

# Response to Report on Proposed Computer Acquisition by the Australian Audit Office

Report

# 279

Joint Committee of  
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 279

RESPONSE TO  
REPORT ON PROPOSED COMPUTER ACQUISITION BY THE  
AUSTRALIAN AUDIT OFFICE  
(DEPARTMENT OF FINANCE MINUTE ON THE COMMITTEE'S 253RD REPORT)

Australian Government Publishing Service  
CANBERRA 1987

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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.

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## 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.<sup>1</sup> 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 253rd Report. It is the first response to a report made under the Committee's standing reference on proposed acquisition of automatic data processing facilities.

For and on behalf of the Committee.

R E Tickner, MP  
Chairman

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

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

COMMITTEE COMMENT ON THE GOVERNMENT'S  
RESPONSE TO THE 253RD REPORT

- Introduction
- The ADP Standing Reference
- The Committee's Role in the Acquisition Process
- Report 253 - Responses and Comments
- Conclusion

## Introduction

1.1 This chapter comments on the Department of Finance Minute in response to the Committee's 253rd Report. The Report is summarised in Chapter 2. Chapter 3 comprises the Finance Minute.

1.2 Report 253 was the outcome of the Committee's investigation of a proposal from the Australian Audit Office to acquire computer equipment. Though this was the second proposal to be examined under the terms of the Committee's standing reference on proposed acquisitions of Automatic Data Processing (ADP) equipment, the report was the first to be presented to Parliament.<sup>1</sup>

1.3 As this is the first response to a Committee report under the standing reference it is appropriate to outline the Committee's involvement in the ADP acquisition process before proceeding to make comments on the response itself.

## The ADP Standing Reference

1.4 Either House of Parliament may refer to the Committee, for inquiry and report, any question in connection with the public accounts.<sup>2</sup> Both Houses passed a motion in June 1984 referring proposed purchases of ADP facilities by the Commonwealth to the Committee for investigation and report.<sup>3</sup> The reference lapsed with the dissolution of the 33rd Parliament and was renewed in May 1985 with the added provision that the reference would have effect until amended or rescinded.<sup>4</sup>

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1. Report 249 - Proposed Computer Acquisition for Repatriation General Hospitals, the report on the first proposal to be submitted to the Committee, was tabled the next day.
2. Public Accounts Committee Act 1951, paragraph 8(1)(d).
3. Australia: House of Representatives, Debates, Vol. 317, pp. 3018-20; Senate, Debates 1984, No. 6, pp. 2717-9.
4. Australia: House of Representatives, Debates 1985, No. 7, p. 1890; Senate, Debates 1985, No. 7, p. 1719.

1.5 In practice, all ADP acquisition proposals involving expenditure of over \$5 million (with certain qualifications) are first submitted to Cabinet for 'in principle' approval. Such approval having been given, the responsible Minister then notifies the Chairman that a submission will be made to the Committee. The proponent department or agency subsequently submits the proposal in accordance with guidelines issued by the Committee.

#### The Committee's Role in the Acquisition Process

1.6 The setting up of the standing reference reflected the Government's concern that major ADP acquisition proposals were often of such complexity and raised such important related issues that they could not be dealt with adequately within the limitations of the budget timetable.

1.7 The Committee's role, under its standing reference, is to ensure that each proposal referred to it makes good economic sense and will stand up to public scrutiny, that it is in accord with corporate and ADP strategic objectives and represents the most effective means of achieving these, that industrial relations and employment issues have been fully considered and that the proposal will provide maximum benefit for the development of Australia's computer industry.

1.8 The Government's intention was that the Committee's scrutiny of ADP acquisition proposals would occur outside the annual budget process and that it would precede any Cabinet approval for the commencement of the tendering and acquisition process.

#### Report 253 - Responses and Comments

1.9 In its report on the investigation of the Australian Audit Office (AAO) proposal, the Committee made recommendations in relation to four of the major issues it had identified:

- benefits,
- post implementation review,
- IBM compatibility, and
- evaluation methodology.

The recommendations apply not only to the AAO proposal but to the ADP acquisition process in general. The thrust of the recommendations is towards greater scrutiny of ADP acquisition proposals both by senior management of the proponent agency and by the co-ordinating agencies involved.

