Response to Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1984-85) Report

Report

269

Joint Committee of
Public Accounts

Parliament of the Commonwealth of Australia

1987

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 269

RESPONSE TO *EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE (APPROPRIATION ACTS 1984-85) REPORT*

(DEPARTMENT OF FINANCE MINUTE ON THE COMMITTEE'S 247TH REPORT)

Australian Government Publishing Service
CANBERRA 1987

Printed by C J Thompson, Commonwealth Government Printer,
CANBERRA

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DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

> Subject to sub-section (2), the duties of the Committee are:
>
> (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
>
> (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
>
> (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
>
> (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
>
> (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
>
> (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,
>
> and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

PREFACE

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

1. The Committee's report is tabled in the Senate and the House of Representatives.

2. The Committee's Chairman then forwards a copy of the report to the responsible Minister and to the Minister for Finance with a request that the report be considered and the Chairman subsequently informed of action taken and planned to address the Committee's recommendations.

3. The reply, in the form of a Department of Finance Minute is then examined by the Committee and submitted with comment as soon as possible as a report to the Parliament.

The Report on the Advance to the Minister for Finance (Appropriation Acts 1984-85) contained the results of the Committee's inquiry into additional funding required by the Departments of Aviation and Defence. The Department of Finance Minute was received by the Committee on 4 July 1986.

The most significant issues dealt with in the Report were:

- the control over the Aerodrome Local Ownership Plan Maintenance Grant by the Department of Aviation; and

- the reimbursement of the revenue shortfall in the Williamstown Dockyard trust account, by the Department of Defence.

The Committee is satisfied with the Department of Aviation's use of the Advance to the Minister for Finance; and notes the new resource management procedures being employed by the Department of Defence in its administration of the Williamstown Dockyard trust account.

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

In accordance with the procedures outlined above, this Report documents the Department of Finance Minute which was submitted in response to the Committee's 247th Report.

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
25 February 1987

DEPARTMENT OF FINANCE MINUTE

1. This minute has been prepared on the basis of responses received from the Departments of Aviation and Defence.

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

Department of Aviation
Aerodrome Local Ownership Plan Maintenance Grant

Committee Conclusion (Paragraph 2.13)

The Committee notes that the criteria for the use of the Advance were satisfied and that the Department of Aviation has taken remedial action to strengthen control of this item.

Response

3. The Department notes the Committee's acceptance that the circumstances of the request satisfied the criteria for the use of the Advance to the Minister for Finance.

Department of Defence
Defence Shipbuilding Other Expenses

Committee Conclusion (paragraph 2.24)

The Committee is not satisfied that the criteria for the use of the Advance to reimburse the revenue shortfall in the Williamstown Dockyard trust account were satisfied. The fact that the Central Office of the Department was unaware of the likelihood of a very large shortfall until May 1985, although the Dockyard had been implementing measures aimed at eliminating the shortfall since late in 1984, indicates a disturbing lack of liaison between the Dockyard, the Office of Defence Production and the Central Office of the Department.

Response

4. The Department has advised that resource management procedures now in place will improve controls over revenue and expenditure.

Committee Conclusion (paragraph 2.25-27)

Nevertheless, the Committee notes that the shortfall occurred in the first year of operation of the trust account, and that the Dockyard was simultaneously implementing new financial budgeting and accounting systems. Moreover, the decision to set up the trust account and commercial accounting systems at the Dockyard followed major reviews, and was associated with the awarding of the Australian Frigate Construction contract. The expectation was that inefficient management practices would be revealed, and indeed the shortfall did occur in large measures because of inadequate information about overhead costs at the Dockyard, the full extent of which have now emerged.

The Committee notes the announcement by the Minister for Defence on 21 March 1986, in which he stated that a trimmer workforce at all levels, plus continued management improvements, would result in a more efficient operation with an assured future for the Dockyard's sizable workforce and supporting industries. The Minister commented that the current workload and contained an imbalance in trade skills. The Committee welcomes moves by the Department of Defence to introduce more efficient management and industrial practices into the Dockyard and other Defence production facilities.

The Committee will be inquiring further into the operation of the Williamstown Dockyard trust account when it reviews the Auditor-General's report of March 1986. The Committee will particularly be looking to examine the proposed 1985/86 financial statements of the Dockyard, which the Department has advised will conform to the 'Guidelines for the Form and Standard of Financial Statements of Commonwealth Undertakings'.

Response

The Department notes the Committee's conclusions and the intention to inquire further into the operation of the Williamstown Dockyard trust account.

M S KEATING
Secretary of the
Department of Finance