JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 291

REVISED PROCEDURES FOR REPORTS OF THE JOINT COMMITTEE OF PUBLIC ACCOUNTS

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA 1988

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

SIXTEENTH COMMITTEE

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	MR G B NEHL, MP
	MR P M RUDDOCK, MP
	THE HON G G D SCHOLES, MP

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

The Committee has determined to make a number of changes to its procedures for examining Auditor-General's reports and its reporting procedures for Finance Minutes. The changes are aimed at reforming the procedures of the Committee to ensure that it operates in a more efficient and targeted manner. This report outlines these changes and highlights the current activities of the Committee.

For and on behalf of the Committee

R E Tickner, MP
Chairman

Karin Malmberg
Acting Secretary
Joint Parliamentary Committee
of Public Accounts
Parliament House
CANBERRA
25 May 1988

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REVISED PROCEDURES

Introduction

1. The statutory duties of the Joint Committee of Public Accounts, as outlined in the Public Accounts Committee Act 1951, include an obligation to examine all reports of the Auditor-General tabled in the Parliament and to report to the Parliament any matters arising from those examinations that the Committee considers should be drawn to the attention of the Parliament.

2. The Committee recognises the importance of its reports being both timely and relevant. With this in mind the Committee has embarked on a review of its operations. As a result of this review a number of changes have recently been agreed to by the Committee to ensure that it operates in a more efficient and targeted manner. These changes concern the Committee's consideration of Auditor-General's reports and the follow-up procedures for Committee reports. This report outlines these changes.

3. The Committee will be writing to the Secretaries of all departments outlining these changes.

Reports of the Auditor-General

4. In order to ensure expeditious consideration of Auditor-General's reports the Committee has decided to introduce a standard practice of seeking comment from the Auditor-General and of meeting with him, subsequent to the tabling of a report, on matters believed to be of importance and which may warrant further investigation. This advice will be sought as soon after the tabling of Auditor-General's reports as is possible. The Committee will, with this information in mind, conduct its own separate considerations and decide on its actions.

5. This action may be either:

- a full, immediate inquiry; or
- where a complete inquiry is not warranted but there is significant need for Parliamentary scrutiny of matters reported in the Auditor-General's reports, the Committee will write to the relevant departments and authorities highlighting its concerns and seeking an immediate response to matters raised in that report. The Committee will be specifically concerned with the timing of action to rectify the problems identified.

The need for further action by the Committee will then be assessed on the basis of the reply provided to the Committee. The Committee's initiatives in this area will be the subject of a report to the Parliament.

6. The Committee has adopted this new approach in its consideration of the Auditor-General's Report on Audits to 31 December 1987, tabled on 24 March 1988. The Committee wrote to the following departments and authorities, on 4 May 1988, seeking information on matters raised.

- Department of Administrative Services - The Auditor-General raised a number of problems concerning the management of a project for the construction of a residential staff complex in Bangkok, Thailand. The Committee is especially concerned that shortcomings in the management of the project will ultimately result in continuing costs to the Commonwealth and that such problems do not occur in other projects.

- Department of Defence - The Committee was concerned over continuing problems referred to in the Auditor-General's Report with the production of timely and accurate financial statements for Defence munitions factories. The Committee has requested the Department to provide details of action taken to improve its accountancy standards in the factories.

- Department of Employment, Education and Training - The Auditor-General outlined a number of problems with the administration of the Private Overseas Student Program. The Committee has requested the Department to provide details of action taken in response to the Audit criticisms.

- Department of Primary Industries and Energy - The Auditor-General expressed a number of concerns relating to the administration of the Rural Adjustment Scheme and has requested responses from the Department. In addition, the Audit criticisms raised general issues in relation to the Department's use of consultants and the general accountability of States grants schemes.

- Department of Social Security - The Auditor-General reviewed a number of matters relating to the adequacy of review and monitoring mechanisms for family and associated allowances. The Committee requested details of action taken in response to the deficiencies in the Department's administration outlined in the Auditor-General's Report.

- ACT Health Authority (now ACT Community and Health Service) - The Committee has requested details of action taken in response to Audit criticism concerning the preparation of financial statements.

- Australian Heritage Commission - The Committee has also requested the Commission to supply details of action taken in response to Audit criticism concerning the preparation of financial statements.

7. The Committee requested that responses from these organisations be supplied by 20 May 1988. The Committee has received advice from all departments and authorities concerning the matters raised and is currently examining those responses. The responses will be the basis of further decisions regarding action by the Committee, including the potential for full inquiries into these matters. The Committee will report to the Parliament the results of its deliberations on these matters.

8. The new approach to the Committee's consideration of Auditor-General's reports will not be applied to efficiency audit reports. The Committee believes that the nature of these reports warrants separate consideration.