1.10 The first four recommendations apply to the Department of Finance and relate to identification of benefits and to post implementation review. The second recommendation also applies to the AAO. The last three, on the issue of IBM compatibility and evaluation methodology, concern the Department of Local Government and Administrative Services. The last also seeks a response from all interested departments and agencies on the review of the Department of Local Government and Administrative Services' 'Guidelines for ADP Acquisition'.

1.11 The Committee was concerned at the reluctance to define and quantify benefits and recommended that benefits asserted be subject to rigorous scrutiny and verification by the Department of Finance. The Department supported the recommendation and reiterated the point, acknowledged by the Committee in its report, that many benefits were too qualitative to be evaluated precisely. It did not, however, respond to the Committee's conclusion that it was doubtful whether co-ordinating agencies had seriously challenged or attempted to verify the benefits asserted by the AAO.

1.12 The Committee concluded that post implementation reviews constituted a fundamental element of proper planning and project management and recommended that proposals include detailed provisions for collecting the performance data necessary for effective post implementation reviews. The Department of Finance agreed with this and undertook to provide guidance, in the form of a Finance Circular, to all agencies on their responsibility in post implementation monitoring and review. Officers of the Department of Finance would pay particular attention to this when examining new proposals.

1.13 The AAO claimed that their methodology included a requirement for post implementation review but did not furnish any details in accordance with the recommendation. The Department of Finance sought more explicit information from the AAO after forwarding the Finance Minute and this is set out at Appendix A. The Committee feels that the measures outlined in the AAO's response are still insufficiently detailed and expects the Department of Finance to pay close attention to the conduct of the AAO's post implementation review when further funding is requested.

1.14 The Committee recommended that the Department of Finance ensure that adequate provision for monitoring performance and benefits has been made when funding approval is requested. In responding to this and the preceding recommendations, the Department of Finance adverted to a section in its Minute on Report 249, which was still in preparation when the Committee received the Minute to Report 253. The Committee requests the Department of Finance to ensure that in future the responses within a Finance Minute are self-contained.

1.15 In response to the Committee's recommendation that the Department of Finance insist that subsequent requests for funding be supported by the results of post implementation review and by a statement of benefits achieved, the Department of Finance agreed and stated that this was current practice where appropriate. The Committee notes this practice.

1.16 The remaining recommendations related to the 'Guidelines for ADP Acquisition' promulgated by the Department of Local Government and Administrative Services (DOLGAS). The 'Guidelines' are still being revised and the Committee has been provided with an 'exposure draft' of the revised 'Guidelines' upon which it has been invited to comment. The Committee will consider the exposure draft and comment in due course.

1.17 In its seventh recommendation, the Committee sought comments on the 'Guidelines' from interested departments and organisations. DOLGAS has provided summaries or copies of those it has received and the Committee has noted that several departments and agencies have offered constructive comments.

1.18 The Finance Minute includes a written response to a question raised at the public hearing. The Committee asked whether the Department of Finance saw future role for itself in monitoring the performance of ADP projects and in being involved in post implementation reviews. It is obvious from the Department's response that it does not see a future role beyond its current involvement. The Committee is concerned at this perception and is strongly of the opinion that it is the responsibility of the Department of Finance to monitor the performance of ADP projects.

#### Conclusion

1.19 The Committee is generally satisfied with the response to its 253rd report and notes the Department of Finance's acknowledgement of the Committee's primary concerns on the general issues of project management and post implementation review. The Committee would be pleased to see evidence of the application of its recommendations in all future ADP equipment proposals submitted to it.

#### CHAPTER 2

##### SUMMARY OF THE COMMITTEE'S 253RD REPORT

2.1 Tabled on 11 June 1986,<sup>1</sup> this report was the first to be presented by the Committee under the terms of its standing reference to investigate and report on proposed acquisitions of Automatic Data Processing (ADP) facilities by Commonwealth departments or authorities staffed under the Public Service Act 1922.

2.2 The Australian Audit Office (AAO) submitted its proposal to the Committee on 26 February 1986. The submission followed the form of the Committee's guidelines which require a description of the nature of, and justification for, an acquisition, including its:

- cost effectiveness;
- associated technical and other risks;
- industrial relations issues;
- provision for Australian industry participation; and
- proposed method of acquisition.

After reviewing the submission the Committee sought further information and this was provided by the AAO in the form of a supplementary submission.

