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John Gorton
Secretary of the Senate



AUSTRALIA

Response to Report 241
Report of the
Auditor-General—
1983/84 and September
1984

Report
278

Joint Committee of
Public Accounts



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 278

**RESPONSE TO REPORT
OF THE AUDITOR-GENERAL 1983/84
AND SEPTEMBER 1984 (REPORT 241)**

(DEPARTMENT OF FINANCE MINUTE ON
THE COMMITTEE'S 241ST 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 Parliament.

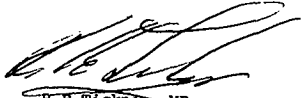
PREFACE

This report contains the Government's response to the Committee's 241st Report reviewing the Report of the Auditor-General 1983/84 and September 1984.

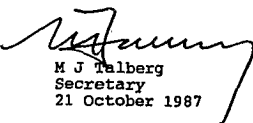
Since 1952 formal procedures have been in operation to ensure that appropriate action is taken in response to each of the Committee's reports¹. These procedures involve the preparation of a response, known as a Department of Finance Minute, as follows:

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 from the Minister for Finance, 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. The Department of Finance Minute, dated 24 April 1987, is printed at Chapter 2.

For and on behalf of the Committee.



R E Tickner, MP
Chairman



M J Talberg
Secretary
21 October 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 report of activities.

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CHAPTER 1

INTRODUCTION AND COMMITTEE COMMENT

Introduction

1.1 The Committee's 241st Report, which examined the Reports of the Auditor-General for 1983/84 and September 1984, was tabled in the Parliament on 14 November 1985.

1.2 This report contained the results of the Committee's Inquiry following audits into matters affecting 12 departments. These were the Departments of:

- . Administrative Services
- . Defence
- . Defence Support
- . Education and Youth Affairs
- . Finance
- . Health
- . Housing and Construction
- . Industry, Technology and Commerce
- . Resources and Energy
- . Social Security
- . Territories and Local Government
- . Veterans' Affairs.¹

1.3 The Committee's conclusions in Report 241 are included in the Department of Finance Minute at Chapter 2. This Report has not addressed some matters concerning the Departments of Defence and Finance, as well as one matter pertaining to the Department of Social Security. The Committee has previously indicated that it would be commenting on these matters in separate reports.² Generally, the Committee is satisfied with the remedial action of the Departments as set out in the Department of Finance Minute.

1.4 The Committee draws departments' attention to the new guidelines for the preparation of annual reports, which are expected to be tabled in this session of Parliament. These guidelines state that annual reports should contain information regarding any reviews by the Auditor-General or a parliamentary

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1. In this report departments have been referred to by their titles prior to the implementation of the new administrative arrangements this year.
 2. Joint Committee of Public Accounts Report 243 - Review of Defence Project Management, AGPS 1986.
id. Report 244 - Munitions Production Trust Account, AGPS 1986.
id. Report 248 - Report of the Auditor-General April 1985, AGPS 1986.
id. Report 232 - Report of the Auditor-General May 1983, AGPS 1985.

committee which directly affect the department, that is, they should state recommendations arising from such reviews and the action taken by the department to address the recommendations.

1.5 The Committee wholeheartedly endorses this procedure which will enhance the public accountability of the administration and will be a particularly valuable and timely follow-up mechanism. Accordingly, the Committee will examine departments' annual reports for such action and expects to see details of such action in the next annual reports of the Departments of Territories, Defence, Education, Health and Veterans' Affairs.

1.6 Twenty issues were dealt with in this Report. The most significant were:

- the deficiencies in the internal audit branches of various departments;
- the timeliness and quality of financial statements from the Department of Territories and Local Government; and
- the adequacy of ADP procedures to monitor large programs in a number of departments.

Committee Comment

Department of Defence

1.7 The Auditor-General commented on the following unsatisfactory matters in relation to internal audit:

- no approved internal audit charter;
- infrequent meetings of the Internal Audit Committee;
- staffing;
- quality of internal audits resulting from non-standard or unauthorised procedures;
- deficiencies in the Internal Audit Strategic Plan and annual audit program; and
- lack of review procedures for those audits not finalised.

1.8 The Department has made considerable progress to correct these problems, including:

- more regular meetings of the audit steering and policy committees;
- establishment of an audit charter;

- reviews of the audit function and the methodology used by field work staff;
- establishment of an annual work schedule; and
- implementation of a procedure to ensure finalisation of audits.

Department of Education

1.9 The Auditor-General drew attention to the inadequate control and supervision of the Tertiary Education Assistance Scheme (TEAS), Secondary Allowance Scheme (SAS) and Assistance for Isolated Children Scheme (AIC). The Auditor-General has previously commented on controls over expenditure in this area.

1.10 The Committee is very concerned that major programs should be subject to a high standard of accountability and that the Department should ensure legislation is drafted for such programs.

1.11 The Committee also notes that the Department, through its own internal review, has implemented procedures to improve the efficiency of its operations.³

1.12 These procedures include:

- measures to ensure consistency between student assistance regulation and taxation legislation;
 - statistical feedback to State Offices;
 - procedures for uniform quality control checks;
 - review of eligibility/entitlement checks and the implementation of new procedures; and
 - liaison with the Australian Taxation Office with regard to items which affect taxable income.
- 1.13 The Department has stated that it will consider:

- the desirability of monitoring benefit processing times;
- collection of statistics on all stages of processing; and
- pre-assessment checks from 1987.

1.14 The Committee notes that these programs have been superseded by the AUSTUDY scheme, a student assistance scheme through which financial support is paid according to age. The first full year of this scheme's operation will be 1987. The

3. See Appendix A - Auditor-General's Report September 1984 - Follow-up Action - Central Administration of Student Assistance Programs.

Committee expects that the Department would operate this program using procedures developed from the previous programs.

Department of Health

1.15 The Auditor-General indicated deficiencies in most areas of the Department of Health's internal audit in the New South Wales and Queensland Regional Offices and Central Office. These deficiencies were in the planning, monitoring, quality assurance controls and audit of ADP systems.

1.16 The Committee is pleased to note considerable progress has been made to redress these problems, including the provision of adequate resources to ensure a good coverage of auditable areas.

Department of Housing and Construction

1.17 The Department of Housing and Construction uses an Assets Control System (ACS), a computer-based register listing Commonwealth buildings with their current and historical maintenance details.

1.18 The Auditor-General's Report revealed that:

- . there was no liaison between departments regarding inspections;
- . stocktaking was carried out infrequently;
- . a recommendation of the Joint Management Review for specialists to perform initial inspections had not been carried out;
- . there were deficiencies in maintenance procedures; and
- . the ACS had not been fully implemented in the Australian Capital Territory.

1.19 The Committee notes that, in the time since the audit, the Department has reviewed items of concern and will extend its computer system as funds become available. New procedures have been implemented whereby there is a delineation of responsibilities for maintenance between departments and maintenance inspection reports have been standardised. Stocktaking is carried out on a biennial cycle and no backlog exists. There has been no change to the stage of implementation of the ACS.

