



Response to Australia Post— An Audit Discontinued (Report 250)

Report

276

Joint Committee of
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 276

RESPONSE TO AUSTRALIA POST - AN
AUDIT DISCONTINUED

(DEPARTMENT OF FINANCE MINUTE ON THE
COMMITTEE'S 250TH REPORT)

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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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.

(iv)

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 involved 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.

This response, to Report 250 Australia Post - An Audit Discontinued, relates to the Committee's Inquiry into the discontinued efficiency audit of Australia Post. The conclusions and recommendations of the report relate exclusively to the Auditor-General and the Australian Audit Office.

As the Auditor-General is independent from the executive, ministerial responsibility, in terms of a responsible Minister and the Minister for Finance, is not appropriate. Accordingly, in these circumstances the Committee, Auditor-General and Secretary of the Department of Finance have agreed that the response in respect of findings in the Report is the responsibility of the Auditor-General. In all other respects the procedures relating to Finance Minutes are unchanged.

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

(v)

In accordance with the procedures outlined above, this Report documents the Department of Finance Minute which was submitted in response to the Committee's 250th Report.

For and on behalf of the Committee.

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

R S Tickner, MP
Chairman

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CHAPTER 1

INTRODUCTION AND COMMITTEE
COMMENT

- Introduction
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Introduction

1.1 The Committee's 250th Report, which examined the events surrounding the discontinued efficiency audit into Australia Post, was tabled in the Parliament on 17 September 1986.

1.2 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 information resulted in allegations surrounding the discontinuance of the audit.

1.3 In examining this matter the Committee held three public and one in-camera hearings and examined current and former Auditors-General, officers of the Australian Audit Office and officers of the Australian Postal Commission. The Committee examined the historical perspective of efficiency auditing, the Australia Post efficiency audit and its discontinuance.

1.4 The Committee found 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 then Auditor-General and the then Efficiency Audit Division; and between the then Efficiency Audit Division and the rest of the Australian Audit Office;
- the scope of the efficiency audit of Australia Post was not well defined and maintained; and
- the release of the informal draft report on the efficiency audit on Australia Post - Administration of Counter Services was most improper.

1.5 The Committee made ten conclusions about the discontinuance of the efficiency audit and these are reproduced in Chapter 2 together with a response to each.

Committee Comment

1.6 The Committee is generally satisfied with the Response, with eight of the ten responses accepted. However, the Auditor-General has taken a different view to the Committee in respect of the reporting provisions of section 48F (1) of the Audit Act 1901. The Committee's conclusions in relation to that were:

- the former Auditor-General (Mr K F Brigden) should have presented a report on the efficiency audit of Australia Post under Section 48F (1); and
- 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.

1.7 In the Response the Auditor-General states that he considers that there are no unfulfilled requirements imposed on the Auditor-General by the Audit Act in relation to the discontinued audit. Attachment A of this Report reproduces Chapter 2.9 of the Annual Report of the Australian Audit Office 1985-86 titled 'Discontinued efficiency audit of Australia Post'. In that Report, the Auditor-General gives his reasons for not reporting under section 48F (1) which were based on advice from the Attorney-General's Department to the previous Auditor-General and the Committee. This advice stated that there was no obligation to table a report until the Auditor-General has directed his mind to the relevant issues and the efficiency audit must have proceeded to a stage that has produced results to be reported.

1.8 This was contrary to advice given to the Committee from the Hon Justice Toose, CBE, Legal Adviser to the Committee. This was that if an audit is discontinued it is a result under the Act and therefore should be reported.

1.9 The Committee concluded that the previous Auditor-General should have reported under Section 48F (1). In not doing so, the Auditor-General has accepted the advice of the Attorney-General's Department which he considers to be his legal adviser.

1.10 The Committee notes the circumstances surrounding this particular audit and acknowledges that a number of operational and administrative changes have occurred in the Australian Audit Office since that time. However, the Committee is of the view that, as a matter of principle, all efficiency audits should be the subject of a report and accordingly reiterates its initial conclusions.

CHAPTER 2

DEPARTMENT OF FINANCE MINUTE

2.1 This minute has been prepared on the basis of responses provided by the Australian Audit Office.

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

Australian Audit Office

Conclusion (Paragraph 5.37 of Report 250)

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

Response

2.3 This conclusion is noted.

Conclusion (Paragraph 6.28 of Report 250)

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;
- 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;

Response

2.4 The conclusion that the former Auditor-General (Mr K.F. Brigden) had the discretion to discontinue the audit is noted.