2.3 The AAO sought to justify its proposal on the grounds of needs generated by the increasing volume and scope of audit work and on the growth in the number and complexity of computer systems used by its auditees (other Commonwealth departments and authorities). The proposed computer system involved three levels:

- an IBM compatible central computing facility and associated software;
- a network comprising local area networks, capable of operating independently of the central facility and providing processing capacity, office automation and printing facilities as well as access to central applications; and
- a microcomputer facility providing such tools as spreadsheets and word processing to audit staff.

1. Parliamentary Paper No. 132/1986.

2.4 The AAO proposed a phased acquisition and system development program commencing with the purchase of a central computing facility and a pilot network.

2.5 The Committee identified seven major issues with respect to the AAO's proposal; these were:

- costs;
- benefits;
- post implementation review;
- IBM compatibility;
- software compatibility;
- evaluation methodology; and
- the Auditor-General.

2.6 The Committee was concerned to establish clearly the assumptions underlying the AAO's estimates of the absorption of a substantial part of the total costs of the proposal from existing resources. The AAO had to revise earlier estimates and the Committee concluded that while the AAO had made a serious attempt to identify the total cost, confusion could have been avoided if the original costings had been accompanied by clear and comprehensive explanatory notes. Further, there was some doubt whether the additional staff support to be provided would be adequate.

2.7 The AAO had asserted that adoption of its proposal would result in the following benefits:

- more audits could be undertaken;
- audits could be better chosen with improved planning, assessment of risk and priority determination;
- better quality audits could be carried out with improved information and support systems; and
- more comprehensive and complex audits of information processing systems could be undertaken.

It claimed, however, that the main benefits could not be quantified with confidence.

2.8 The Committee recognised the difficulties in precise quantification of indirect benefits but believed that the process of attempting to define and quantify all benefits was invaluable. The Committee concluded that the AAO had not made an adequate effort in this regard. Nevertheless, the proposal was justified in terms of improved effectiveness in promoting administrative

efficiency and accountability. The Committee recommended rigorous scrutiny and verification of benefits by the Department of Finance.

2.9 In view of the difficulties in assessing the benefits claimed by the AAO the Committee wished to establish that effective performance monitoring systems would be put in place and that a performance review would be undertaken after implementation. The Committee's conclusions were that post implementation reviews were a fundamental element of proper planning and project management practices and that it was clearly the responsibility of heads of departments and agencies to ensure that such reviews were undertaken. The Committee noted that no co-ordinating agency currently accepts responsibility for reviewing the performance and benefits of ADP projects after their implementation.

2.10 The Committee therefore recommended that ADP acquisition proposals provide in detail for post implementation reviews, that the Department of Finance ensure this has been done at the time funding approval is requested and, further, that the Department of Finance insist that subsequent requests for funds are supported by the results of such reviews.

2.11 The Committee found that the technical benefits of IBM compatibility claimed by the AAO were not persuasive but that there were non-technical advantages in acquiring an IBM compatible mainframe facility. The Committee recommended that the 'Guidelines for ADP Acquisition' be reviewed to ensure that non-technical advantages in tender proposals were accorded adequate recognition.

2.12 The Committee found that the AAO had taken reasonable steps to ensure that the desired software compatibility between the central mainframe and the network - each of which was at a separate level within the proposed system - was achievable using existing technology.

2.13 On the issue of evaluation methodology, the AAO had expressed reservations about the methodologies endorsed by the Department of Local Government and Administrative Services (DOLGAS). After discussion and review of the proposed methodology, DOLGAS and the AAO were able to assure the Committee that a methodology conforming to the 'Guidelines' and meeting the AAO's requirements would be agreed. The Committee concluded that the current 'Guidelines' were capable of improvement and refinement but that since they had been endorsed by Government they should be followed until such time as they are amended. The Committee recommended that the current review of the 'Guidelines' be expedited and that all interested departments and organisations submit comments and recommendations to both DOLGAS and the Committee.

2.14 The Committee also considered the special relationship that exists between the Executive and the office of the Auditor-General and to what degree the latter was bound by Executive directions, including the 'Guidelines for ADP Acquisition'. The Committee, noting that related issues have been raised in the Auditor-General's annual report, intends to seek further clarification from him in its examination of his annual report.