1.20 The Committee has also noted the Auditor-General's findings of a considerable backlog in maintenance as reported in an efficiency audit, tabled in May 1987. This matter will be considered in a review of that efficiency audit report.

Department of Industry, Technology and Commerce

1.21 The Auditor-General reported on the shortcomings of processing procedures for the diesel fuel rebate scheme. His concerns included self-assessment of rebate by claimants, the incidence of duplicated or fraudulent payments, investigation of doubtful claims, documents used as proof of payment and ADP controls, security and storage.

1.22 The Department disagreed that the problems with the administration of this scheme were serious. The Committee had concluded that all Ministers and departments need to consider the administrative implications of schemes in the stages prior to their announcement and operation to avoid such problems.

Department of Social Security

1.23 The Auditor-General conducted an audit of the invalid pension scheme in New South Wales. Areas of concern included:

- . inadequacies in procedures for assessing eligibility for and review of invalid pensions;
- . difficulties associated with the identification and recovery of overpayments; and
- . poor security standards with reference to personnel security checking and the protection of confidential information on the STRATPLAN system.

1.24 Many reports of the Auditor-General have referred to the first two above-mentioned points. The Committee's conclusions and recommendations regarding recovery of overpayments are contained in its 232nd and 233rd Reports and the Finance Minutes on these Reports.⁴

1.25 The Department has stated that procedures for personnel security checking have been adopted which are in conformity with guidelines issued by the Government and Public Service Board.

1.26 The Protective Security Committee has drafted a security manual to oversee the upgrading of building security, including the introduction of electronic security systems to ensure the integrity of STRATPLAN. The Department advised this manual was distributed in June 1987.

1.27 The Committee notes that the commencement of a review into the security of Juliana House is contingent on the Department of Community Services vacating the building and a

4. Joint Committee of Public Accounts, Report 232, Report of the Auditor-General May 1983, AGPS 1985.
id. Report 233, Reports of the Auditor-General 1982/83 and September 1983, AGPS 1985.

re-organisation of the structure of the Department of Social Security which was due to start in late May 1987. This re-organisation involves a change in the physical location and line of responsibility of SES officers.

Department of Territories

1.28 The Auditor-General investigated the internal controls relating to the Department's industrial wages payroll system. The Department acknowledged deficiencies in the system, some of which had been reported as much as four years earlier.

1.29 The Department has established a formal reconciliation system which requires branches to certify that employees are entitled to receive payment on a particular payday. This has effectively reduced the incidence of overpayment.

1.30 The Department foreshadowed the need for the development of a more appropriate payroll system in the event of self-government for the Australian Capital Territory. In the meantime the Department is continuing with its program of development and improvement of the ADP system.

1.31 The Committee continues to be disturbed at the frequency with which the Department of Territories has attracted critical comment from the Auditor-General, in particular the preparation and finalisation of its financial statements and the internal controls over the industrial wages payroll system.

Department of Veterans' Affairs

1.32 The implementation of the All Pensions and Allowances System (APAA) of computer processing of pensions should result in significant savings for the Department. The Committee is pleased to note that the highest priority has now been accorded to the development of appropriate controls for the system.

1.33 The Auditor-General carried out an examination of the branch offices in New South Wales, Victoria and South Australia to assess the reliability and effectiveness of control and recovery of overpayments.

1.34 The Committee will consider this matter in its response to the Finance Minute on Report 248.

1.35 The Auditor-General also examined stores management in the Department's Repatriation General Hospitals. The Department had developed some interim arrangements for stores management and the Committee is to consider this matter at a later date.

CHAPTER 2

DEPARTMENT OF FINANCE MINUTE

2.1 This minute has been prepared on the basis of responses received from the Departments of Local Government and Administrative Services, Defence, Education, Health, Housing and Construction, Industry, Technology and Commerce, Resources and Energy, Social Security, Territories, Veterans' Affairs and Finance.

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

Department of Administrative Services

Property Directorate - Property Management Information Systems.

Conclusion (Paragraph 1.7 of Report 241)

The Committee considered information provided by the Department in a written submission and at a public hearing. As well it took into account the findings of the House of Representatives Standing Committee on Expenditure when it examined the Efficiency Audit Report. Following this examination, the Committee concluded that many questions continued to remain unanswered concerning the effectiveness of the Commonwealth's management of its extensive property holdings. The Committee is particularly concerned that, despite the creation of the Property Directorate, many of the problems with the property management function identified in earlier reviews and audits still exist.

Response

2.3 The DOLGAS submission to the Committee's hearings of May 1985 constitutes a comprehensive response to issues raised by previous enquiries. However, in the twenty months since that submission was written, a number of major improvements in Property Management Information Systems (PMIS) and associated systems have been implemented.

2.4 These major improvements are:

- (a) The comprehensive reporting facility was fully implemented by August 1985 (except for a statistics package which was deferred pending completion of items (b) and (d) below) and is now subject to maintenance work only.

- (b) A significant improvement in the PIMS input facilities has occurred with the implementation of new screens for expenditure lease information in February 1986. These screens handle approximately 80% of PIMS input and will lead to an increase in the accuracy of data held in the inventory because of the exhaustive editing carried out by the screens and because of their associated audit trails.
- (c) An interim system, the Financial Management Information Systems (FMIS), was developed by consultants in 1984-85 and implemented in July 1985. The functions of FMIS are: to provide a centralised register of rent estimates and rental expenditure, civil works items (both new items and works in progress), repairs and maintenance, fitout items, rates, office services, disposals and contract cleaning.

The implementation of FMIS has been associated with a significant improvement in the Directorate's management of the rent vote.

- (d) The main function of the interim FMIS, the rent control function, will be superseded in July 1986 by a PIMS subsystem. This PIMS rent control subsystem forms part of an integrated package of procedures, staff training, and ADP systems which will control and monitor rental expenditure and greatly facilitate the formulation of budgetary estimates.

2.5 The developments of the last twenty months will greatly assist in the efficient and effective management of the property function. The scope and effectiveness of these improvements reflect both the application of efficient management processes to ADP system development (largely through the ADP Steering Committee) and also a growing commitment of DOLGAS resources to property information systems (eg through the employment of consultants and contract programmers). A major initiative in property information systems is planned for the 1986-87 financial year. This is the application of information engineering methodology to the Directorate. The methodology identifies the communication networks and information needs arising from the organisation's strategic objectives.

2.6 The ADP Steering Committee decided to proceed with the information engineering analysis since:

- the original ADP feasibility study of 1977-78 was no longer relevant to present needs and circumstances;
- the property inventory functions of PIMS were either complete (reporting facilities) or substantially revised (input facilities);

- a major new accessory module to the inventory (the rent control system) was implemented in July 1986 and is now fully operational; and

- the Government's initiatives in relation to FMIS and program management require information systems (both manual and ADP) which are tailored to strategic objectives rather than to functional management.

2.7 The immediate product of the methodology is a specification of the information systems necessary for strategic management; ADP resources will then be necessary to implement the specified systems. The analysis will be performed with the help of consultants. A consultant's brief is in preparation and DOLGAS corporate management has approved the expenditure of \$80,000 on a consultancy in the 1986-87 financial year.