Follow-up Procedures for Committee Reports

9. Since 1952 the Committee has had a formal procedure known as a Department of Finance Minute to ensure that appropriate action is taken in response to each report. The procedure has been that after a report by the Committee is tabled in the Senate and the House of Representatives, the Chairman of the Committee forwards a copy of the report to the responsible Minister. A copy is also forwarded to the Minister for Finance together with a request that the report be considered and the Chairman subsequently be informed of actions to address the Committee's recommendations. The reply, in the form of a Department of Finance Minute, is then examined by the Committee and submitted, with comment if necessary, as a report to the Parliament.

10. The Committee will continue the practice of requesting a response from the Minister for Finance. However, in the future the Committee will only table a separate Finance Minute Report if it is urgent, lengthy or for some other reason requires immediate reporting to the Parliament. Otherwise, the Committee will table all Finance Minutes as one report. This report will be presented annually to the Parliament.

11. The Committee stresses that in reviewing its procedure it has not reduced in any way its oversight of the responses nor has the importance with which the Committee views the Finance Minute process been diminished.

12. In addition, the review of action taken on recommendations contained in Committee reports will be stengthened by recent changes to the guidelines for the preparation of departmental annual reports. In a statement to the Parliament on 4 June 1987 concerning guidelines for annual reports, the Chairman outlined that the Committee was strongly of the view that annual reports of departments should provide details of any reviews by the Auditor-General and Parliamentary committees. The Committee has also stated that these details should include recommendations made in the reviews and any action taken to address the recommendations.

13. Revised guidelines tabled by the Prime Minister on 17 November 1987 announced that he had accepted the Committee's views together with other recommendations which were contained in Report 262 - Guidelines for Annual Reports. The Guidelines for the preparation of departmental annual reports now state that each report should '...contain information regarding any reviews by the Auditor-General or Parliamentary committees which directly affect the department, showing recommendations arising from such reviews and the action taken to address them'.

14. The Committee will, as part of the follow-up procedure for its reports, review annual reports of departments for compliance with the relevant guidelines. It will particularly monitor compliance with the guidelines for financial statements and responses to recommendations of the Committee and the Auditor-General. The Committee will generally report on compliance with the guidelines in the annual report of the Committee and on a case by case basis as necessary. The Committee considers that annual reports are an extremely important element in ensuring the accountability of public expenditure.

New Directions

15. The Committee will be writing to each department highlighting the relevant sections of the annual report guidelines and stating that the Committee will be examining annual reports for compliance.

16. In addition to the changes aimed at streamlining the on-going operations of the Committee, the Committee has also recently embarked on an extensive program of inquiries. The Committee is concerned that the inquiries it undertakes do not simply deal with problems of administration on a case by case basis. Rather, the Committee intends to focus on activities which will result in recommendations aimed at improving the system of Parliamentary scrutiny and effectiveness of Government administration. Report 289 - Advance to the Minister for Finance, tabled in the Parliament on 19 April 1988, typified this approach. In addition, the Committee has recently commenced a number of major new inquiries.

17. These inquiries are:

- Reform of the Australian Audit Office - This inquiry will specifically investigate whether the Australian Audit Office has kept pace with developments in regard to the public audit function in the States and Territories, and in comparable countries. It will also investigate whether current legislation and other arrangements guarantee the independence and resources necessary for the Australian Audit Office to fulfill its role as determined by the Audit Act 1901.

  Of central importance to the inquiry will be the opportunity for the Committee to uphold the role of the Parliament in ensuring public accountability for expenditure of Government moneys. This inquiry follows concerns expressed by the retiring Auditor-General in his 1986-87 Annual Report over some recent trends in public sector auditing. For instance, in that report the Auditor-General expressed concerns over changes which may adversely affect the accountability of statutory authorities. The Committee also intends to monitor and participate in the general debate over the regulation of statutory authorities. It will be particularly concerned to ensure the accountability of public expenditure.

- Engagement of External Consultants by Commonwealth Government Departments - This inquiry has been prompted by the number of adverse references in recent Auditor-General's reports concerning inadequacies in procedures of Commonwealth departments for selecting, monitoring and assessing the consultants they engage. The Committee is also concerned over references in the Auditor-General's reports of instances of excessive increases in projected consultancy fees.

  In this inquiry the Committee will aim to ensure that the Commonwealth obtains the best possible value for money when engaging external consultants and that adequate quality control procedures are set in place.

  In addition, the inquiry will also investigate broader issues associated with increased use of external consultants in the public sector in recent years. In particular, issues such as whether the increased reliance upon consultants is associated with a de-skilling of the public sector workforce, and whether Commonwealth departments have been engaging external consultants as a means of dealing with staff ceilings.

- Management of the Antarctic Division - This inquiry results from adverse reports about the management of the Division.

- Safety Principles for Explosives - This inquiry will examine the Auditor-General's efficiency audit reports into RAAF Explosive Ordnance and Safety Principles for Explosives.

18. The Committee also has in progress a major inquiry into Therapeutic Goods Evaluation and Testing. This inquiry is examining the efficiency and effectiveness with which the Department of Community Services and Health carries out such evaluation and testing.

Conclusion

19. The Committee is committed to ensuring a rigorous scrutiny of public expenditure. To better achieve this end the Committee has reformed its own procedures to ensure a more effective targeting of its work.