2.15 In presenting the report to the Senate, Senator Guilfoyle expressed the Committee's support for the basic motivation of the proposed acquisition and concluded by stating:

In brief, the conclusions of this report reinforce the need for greater scrutiny of ADP acquisition proposals by both senior management of the acquiring department and by co-ordinating departments involved in the approval and acquisition process. The Committee's findings also emphasise the responsibilities of heads of organisations and of the Department of Finance to ensure that the performance and benefits of these ADP facilities are monitored and periodically reviewed.

## CHAPTER 3

### DEPARTMENT OF FINANCE MINUTE

3.1 This minute has been prepared by the Department of Finance and incorporates responses received from the Australian Audit Office and the Department of Local Government and Administrative Services.

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

#### Recommendation 1 (paragraph 2.27 of Report 253)

The benefits asserted for ADP acquisition proposals be subject to rigorous scrutiny and verification by the Department of Finance when funding approval is requested.

#### Response

3.3 The Department of Finance supports the recommendation. The Department is conscious of the need to ensure that proposals for acquisition of computer systems are, like all other proposals for the expenditure of public moneys, subject to careful scrutiny. The Department agrees with the Committee that an essential part of the project evaluation process is the verification of benefits that are asserted to follow implementation of the proposal.

3.4 Quantification of benefits is, of course, not always easily achievable. In some cases, such as with the Australian Audit Office acquisition, the benefits are primarily of a qualitative nature leading, for example, to greater efficiency and effectiveness in program delivery. In the Australian Audit Office case, the Department of Finance examined the proposal and formed the view that the proposed computer acquisition was essential for the Australian Audit Office to be able to efficiently and effectively carry out its statutory audit responsibilities in an increasingly computerised environment.

3.5 The matter was also addressed in the Committee's 249th Report. Paragraphs 3.3 to 3.7 of the Finance Minute to that Report provide further elaboration of the Department's views on the matter.

Recommendation 2 (paragraph 2.33 of Report 253)

All ADP acquisition proposals include detailed provision for the collection of the performance data necessary for undertaking post implementation reviews and monitoring productivity improvements and other project benefits.

Response

Department of Finance

3.6 The Department of Finance supports the recommendation. However, as noted by the Department in response to Recommendation 1, not all benefits asserted for new ADP systems are capable of being expressed in quantitative terms. The Department expects that improvements in the efficiency and effectiveness of public administration attributable to new ADP systems would be identifiable, at least in part, by reference to performance indicators for individual programs.

3.7 The Department agrees with the Committee that ADP acquisition proposals should provide for mechanisms to monitor progress in the achievement of improvements in performance and the realisation of other benefits in comparison to targetted benefits. A Finance Circular is to be issued drawing the attention of agencies to the Committee's concerns and providing guidance on the responsibility of various agencies in post implementation monitoring and review. In the meantime, however, Finance officers have been advised to have particular regard to this aspect when examining new proposals for ADP acquisitions.

3.8 Regarding the Australian Audit Office ADP acquisition, the Department of Finance is continuing to liaise with the Audit Office to ensure that benefits asserted for the project are realised.

3.9 This matter was also addressed in the Committee's 249th Report. Paragraphs 3.3 to 3.7 of the Finance Minute to that Report provide further elaboration of the Department's response.

Australian Audit Office

3.10 The Australian Audit Office (AAO) notes the Committee's recommendations concerning the central importance of post implementation reviews. The AAO's systems development methodology incorporates a requirement

that a post implementation review be conducted in relation to each project development. As part of the review, the benefits of a project are assessed against performance criteria established during the project specification phase. The AAO is committed to ensuring, wherever possible, that expected benefits and associated performance criteria are expressed in quantifiable terms.

Recommendation 3 (paragraph 2.33 of Report 253)

At the time funding approval is requested for ADP acquisitions, the Department of Finance ensure that adequate attention has been given in the proposal to the subsequent monitoring of project performance and benefits.

Response

3.11 See response to Recommendation 2

Recommendation 4 (paragraph 2.33 of Report 253)

The Department of Finance insist that any subsequent requests for additional project funds, upgrades to existing installations and re-equipment acquisition are supported by the results of a post implementation review and a comprehensive statement of the benefits achieved to that time.

Response

3.12 The Department of Finance agrees with the recommendation. Where appropriate, such information is sought from agencies when the Department is evaluating proposals for expansion, enhancement or replacement of existing systems.