Conclusion (Paragraph 1.8 of Report 241)

For this reason, the Committee has decided to examine the wider issue of property management outside the context of its examination of the Auditor-General's September 1984 Report. The information already supplied by the Department of Administrative Services will be taken into account in the preparation of the report of that inquiry.

Response

2.8 Noted.

Department of Defence - Navy Weapons, Laser Airborne Depth Sounders

Conclusion (Paragraph 2.12 of Report 241)

The Committee commenced a Public Inquiry into Project Management in the Department of Defence on 7 March 1984. The Committee is of the view that the problems experienced in both the projects discussed above derived from a lack of management control. The Committee has therefore decided not to examine these matters further in the context of this Report and has referred them to the Defence Project Management Sectional Committee for further consideration.

Department of Defence Support

Munitions Production Trust Account (MPTA)

Conclusion (Paragraphs 3.11 and 3.12 of Report 241)

The Committee believes that the problems existing with the MPTA have persisted for too long.

There appears to be a need for a fundamental change in the Trust Account arrangements and the Committee has decided that the matter should be viewed as a separate inquiry outside the context of its examination of this Auditor-General's Report. A report on this matter is expected to be tabled later in the Budget Session 1985.

Response

2.9 The Joint Committee of Public Accounts subsequently published Report 244 "Munitions Production Trust Account" which made the following recommendation:

"The Munitions Production Trust Account be abolished and that representatives of the Departments of Defence and Finance jointly prepare a report on the consequential arrangements, including costs and benefits, for presentation to the Committee before the 1986 Budget sitting of Parliament".

2.10 The Departments of Finance and Defence have agreed on the consequential arrangements and procedures required to implement the Committee's recommendation to abolish MPTA. These procedures were detailed in the response to Report 244.

Internal Audit

Conclusion (Paragraphs 3.17 and 3.18 of Report 241)

The Committee notes the changes initiated by the Department of Defence Support. In December 1984, that Department was absorbed into the Department of Defence. The Committee will expect to see the improvements maintained within that new administrative environment.

The Committee is particularly concerned that staffing levels remain sufficient to handle effectively the tasks of auditing those areas previously constituting the Department of Defence Support and that specific expertise in the type of auditing this necessitates is retained.

Response

2.11 The Internal Audit function previously exercised by the Department of Defence Support (DDS) became the responsibility of the Defence Audit Branch following amalgamation of the two Departments. Within Defence Audit Branch a Manufacturing Directorate has been established to undertake reviews of the munitions establishments, aircraft factories and dockyards; this Directorate is headed up by a Canberra based officer and has staff located in Melbourne, Sydney and Canberra.

2.12 Currently the following arrangements exist:

- Defence Audit Branch has an established audit charter, Defence Instruction DI(G) EIN 07-1 which covers all Defence Audit Branch activities. A minor amendment to incorporate ODP representation on the Defence Audit Policy Committee will be made when major changes to the Instruction are required.
- The Defence Audit Policy Committee meets annually; in addition, activities of the Manufacturing Directorate are monitored by an ODP Audit Steering Committee which meets quarterly.
- The Branch has experienced difficulties in filling vacancies in NSW, despite advertising in the Press and the Gazette, however, an officer will commence duty in Sydney in November 1986 and prospects for filling other vacancies are encouraging. NSW operations have been supplemented by Manufacturing Directorate staff from Canberra and Melbourne and by audit staff from other directorates.
- Since the former DDS audit function was integrated with Defence Audit, reviews have been conducted in conformity with the Branch's standards. A major review of HMAS BRISBANE modernisation project at Garden Island Dockyard is about to commence.
- Defence Audit Branch methodologies and practices are set out in Branch Instructions which are regularly supplemented and updated. To reinforce Branch standards and audit methodology a significant training effort has been undertaken, encompassing on-the-job training, residential courses and external seminars.
- An annual work schedule, prepared on the basis of efficient use of available resources is considered and endorsed by the ODP Audit Steering Committee. A copy of this schedule is provided to the Australian Audit Office. A Strategic Work Schedule based on the concerns of the Audit Steering Committee, has been developed (currently under review); this provides the framework of auditable activities from which issues can be selected for examination within future annual audit programs.
- In regard to the methodology of field staff:
 - the Director manages each audit task, reviewing the scope and purpose of each task prior to commencement of field work. In addition to our computerised audit management information system, team leaders are required to report to Central

Office during the audit review particularly regarding significant problems and potential weaknesses that may need urgent management attention and for advice on the general conduct of the audit. In addition, the Director regularly meets with field staff for on-site review of progress;

- prior to commencing field work, audit methodology is established and plans are documented;
- proposals to amend terms of reference of an audit review require the Director's approval and reasons for change are documented;
- a filing system has been established and is maintained to Branch standards; and
- working papers are properly maintained and secured.

Under Defence Audit Standards all audit reviews culminate in a report or audit minute to senior management. Should the need arise for an audit to be deferred an endorsement of the Audit Steering Committee would be sought. It is Defence Audit policy to follow up the implementation of significant recommendations identified in reports.

Conclusion (Paragraph 3.19 of Report 241)

The Committee is not satisfied at the frequency with which internal audit within departments attracts critical comment from the Auditor-General. The Committee has maintained a long standing interest in this matter and believes that development of efficient internal audit arrangements is a critical component of efficient public administration and accountability. For this reason, the Committee has decided to conduct a comprehensive review of departmental internal audit practises and expects to table a Report on that matter in 1986.

Department of Education and Youth Affairs

Central Administration of Student Assistance Programs

Conclusion (Paragraph 4.31 of Report 241)

The Committee is extremely concerned by the frequency with which deficiencies in the administration of student assistance programs have been raised in the Auditor-General's Reports.

Response

2.13 Student Assistance schemes involve the processing of some 250,000 applications each year, the majority during the early months of the year. By virtue of the income tests, the bulk of eligible applicants are deemed to be in need of prompt payment of entitlement, and this priority is reflected in State Office practices and procedures. The Department's ADP systems to process applications and undertake follow-up action have up to now been relatively undeveloped. The deficiencies brought to light by the Auditor-General need to be viewed against this background in evaluating the Department's overall performance. The Department has responded positively to the Auditor-General's criticisms and recommendations, including those relating to the provision of timely advice to State Offices, to the extent that system limitations and human resources have permitted. A summary of improvements introduced as a result of criticisms by the Auditor-General is included at Appendix A.

Conclusion (Paragraph 4.32 of Report 241)

Measures taken by the Department will remedy problems in a number of areas. The Committee is not persuaded, however, that substantial improvements must await introduction of the EDYCOMP system. This system should produce many benefits and vastly improve access to information. Nevertheless, the Committee is of the view that the effectiveness of such systems depends to a large extent on the accuracy and integrity of the underlying data, procedures and arrangements.