2.5 The further three conclusions relate to compliance by the Auditor-General with provisions of the Audit Act. These conclusions were addressed in Chapter 2.9 of the Annual Report of the Australian Audit Office 1985-86 which was transmitted to Parliament on 19 November 1986. Consequently the Auditor-General considers that there are no unfulfilled requirements imposed on the Auditor-General by the Audit Act in relation to the discontinued audit.

Conclusion (Paragraph 7.19 of Report 250)

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.

Response

2.6 The Auditor-General does not disagree with these conclusions.

Conclusions (Paragraph 7.19 of Report 250)

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.

Response

2.7 The Auditor-General would not wish to dispute that conclusion but it should be noted that the AAO's corporate goals and objectives were formally established in 1985, subsequent to the discontinuance of the Australia Post audit. The Auditor-General in his submissions to the Committee, outlined the revised management arrangements that have been introduced to ensure proper control in the programming and conduct of efficiency audits in the future, consistent with AAO's corporate plan. The Auditor-General notes that the Committee commented that there was some evidence to suggest that the timeliness in conducting efficiency audits had improved and that this and other aspects will be examined by the Committee and the House of Representatives Expenditure Committee in future examination of completed efficiency audit reports.

Conclusion (Paragraph 10.20 of Report 250)

Stamp security within Australia Post was not related to the decision to discontinue the efficiency audit of Australia Post - Administration of Counter Services.

Response

2.8 This conclusion is noted.

Conclusion (Paragraph 10.20 of Report 250)

Further detailed investigation of the security of stamps and other negotiable paper by the Auditor-General is warranted.

Response

2.9 The AAO will continue to give the frequency and nature of audits for security of stamps and other negotiable papers high priority in programming future audit coverage of Australia Post.

M.S. Keating
Secretary
Department of Finance

2.9 Discontinued efficiency audit of Australia Post

2.9.1 During the year the Joint Committee of Public Accounts (JCPA) conducted an inquiry into the discontinuance of an efficiency audit of the Administration of Counter Services by the Australian Postal Commission. This audit commenced in 1980 but in November 1984 my predecessor decided that the audit should not be completed.

2.9.2 Subsequent to my predecessor's decision an informal draft report of the efficiency audit, or the substance of such a report, was disclosed to the media without authorisation. This resulted in allegations about the motives of my predecessor 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. I made formal submissions to that inquiry, and I and officers of the AAO have been examined by the Committee during its public hearings.

2.9.3 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. The Committee also concluded that:

- 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, and
- 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.'

2.9.4 In reaching this conclusion the Committee paid regard to advice from the Hon Justice Toose, CBE, Legal Adviser to the Committee. In his advice Justice Toose stated:

'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 48C. 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.'

2.9.5 The Committee also considered advice from the Attorney-General's Department which had previously advised my predecessor (Mr K.F. Brigden) that he was not obliged to table a report.

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

'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

Source: Annual Report of the Australian Audit Office 1985-86, pp20-21

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.'

2.9.7 Section 15 of the Audit Act provides that the Auditor-General shall be entitled to lay before the Attorney-General a case in writing as to any question concerning the powers of the Auditor-General or the discharge of his duties, and the Attorney-General shall give him a written opinion on such case. As a practical arrangement the Secretary of the Attorney-General's Department provides advice to me on legal questions. In the circumstances I consider the Secretary of the Department should be properly regarded as my legal adviser.

2.9.8 I am, however, conscious of the need to respond positively to the Committee's conclusion. And as stated in my 1984-85 Report it had been my intention to give an account of the circumstances relating to the decision of my predecessor to discontinue the audit. I believe it is appropriate in the circumstances to provide the following report (in accordance with section 48C(1)) in relation to the efficiency audit of the Administration of Counter Services by the Australian Postal Commission.

2.9.9 An efficiency audit of the Administration of Counter Services by the Australian Postal Commission was commenced in 1980. In November 1984 my predecessor decided that the audit should not be continued for the following reasons:

- 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.

2.9.10 The cost of the audit was \$349 600. Although a report on the outcome of the audit was not completed, some benefits were derived in that the thrust of some of the comments made during the course of the audit were considered by Australia Post to have some merit. Deficiencies in the conduct of the audit also helped to stimulate changes in the management and control of efficiency audits which will have longer-term benefits in the AAO.