Recommendation 5 (paragraph 2.49 of Report 253)

The 'Guidelines for ADP Acquisition' and the methodologies nominated therein be reviewed with a view to ensuring that as far as possible the non-technical advantages associated with particular tender proposals are recognised and can be given appropriate weightings.

Response

3.13 The Department of Local Government and Administrative Services (DOLGAS) has advised that the 'Guidelines for ADP Acquisition' are currently under review, and that the evaluation methodologies will be amended to take account of non-technical advantages. It is anticipated that the Guidelines will be completed in April 1987.

Recommendation 6 (paragraph 2.63 of Report 253)

The Department of Local Government and Administrative Services expedite its current review of the 'Guidelines for ADP Acquisition' with a commitment to issue a revised set of Guidelines by the end of 1986.

Response

3.14 As mentioned in paragraph 3.13, DOLGAS has advised that the 'Guidelines' review has commenced and that it is expected that the Guidelines will be completed in April 1987. Other priorities (such as input to the Inglis Review of Government high technology purchasing) have meant that progress on the 'Guidelines' has been slower than anticipated.

Recommendation 7 (paragraph 2.63 of Report 253)

All departments and other organisations with an interest submit their comments and recommendations on the contents and operation of the Guidelines to the Department of Local Government and Administrative Services and to this Committee.

Response

3.15 Departments were consulted in 1984 on the contents and operation of the 'Guidelines'. DOLGAS will fully consult and provide a revised draft to them for comment before finalising the new Guidelines. If the Committee wishes, DOLGAS can provide summaries of departmental comments and recommendations already to hand.

Addendum

Response to Question on Notice

During the Committee's inquiry the Committee indicated to the Department of Finance that it "would be very interested in the Department's view of where the project starts and where it finishes, and particularly whether the Department does see a possible future role in being involved right up to post-implementation review". The Department undertook to provide written advice on these aspects and it was agreed that it would be appropriate for the response to be forwarded with the Finance Minute. The response follows at paragraphs 3.16 to 3.18.

3.16 Finance's involvement with a project starts at the time that a new policy proposal is being drafted for submission to Cabinet. In that first phase Finance is involved in evaluation of the project including provision of independent advice to Cabinet on appropriate levels of resource allocation and alternative options.

3.17 If the proposal receives Cabinet endorsement (and where appropriate, JCPA support) the second, implementation phase commences. During the second phase, Finance is concerned with monitoring the project primarily from a resource allocation perspective.

3.18 Once a new ADP system has been fully installed a third, operational, phase commences. Traditionally Finance's involvement in this phase has concentrated on ensuring that any previously claimed resource savings are realised. As a matter of course Finance is not in a position to monitor systems to ensure that claimed qualitative benefits are achieved. This is essentially a responsibility of the head of the relevant agency. Additional impetus to maximise achievement of potential benefits from new systems has, however, recently been provided by the Government's strategy of requiring efficiency dividends on running costs of all budget dependent Commonwealth agencies. This is additional to the continuing requirement that efficiency gains claimed for major new systems (ADP or otherwise) be accounted for separately.

*Michael Keating*  
M S KEATING  
SECRETARY  
Department of Finance

APPENDIX A

SUPPLEMENTARY INFORMATION FROM  
AUSTRALIAN AUDIT OFFICE



Reference: 86/2167  
Contact Officer: S. Mayes  
Telephone: 632413

DEPARTMENT OF FINANCE

Newlands Street, Parkes, A.C.T. 2600  
Telephone Canberra 63 2222  
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The Secretary  
Joint Parliamentary Committee  
of Public Accounts  
Parliament House  
CANBERRA ACT 2600

ATTENTION: Mr J. Craig

FINANCE MINUTE ON JCPA REPORT 253 - SUPPLEMENTARY  
INFORMATION

As discussed, we attach, for inclusion in the Finance  
Minute on Report 253 of the JCPA, supplementary  
information received today from the Australian Audit  
Office in response to Recommendation 2 of that Report.

*S. Mayes*  
M.J. Kennedy  
A/g First Assistant Secretary  
Financial Management and  
Accounting Policy Division  
28 April 1987



COMMONWEALTH OF AUSTRALIA

AUSTRALIAN AUDIT OFFICE

Cnr Moore and Rudd Streets, Canberra City ACT 2601

Please quote

M86/100

27 April 1987

The Secretary  
Department of Finance  
Newlands Street  
PARKES ACT 2600

JOINT COMMITTEE OF PUBLIC ACCOUNTS (JCPA) - 253RD REPORT

I refer to your memorandum of 13 April 1987 which seeks advice on progress towards meeting Recommendation 2 of Report 253 of the Joint Committee of Public Accounts. The Committee recommends that:

"all ADP acquisition proposals include detailed provisions for the collection of the performance data necessary for undertaking post implementation reviews and monitoring productivity improvements and other project benefits."