Response

2.14 Current procedures provide for processing areas in State Offices to maintain adequate records of which batches of applications are sent for ADP processing; reconciliation is to be made between the input forms returned from ADP processing and the record of forms sent; and a check is to be made that there is ADP output for each input document, or alternatively advice that input from the form was rejected during ADP processing.

Conclusion (Paragraph 4.33 of Report 241)

The Department should be working continually to improve its performance in relation to its own stated objectives of promptness of payment to eligible clients, equitable access to Schemes and observance of due standards of efficiency and accountability in the expenditure of funds.

Response

2.15 The Department agrees with the Committee's conclusion that it should be working continually to improve its performance in terms of its obligations to its clients while observing required standards of efficiency and accountability. Measures undertaken in response to the Auditor-General's Reports of September 1984 and April 1985 are indicative of the Department's policy to make improvements in advance of the introduction of new systems for 1987. Quite apart from the Auditor-General's investigations, the Department is progressively taking steps to improve the efficiency, accountability, and cost-effectiveness of its benefits delivery as an outcome of its own internal reviews.

Conclusion (Paragraph 4.34 of Report 241)

The Committee has previously recommended that departments operating major programs (ie those with a budget of at least ten million dollars and an expected life of at least five years) should ensure that specific legislation should be supported by regulations which describe, in detail, administrative arrangements. The magnitude of benefits paid, especially under the TRAS Scheme (\$222 million in 1983) demands a high standard of accountability.

Response

2.16 It is unreservedly accepted that major schemes of assistance should be under legislation. The Tertiary Education Assistance Scheme and Postgraduate Award Schemes are governed by the Student Assistance Act and its Regulations. Other government priorities for legislation, and supporting regulations, have precluded the preparation of appropriate legislation for the remaining schemes of student assistance. Additionally, recent initiatives for substantial change in the programs have necessitated postponement of any moves to legislate.

Conclusion (Paragraph 4.35 of Report 241)

The Committee is of the view, while the Department has made many improvements, the situation remains unsatisfactory. State Offices are not in receipt of sufficient or timely information to ensure that all applicants are treated consistently (and hence equitably) and promptly.

Response

2.17 Guidelines have been issued to State Offices on procedures for checking and certifying the validity of assessors' signatures on applications. As noted in the Report, the Department does not insist on strict adherence to checks of assessors' signatures where this would delay processing.

2.18 Additionally, instructions for eligibility or entitlement checks are now issued in the early part of the year to enable State Offices to commence compliance checking when the bulk of applications have been processed.

2.19 The Department has advised that the cross-check program to identify duplicate applications under the same or different schemes of student assistance was made available midway through the year in 1984 and late in the year in 1985. This limited the effectiveness of the facility for State Offices during those years. In 1986 however, the program was available from the commencement of the year. Full user documentation has also been issued.

Department of Finance

Commonwealth Superannuation Scheme - Employer Contributions by Approved Authorities or Other Bodies.

The Committee has noted that comprehensive conclusions on this topic will be published in its Report on the Auditor-General's April 1985 Report.

Department of Health

Internal Audit

Conclusion (Paragraph 6.9 of Report 241)

The Committee notes the improvements to the organisational arrangements for planning and control of the Department's internal audit function. It is concerned, however, that coverage of auditable areas, as proposed by the Annual Work Program, may still be jeopardised by a lack of sufficient staff. The Committee is also concerned about the application of priorities which allowed the frequent rescheduling of planned audits and which caused deferral of necessary improvements to documentation.

Response

2.20 The Department has advised that for review and quality assurance for internal audit:

- It is not considered necessary to issue specific instructions, guidelines, check-lists etc, to Regional and Central Office reviewers.

- In these circumstances, it is not considered necessary to divert scarce resources from productive audit work so as to produce and maintain further instructions.

2.21 Audit had specifically questioned the documentation of audit methodology, guidelines and instructions related to ADP auditing.

2.22 The ADP Audit Section is now fully staffed. The current situation is that documentation of ADP audit involvement in systems development is now comprehensive. Audit priorities are allocated in accordance with directions from the Departmental Audit Committee.

Conclusion (Paragraph 6.10 of Report 241)

The Committee is disturbed by the Department's comments regarding the approach taken by the Auditor-General in his review. It will be maintaining a close interest in future audits within the Department to assess whether these differences of philosophy have been resolved.

Response

2.23 The Department disagreed with the views expressed in the Auditor-General's Report and considers that Internal Audit involvement including major systems development was clearly and adequately documented.

2.24 Subsequent to the Auditor-General's Report the Australian Audit Office planned to commence an audit of the Pharmpay system. As a result of a preliminary review in November 1985, the audit was deferred due to the extensive Internal Audit coverage of Pharmpay in the Department. The Audit Office indicated that, due to the deferral of the audit, the Internal Audit ADP methodology and working papers were not evaluated. However, the Internal Audit guidelines defined a satisfactory depth and extent of coverage.

Conclusion (Paragraph 6.11 of Report 241)

As noted in the Conclusions to Chapter 3 of this Report, the Committee is concerned at the frequency with which internal audit performance by departments receives critical comment in the Auditor-General's Reports. The Committee, therefore, is planning a comprehensive review of internal audit and expects to table a report on that subject in 1986.

Department of Housing and Construction

General Works Division, Australian Capital Territory

Conclusion (Paragraph 7.10 of Report 241)

The Committee notes the progress the Department has made in improving assets control within the General Works Division in the Australian Capital Territory. It will be looking for evidence of continued improvements in future audits.

Response

2.25 The Department has advised the following is an update of implementation of improvements within the General Works Division in the Australian Capital Territory:

(a) The incorporation of all relevant data into the Asset Control System (ACS)

- As previously reported ACS is fully operational for planning purposes in the ACT with 19240 asset records covering all Commonwealth owned and used assets. All assets other than those currently under construction are recorded. Collection and research of missing historical data (ie date of construction, references to original plans, contractors etc) has not yet commenced. The lack of this data in ACS does not affect the use of ACS as a programming tool. Inspection and recording of building mechanical asset details have a high priority and will continue as resources permit.

- The ACT Region introduced pre-printed Maintenance Inspection Reports, for recording ACS input data, in March 1986 and this will facilitate timeliness and accuracy of ACS updates.

(b) Quality and accuracy of Maintenance Inspection Reports (MIRS)

- The pre-printed MIR form introduced in March 1986 requires signature by the District Manager certifying approval of ACS input data and agreement of the inspection report. Data will not be recorded without this signature.

(c) The timeliness of asset inspections

- MIRS were completed as scheduled in 1985 and will be completed in accordance with revised Section 2 Repairs and Maintenance Guidelines issued by Central Office in March 1986 for the 1986 inspection cycle. It is fully expected that the 1986 targets will be achieved.

(d) Efforts to bring the stocktake program up-to-date

- The backlog in stocktaking that existed at the time of the audit (1984) has been cleared. Stocktaking is, with approval by the Secretary in accordance with Finance Directions 25/1 and 26/8, now carried out on a biennial basis. The current stocktake program based on a two-year cycle is on schedule.

