 1984 and has been used effectively to control and monitor the development and installation of the Commission's computer systems.

2.67 The internal management structure of the Commission's data processing area was augmented by the appointment of an experienced Information Services Manager in August 1984. In addition, considerable effort has been made to ensure that the data processing area within the Commission is adequately staffed to effectively develop and implement large computer systems.

2.68 As a result of the above actions, the following statistics are relevant concerning the computer systems which have been installed since 1984:

- 2 major systems were installed below estimated cost;
- 1 major system was installed 3% above estimated cost;
- 1 major system was installed 12% above estimated cost;
- 2 major systems which will be installed in 1986/87 are forecast to be within the estimated cost; and
- 1 major system which will be installed in 1986/87 is above the estimated cost and this is due to a change in the scope of the system from that envisaged in the 1984 ADP Strategic Plan.

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SECRETARY
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