2. The AAO's acquisition proposal was, of course, finalised before JCPA's view on this aspect was known, and hence did not include these details. We assume the Department of Finance is responding in relation to the general application of Recommendation 2 across the Service in the future. For its part, the AAO is proceeding with planning of implementation of its acquisition on the basis that data will be collected to provide for post-implementation reviews and monitoring.

3. As the Committee has noted at paragraph 1.5 of the Report:

"the role of the Auditor-General, and by extension his Office, is to improve the economy, efficiency and accountability of the Commonwealth Public Sector by comprehensive auditing of Commonwealth departments and agencies and by reporting on these audits to the Parliament."

This role is reflected in the first goal of the AAO's Corporate Plan.

2.

4. The achievement of this goal by continued improvement in the audit product in turn is reflected in the main thrust of the AAO's information technology strategy. Performance measures will therefore be largely concentrated on evaluating the improved auditing performance. I confirm the advice given to the Committee in April 1986, that benefits will be assessed over time in qualitative and, where possible, in quantitative terms.

5. Against that background, it is proposed that the collection of performance data to facilitate post implementation reviews and monitoring productivity improvements and other project benefits will take place on two levels:

- (i) a comparative assessment of overall performance against current and historical management information; and
- (ii) specific performance indicators to be developed for individual applications.

6. At one level the comparative assessment of audit performance will be based on management information from the existing Management Audit Information System (MAIS) and its proposed replacement the Audit Planning and Control Systems (APAC). These systems are primarily directed towards the planning, monitoring and control of all audit activity. While MAIS has shortcomings in the area of timeliness and flexibility, the system captures much of the data required for audit management and control thereby providing an information source against which future audit activity may be compared.

7. MAIS data provides management with detailed reports as a basis for assessing the Office's audit performance in a number of different ways. Performance measures reviewed and assessed regularly by management include:

- (a) comparisons over time of the approved planned workload and achievement against the plan by Division, Region, the Office as a whole and by auditee;
- (b) field staff resource time spent on audit specific activities; and
- (c) field staff resource time spent on each audit type and major audit category - identifies for example, resources used to undertake regularity audits, audits of financial statements, and conduct performance audits.

8. The AAO is therefore well placed in currently having important management information against which to make quantitative reviews of aspects of post-implementation audit performance. Chapter 6 of the Auditor-General's 1985-86 Annual Report to the Parliament contained a report of audit activities which illustrates the performance data maintained as part of the AAO's management of its activities. A start has been made on the review of that information to ensure that when designed the new APAC system provides better control over audit planning and performance.

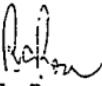
9. At the second level, performance measurement criteria for specific systems planned for development will be established as an integral part of the detailed specification of the systems. These performance measures will continue to be subject to progressive refinement in association with the more detailed definition of each application. The full benefit of productivity improvements and other project benefits will be closely monitored over the 5 year implementation period.

10. There are some intractable problems in relation to quantitative assessment of the impact of changes in the quality of audit products - for instance, where increased substantive testing of auditees' automated systems provides increased audit assurance for the same, or a lesser, number of hours of audit effort. Only surrogate measures of performance are available here.

11. The first major system to be transferred to the new equipment will be standard Computer Assisted Audit Techniques (CAATS). That system should be operational in early 1988 depending on the particular configuration of the successful tenderer. We will be monitoring the progress of the use of CAATS on the new equipment.

12. The AAO is currently undertaking the Information Analysis required to define more specifically the information needs of the AAO. This analysis will be used as the basis for the detailed specification of the AAO's information systems which will include performance measurement criteria. APAC is scheduled for operation on the new equipment in 1989.

13. The management information currently available from MAIS taken together with the improved reporting from its replacement system, APAC, and with the establishment of performance criteria for individual systems should enable the AAO to assess performance and benefits flowing from the technology acquisition.

  
R.G. Rose  
First Assistant Auditor-General  
Corporate Management Division