(e) Supply and Plant Manuals

- As previously advised interim revised Supply and Plant Manuals were issued by the Secretary in February 1985 for immediate implementation throughout the Department.
- The revised manuals in final form were issued in August 1985.

(f) Conversion of the cost card system to the Departmental Accounting and Information System (DAIS)

- As previously advised the conversion depends initially on the availability of terminals and date lines in major depots in the ACT to allow access to data stored in DAIS
 - equipment has now been installed in the two major Depots (Dickson and Fyshwick) and will be further extended to other Depots when funds become available; and
 - there will inevitably be some duplication of the manual cost card system and the ADP system pending full user acceptance within the Depots of the ADP system.
- Progress has been made with input from the District Offices initially with a work plan or budget system of job monitoring. Conversion of the cost card system is seen as a further development of District Office autonomy depending on additional hardware, improved DAIS access from the Districts and user acceptance.

Department of Industry, Technology and Commerce

Diesel Fuel Rebate Scheme

Conclusion (Paragraph 8.17 of Report 241)

The Committee is very concerned at the number of serious problems identified in the administration of the Diesel Fuel Rebate Scheme. It notes the Department's comment that many of these resulted from the short time provided for its implementation.

Response

2.26 The implementation of the Diesel Fuel Rebate Scheme resulted from a decision of the then Government in the context of the 1982 Budget. They contend that the difficulties in the administration of the Scheme are not serious problems, as concluded by the Committee.

Deficiencies highlighted by the Auditor-General in his report of 1984 have been and are in the process of being rectified.

Conclusion (Paragraph 8.18 of Report 241)

In view of the changes to the Scheme announced in the recent 1985-86 Budget (whereby currently eligible primary producers will receive a full rebate of the excise on diesel fuel from 1 November 1985) the Committee has sought assurances from the Minister for Industry, Technology and Commerce that adequate resources will be available to ensure the Scheme operates effectively and with proper accountability.

Response

2.27 With respect to the changes to the Scheme announced in the 1985-86 Budget, whereby eligible primary producers receive a full rebate from 1 November 1985, those changes were implemented, within existing resources, with minimum inconvenience and disruption to applicants. Once the changes received the Royal Assent on 16 December 1985, outstanding claims were processed as a matter of priority. Since that time the provisions of the Customs and Excise Acts have been further amended to allow the Minister to declare new rebate rates, by notification in the Gazette, as long as the new rates are higher than those now contained in s.164 of the Customs Act and s.78A of the Excise Act. The new provisions to amend diesel fuel rebate rates have since been successfully applied in the February 1986 indexation change, and more recently, the March 15 IPP Change.

Conclusion (Paragraph 8.19 of Report 241)

The Committee is not satisfied with the Department's assertion that many of the weaknesses of the Scheme, especially those relating to self-assessment, derived from the Government's intention to set in place simple procedures. The Department was unable to provide documentary evidence of the previous or present Government's expressed intention in this regard.

Response

2.28 The alleged weakness in the Scheme whereby claimants are required to estimate their eligible usage was an express intention of the previous Government and is contained in Cabinet documents. In accordance with established convention, and because Cabinet documents are confidential, copies were not provided to the Committee. This position was taken on advice from the Cabinet Office. The decision of the previous Government

concerning estimated eligible usage was intended to put claimants to a minimum of inconvenience, and was consistent with practices in other areas of taxation. The present Government has endorsed the procedures.

Conclusion (Paragraph 8.20 of Report 241)

The Committee frequently observes schemes and programs with implementation problems like those experienced by the Diesel Fuel Rebate Scheme. Such schemes may well be eminently desirable and useful in their objectives. However, on occasions where they have been instituted with little or no preparatory investigation there are subsequent administrative problems. The programs may be capable of efficient and effective implementation provided sufficient attention is given to the development phase. The Committee urges that departments and Ministers take great care to ensure that essential planning has been carried out before a new or revised program is announced and/or begins operation.

Response

2.29 The issues raised concerning planning and implementation of new or revised programs have been noted. The ACS does, however, point out that the decision to abandon the old diesel fuel certificate system and introduce the rebate scheme was taken in the budgetary context. This resulted in the need to develop administrative procedures and computer processing arrangements within a six week timeframe.

2.30 The ACS continues to contend that, considering the timeframe for implementation, the scheme has been highly successful. There have been a significant number of changes made to the administrative and computer processing aspects of the scheme.

2.31 A further significant feature in the redevelopment process is the involvement in planning, design and administrative review of the ACS's Internal Audit unit. The intention is to ensure that, where possible, matters previously raised by the Auditor-General and the Committee are addressed and resolved. It is appropriate to note that it is not the policy of the ACS to set down the procedures to be followed for investigations. However, the ACS has a Diesel Fuel Rebate Scheme investigation manual which documents the requirements of the national investigation system, as well as detailing the risk assessment techniques to be adopted.

Coal Excise Duty

Conclusion (Paragraph 8.25 of Report 241)

The Committee is satisfied with the progress made by the Department in improving procedures for the collection of the coal excise levy in Queensland.

Response

2.32 The ACS has noted the Committee's comments with regard to the collection of the coal excise levy in Queensland.

Department of Resources and Energy

Internal Audit

Conclusion (Paragraph 9.6 of Report 241)

The Committee endorses the improvements instituted by the Department to provide more satisfactory control of the internal audit function. The Committee is concerned, however, that departments continue to report that lack of staffing resources still hampers proper coverage of functional audits.

Response

2.33 The Department has taken steps to ensure that matters which were unsatisfactory have been remedied. All positions on the Internal Audit Section establishment have been filled for some time now and the unit has been able to operate in a stable environment.

2.34 Attention is also currently being given to Internal Audit's ADP resource requirements and the Departmental Internal Audit Committee has accepted that the non-ADP internal audit establishment should subsequently be reviewed to ensure that, as far as is practicable within the existing constraints, inadequate resources do not hamper coverage of functional audits.

Conclusion (Paragraph 9.7 of Report 241)

As noted in the conclusions to Chapter 3 of this Report, arising from its concern about the frequency of critical comment on internal audit matters by the Auditor-General, the Committee has decided to conduct a comprehensive review of departmental internal audit practices and expects to table a Report on that matter in 1986.

Department of Social Security

Invalid Pensions

Conclusion (Paragraph 10.18 of Report 241)

The Committee notes that at 30 June 1984 there were approximately 240,000 invalid pensioners and during 1983-84 \$1,253 million was expended on invalid pensions. The magnitude of the payments is, of itself, sufficient to demand a high level of efficiency in their administration.

Response

2.35 Noted.

Conclusion (Paragraph 10.19 of Report 241)

The Committee is concerned that once a pension is granted, there is a possibility that eligibility may not be reviewed for up to five years. The Committee believes that this may be insufficiently frequent in certain cases, especially given the apparently increased weighting recently given to non-medical factors.

Response

2.36 When Commonwealth Medical Officers (CMOs) provide an opinion on whether a claimant is permanently incapacitated for work, they may also recommend a future date for review of the case. In many cases however the incapacity for work is permanent, in the sense that it is more likely than not that it will not improve in the foreseeable future and the CMO will therefore recommend no further review. The Department is not always bound by the CMO's recommendation and determining officers are instructed to consider all the available medical evidence, the nature of the disability and the pensioner's age when deciding whether to institute, proceed, cancel or postpone a review.

2.37 Invalid pensioners who disclose income from personal exertion of \$50.00 per week or more are reviewed immediately even though the CMO may have recommended "no review".

Conclusion (Paragraph 10.20 of Report 241)

The Committee accepts the Department's explanation for the discrepancy between the percentage of applications approved by determining officers and that recommended by CMO's. It requests the Department to provide statistics for the years ended 30 June 1985 and 30 June 1986 to ascertain whether the revised guidelines and improved training procedures have assisted in closing the gap.

Response

2.38 Statistics kept by the Department indicate that, over the two year period to June 1986, the determining officer and the CMO agreed, in excess of 90% of cases, on whether the claimant qualified for an invalid pension. Both CMOs and determining officers work to the same guidelines, with this Department accepting responsibility for training determining officers while the Department of Health oversees the work of CMOs. Many applicants are clearly eligible for invalid pensions and some ineligible, but the eligibility of others is a matter of subjective judgements where individuals, be they CMOs or determining officers, can and do reach different conclusions. The "gap" is judged to be satisfactory in these circumstances.

Recovery of Overpayments

Conclusion (paragraph 10.22 of Report 241)

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

2.39 The Minister has written to the Chairman of the Committee giving details of action 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.

2.40 The specific development and implementation work set out in the Plan is now underway and, inter alia, is aimed at addressing those deficiencies identified by the Committee and the Auditor-General.

2.41 The Minister has given an undertaking to the Chairman of the Committee to provide regular updates on progress being made with implementation of the Plan.

Departmental Protective Security

Conclusion (Paragraph 10.32 of Report 241)

The Committee is concerned that this Department has only recently made improvements in the organisational control of security matters and that it has been slow in preparing an appropriate manual. The formation of the Protective Security Committee should ensure a better co-ordinated and more effective security effort.

Response

2.42 The Committee is proving to be an effective monitor of security issues, having overall responsibility for:

- . determining security policy in the Department;
- . overseeing the implementation of security policy and associated arrangements; and
- . reviewing reports on significant breaches of security.

2.43 A security manual has been completed to draft stage and distributed to State Directors for review and comment. The comments received from State Directors are now being assessed.

2.44 The security manual is currently being re-drafted and it is expected to be published in mid-March 1987.

Conclusion (Paragraph 10.33 of Report 241)

The Committee expects the Department to continue with the progress being made in improving security standards and wishes to be advised of the outcome of the negotiations with the staff associations on personnel security checking and of the results of the proposed review by ASIO.

Response

2.45 This Department, in conjunction with the Department of Housing and Construction, is upgrading building security with the installation of electronic security systems and implementation of appropriate security procedures in parallel with the introduction of Stratplan equipment to departmental offices. The Department has an ongoing program for installation of security systems at all of its offices. As at 30 June 1986, 73 security systems had been installed and the installation of a further 84 systems is being arranged by the Department of Housing and Construction.

2.46 This security system comprises an electronic security system with the following features:

- . after hours intruder detection;
- . duress alarm buttons at all interviewing points in an office;
- . two stage heat detector in computer room;
- . back-up power supply; and
- . 24 hour monitoring by security companies.

2.47 The electronic security system is supplemented by certain administrative arrangements with the monitoring company in the event of an alarm occurring.

2.48 The review of security of Juliana House has not yet been completed. Following the previous report by ASIO, certain security improvements to the perimeter of Juliana House were made. However, owing to a large number of section relocations, including the separation of Community Services from the Department and the acquisition of other accommodation, the situation has not been stable enough to carry out an effective assessment. A Departmental review is now to be conducted of Juliana House for the Departmental Security Policy Committee.

2.49 The Department did not need to pursue negotiations with staff associations as the personnel security checking used is in accordance with Government and Public Service Board guidelines.

Conclusion (Paragraph 10.34 of Report 241)

The Committee is particularly concerned that appropriate arrangements are in hand within the Department of Social Security with the implementation of STRATPLAN.

Response

2.50 The Department has always been conscious of the need to protect the confidentiality of information it holds on clients, and the implementation of Stratplan is seen as providing opportunities to improve security over access.

2.51 All systems being implemented as part of Stratplan must have their access and security policies approved by the Access Control Committee. This Committee, which is chaired by the Assistant Secretary (Applications Development) and reports regularly to the Systems Executive Committee, has both user and technical representatives. It reviews access and security aspects of systems from the point of view of ease of use, data integrity and security of access. Security provisions are implemented to ensure that only staff who need to are able to access information.

2.52 The On-line Enquiry System already in operation in the Department is a good example of the way security can be improved with an on-line system. The previous system relied on microfiche and microfiche viewers being available throughout the office. It was necessary to rely on procedures to ensure that microfiche were locked away

when not in use and that all copies of the microfiche were always accounted for. With the new On-line Enquiry System, only users who are authorised to access this information are able to. The use of passwords and strict control over communication lines prevents other people gaining access.

Department of Territories

Financial Statements Outstanding

Conclusion (Paragraphs 11.23 and 11.24 of Report 241)

The Committee is extremely concerned at the poor performance of the Department of Territories and Local Government in the preparation of the accounts for which it is responsible.

Although a timetable for the Department to submit outstanding financial statements to Audit was agreed, the Committee notes that there has already been some slippage since its adoption although overall progress has been made in the preparation of more timely financial statements.

Response

2.53 The Department has advised that the following is a statement of progress with financial statements.

ACT FORESTRY TRUST ACCOUNT

1981-82 - Audit Certificate issued 26 September 1984
1982-83 - Audit Certificate issued 17 June 1985
1983-84 - Submitted amended statements to AAO 21 January 1987
1984-85 - Submitted amended statements to AAO 21 January 1987

2.54 The delay in producing the 1983-84 and subsequent statements has been due largely to operational problems which occurred during the transition to the new chart of accounts (adopted as from 1984-85) and during implementation of the new funding arrangements approved in March 1984.

2.55 The Delegate of the Minister for Finance on 16 January 1986 approved a new form for the accounts under Section 41D of the Audit Act 1901. This will be used for the 1983-84 and subsequent statements.

2.56 It is expected that the 1985-86 Statements will be submitted to the AAO early in 1987.

ACT RENTAL HOUSING OPERATIONS

2.57 The current position is:

1981-82 - Audit Certificate issued 3 September 1986
1982-83 - Audit Certificate issued 3 September 1986
1983-84 - Submitted to AAO 24 February 1987
1984-85 - Submitted to AAO 5 January 1987
1985-86 - Submitted to AAO 19 January 1987

ACT TRANSPORT TRUST ACCOUNT

2.58 The current position is:

1980-81 - Audit Certificate issued 18 October 1985
1981-82 - Audit Certificate issued 10 October 1986
1982-83 - Audit Certificate issued 10 October 1986
1983-84 - Submitted amended statements to AAO 12 May 1987
1984-85 - Submitted to AAO 5 December 1986
1985-86 - Submitted to AAO 22 December 1986

2.59 Anomalies which have caused delays in the completion of the above statements have received attention and an improvement in future statements can be expected. A number of Public Transit Branch's manual processes are currently being evaluated by a Working Party and will soon be automated, which will greatly enhance the quality and timeliness of financial statements. The Branch is also devoting more time and effort generally to the production of financial statements, including working papers and schedules supporting the statements.

CANBERRA PUBLIC CEMETERY TRUST

2.60 The current position is:

1980-81 - Audit Certificate issued 11 July 1984
1981-82 - Audit Certificate issued 29 January 1985
1982-83 - Audit Certificate issued 29 April 1985
1983-84 - Audit Certificate issued 25 June 1986
1984-85 - Audit Certificate issued 30 June 1986
1985-86 - Audit Certificate issued 19 December 1986

2.61 Delays are attributable to factors mentioned in paragraph 11.4 of the Committee's Report and to the transfer of responsibility for account preparation from the Department to a firm of private accountants. The Trust is now up to date; it is expected that all accounts will be prepared more quickly in future.

2.62 The Chairman of the Trust has advised that due to the delays by the AAO in examining the statements, the Trust has been obliged to adopt the practice of referring unaudited reports to the Minister to ensure that they are not unacceptably delayed.

CITY OF CANBERRA MUNICIPAL ACCOUNTS

1980-81 - Audit Certificate issued 21 December 1983
1981-82 - Audit Certificate issued 6 March 1985
1982-83 - Audit Certificate issued 10 April 1987
1983-84 - Submitted amended statements to AAO 21 January 1987
1984-85 - Submitted to AAO 23 January 1987; returned to department 10 May 1987

2.63 The Department is to seek a revocation of the existing determination under Section 41D of the Audit Act 1901 for the 1985-86 statements.

2.64 The processing of data for these accounts has now been automated with the introduction of a micro-computer system. This has resulted in quicker preparation of the 1982-83 and subsequent accounts, although there have been some unforeseen delays.

2.65 Work has commenced on revising the Department's chart of accounts to enable direct access to financial information classified according to municipal, territorial and national elements. This will be incorporated in the new Financial Management Information System. Completion of this work will allow easier extraction of base data for input into the computer system used to compile the accounts.

2.66 The Department has made progress in clearing the backlog of financial statements. It is accorded high priority to the preparation of financial statements. The Management Committee closely monitors their progress through Internal Audit fortnightly returns which detail the status of the statements.

2.67 The arrangements for the preparation of financial statements are that operational areas prepare their financial statements, Financial Management Branch advises on financial and accounting policy issues and Internal Audit, in addition to the monitoring role mentioned above, provides advice and expertise and conducts quality control reviews of statements prior to submission to the Australian Audit Office.

2.68 Financial Management Branch, through the recently established Accounting Policy Section, will in future adopt a higher profile in the financial reporting processes. A strategy is being developed whereby this Branch will provide technical expertise, advice and assistance as well as accounting policy advice to operational areas preparing statements. In addition, Financial Management Branch will implement a comprehensive program of financial and accounting training throughout the Department to establish and maintain an appropriate level of skill and awareness for user areas.

2.69 These initiatives, coupled with the proposed acquisition of new computing facilities, should greatly enhance the Department's ability to generate timely and effective financial management information and significantly upgrade the day to day financial operations.

Conclusion (Paragraph 11.25 of Report 241)

The Committee stresses the importance of good municipal accounts. The Committee notes the improvements made in the provision of management information but is concerned that there still seem to be difficulties in separating data relating to the decision to produce municipal accounts was made seventeen years ago and it is the Committee's opinion that progress in that time has been unsatisfactory.

Response

2.70 Please see response commencing at paragraph 2.53 of this report.

Conclusion (Paragraph 11.26 of Report 241)

The Committee expects the Department to improve the timeliness and accuracy of its financial statements.

Response

2.71 Please see response commencing at paragraph 2.53 of this report.

Industrial Wages Payroll System

Conclusion (Paragraph 11.37 of Report 241)

The Committee is pleased to note the improvements being made to the Industrial Wages Payroll System. There are areas, though, where controls appear to need strengthening. This is particularly so in the case of the fortnightly reconciliation process. While the Committee agrees that it is an improvement to create a system where employees can be guaranteed to receive their pay each fortnight, this imposes a responsibility to put into place tight controls to ensure that unwarranted overpayments are minimised.

Response

2.72 Since September 1985 the Department has progressively introduced a formal reconciliation system which requires all Branches with industrial employees to certify after each payday that each person on the paysheet for that Branch is entitled to receive a pay on the particular payday. Since this system was introduced there has been only one instance of overpayment and action has been taken to avert similar occurrences.

Conclusion (Paragraph 11.38 of Report 241)

The Committee does not accept the Department's contention that possible decisions about self-government are a good reason to delay introduction of a more efficient and reliable Industrial Wages Payroll System.

Response

2.73 In its response to the Auditor-General's Report the Department stated that it believed that the payroll system was an acceptable, accountable system which would be sufficient until decisions are taken on self-government. This comment may have been misinterpreted. The Department did not mean that normal development and improvement of the current system would be deferred pending the self-government decision. It intended to foreshadow the possibility that if, following self-government, it became necessary to pay a greatly increased number of employees whose employment conditions are different to the conditions of those on the existing system, a completely new payroll system may need to be developed.

2.74 The Department is not delaying changes to the payroll system because of self-government proposals. The system is being improved as the resources available and priorities for systems development in other areas permit. For example, 3 man years of work have been expended to automate the leave processing system. This system is now ready for final production testing.

Conclusion (Paragraph 11.39 of Report 241)

Whatever arrangements are in place for the administration of the Australian Capital Territory, they must occur in the context of efficient and accurate administrative systems which can provide prompt and precise information on all matters affecting revenues and expenditures involved in the Territory's administration.

Response

2.75 Please see response to paragraph 2.73 of this report.

Department of Veterans' Affairs

ADP System Development

Conclusion (Paragraph 12.11 of Report 241)

The Committee was very concerned at the low level of priority being accorded a project with the potential to produce substantial savings.

Response

2.76 The development of the computerised pension processing system (the All Pensions and Allowances System - APAA) has been established from the Ministerial level down as a high priority, strategic system.

2.77 Senior management representing Central and State Offices are members of a Steering Committee responsible through the Secretary to the Minister for the successful introduction of the system.

2.78 A central user operations group which co-ordinates all aspects of delivering pension benefits to clients has been created. This group together with State system users and other support groups form a co-ordinating Committee which ensures that the detailed system meets defined user requirements.

2.79 The procedures involved in the development cycle of computer based systems, from initiation of a system request through to the post implementation review of the completed system, are documented in the Department's standards. The Department also has a computer based control system which monitors the progress of the tasks which must be completed as part of this cycle.

2.80 The full APAA system has necessarily been divided into several implementation stages. Good progress has been made towards the completion of the total system as can be seen from the following implementations:

- May 1984 - Claims Management System - monitors the progress of clients' claims.
- November 1984 - Service Pension Processing System - introduced for Assets and Means test processing.
- July 1985 - Client Registration System - controls client identification.
- November 1985 - Interim Disability Pension Processing System - short term automation of disability pension processing to speed the payment of pensions to clients.
- Planned for 1987, Entitlement and Treatment Eligibility Recording System - records and controls all entitlement decisions and eligibility for benefits resulting from those decisions.

Conclusion (Paragraph 12.12 of Report 241)

The matter has been referred to the Committee's Sectional Committee on ADP matters for further examination.

Pension Overpayments and Other Debtors

Conclusion (Paragraph 12.16 of Report 241)

The Department's response in relation to the matters raised in this Report will be taken into account in the Committee's Report on the Auditor-General's April 1985 Report where the issue of Pension Overpayments and Other Debtors was raised again.

Response

2.81 Noted.

Procurement and Supply

Conclusion (Paragraph 12.22 of Report 241)

The Committee was concerned that there were still many instances of poor stores management in the Department but noted the improvements being instituted.

Response

2.82 Progress has been made in this area by issuing increased financial delegations and commissioning a consultant to review the Department's purchasing arrangements.

2.83 The consultancy in the procurement system has been completed. Various areas seen as offering potential for improvement have been identified and an action plan to implement or further consider recommended changes is being developed. It is envisaged that these changes will complement improvements already achieved through the issue of increased financial delegations and will result in more streamlined, efficient and effective methods of operation.

2.84 Bulk store holdings have recently been reviewed as part of the annual provisioning cycle. This and earlier reviews have resulted in reduction of stock holdings and disposal of obsolete stock. Periodic reports of bulk store holdings are obtained from DOLGAS and are used as part of the annual review/provisioning cycle to identify any holdings of a slow moving or potentially excessive nature.

2.85 In the meantime, the Department is holding discussions with the Department of Finance to finalise administrative arrangements for the 3 year rolling programs to commence in 1988/89.

Conclusion (Paragraph 12.23 of Report 241)

The Committee has noted the Auditor-General's comments on the matter and will be looking for improvements in this area in future audits.

Response

2.86 The major concerns of the Auditor-General have previously been addressed by the Departmental response in which a number of measures were outlined which would reduce the difficulties disclosed by the audit.

M S KEATING
SECRETARY
DEPARTMENT OF FINANCE

AUDITOR-GENERAL'S REPORT SEPTEMBER 1984 - FOLLOW-UP ACTION
 PARA 7.1 - CENTRAL ADMINISTRATION OF STUDENT ASSISTANCE PROGRAMS

STEPS TO BE TAKEN	PROGRESS TO DATE	EXPECTED COMPLETION DATE
1	<p>Amendment of Student Assistance Regulations relating to treatment of Income Equalisation Deposits (IED).</p> <p>The provisions of the Income Tax Assessment Act relating to IED's were amended in October 1984. As a result the treatment of the IED scheme by both the Student Assistance Regulations and the Income Tax Assessment Act are generally consistent however some changes are being sought in the regulations to cover the implications for TEAS of the phasing out of the earlier IED scheme. Drafting instructions have been sent to the Attorney-General's Department. Under SAS and AIC Ministerial approval has been obtained for operating consistently with TEAS in this regard.</p>	Action substantially completed.
2	<p>Examination of Student Assistance Regulations relating to treatment of lump sum payments.</p> <p>Relevant parts of the Student Assistance Regulations have been examined and instructions for drafting of proposed amendments have been sent to the Attorney-General's Department.</p>	Action substantially completed.
3	<p>Need for standards for acceptable processing times.</p> <p>The desirability of developing standard times will be kept under review. The Department is not, however, convinced that the setting and monitoring of such standards - even if resources permitted - would be productive. A wide range of variables, including complexity of courses, circumstances of family, industrial disputes, system failures and equipment breakdowns, can affect processing times.</p>	To be kept under review.

APPENDIX A

AUDITOR-GENERAL'S REPORT SEPTEMBER 1984 - FOLLOW-UP ACTION
 PARA 7.1 - CENTRAL ADMINISTRATION OF STUDENT ASSISTANCE PROGRAMS

STEPS TO BE TAKEN	PROGRESS TO DATE	EXPECTED COMPLETION DATE
4	<p>Reactivation of system reporting statistics on turnaround times for processing applications.</p> <p>The overall processing performance of individual State Offices is continuing to be monitored. This involves a comparison with performance in previous years and with that of other Offices.</p> <p>The statistics on turnaround times produced in 1983 provided information on one variable only, viz. time gap between receipt of application and ADP output. They were thus very limited in their usefulness as a management tool as they did not indicate stages at which hold-ups in processing were occurring. A proposal for a more comprehensive system was developed which would have provided information on the time taken for the various stages of processing and for different types of applications, through the capture of additional information from the application form. Limitations on ADP resources precluded the development of the system for 1986. Statistics on turnaround times will however be introduced as part of the upgraded systems to apply in 1987. Underround times are meantime statistics on turnaround times are collected directly from State Offices during peak processing times.</p>	Action completed.

AUDITOR-GENERAL'S REPORT SEPTEMBER 1984 - FOLLOW-UP ACTION
 PARA 7.1 - CENTRAL ADMINISTRATION OF STUDENT ASSISTANCE PROGRAMS

STEPS TO BE TAKEN	PROGRESS TO DATE	EXPECTED COMPLETION DATE
5	Reduction of timing for preparation of half-yearly statistical reports.	Action completed.
6	More feedback to State Offices on analysis of control statistics.	Action completed.
7	Expansion of management information to take account of assessments and remedial action.	Action substantially completed.
8	Implementation of a uniform system of quality control.	Action completed.
9	Evaluation of effectiveness of eligibility/entitlement checks and consideration of alternative approaches.	Action completed.

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AUDITOR-GENERAL'S REPORT SEPTEMBER 1984 - FOLLOW-UP ACTION
 PARA 7.1 - CENTRAL ADMINISTRATION OF STUDENT ASSISTANCE PROGRAMS

STEPS TO BE TAKEN	PROGRESS TO DATE	EXPECTED COMPLETION DATE
10	Income verification - standardisation of follow-up procedures.	Action completed.
11	Greater emphasis on pre-assessment verification checks in upgraded ADP system (including income verification).	To be kept under review.
12	Need for consultation with ATO with a view to defining information to be sought under provisions of Income Tax Assessment Act.	Action completed.

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AUDITOR-GENERAL'S REPORT SEPTEMBER 1984 - FOLLOW-UP ACTION
 PARA 7.1 - CENTRAL ADMINISTRATION OF STUDENT ASSISTANCE PROGRAMS

STEPS TO BE TAKEN	PROGRESS TO DATE	EXPECTED COMPLETION DATE
13 Need for Central Office to oversight preparation, distribution and use of local reference material.	Total oversight not practicable, but details of reference material are maintained in Central Office.	In operation already.