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*Murray Evans*



# ***Activities 1987-1988***

***Report  
293  
Joint  
Committee  
of Public  
Accounts***

***Parliament  
of the  
Commonwealth  
of Australia  
1988***

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

**REPORT 293**

**ACTIVITIES**

**1987 - 1988**

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**JOINT COMMITTEE OF PUBLIC ACCOUNTS  
SIXTEENTH COMMITTEE**

Mr R E Tickner, MP (Chairman)

Senator J O W Watson (Vice-Chairman)

Senator B K Bishop

Senator the Hon A T Gietzelt

Senator P J Giles

Senator J P McKiernan

Mr K J Aldred, MP

Mr E J Fitzgibbon, MP

Mr S P Martin, MP

Mr G B Nehl, MP

Mr G D Prosser, MP

Mr P M Ruddock, MP

Mr R W Sawford, MP

The Hon G G D Scholes, MP

Mr L J Scott, MP

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Robert Tickner, MP (Chairman)



## Chairman's Review

On behalf of the members of the Committee I am pleased to present the Committee's report of activities for the financial year 1 July 1987 to 30 June 1988. This is the third report of activities presented to the Parliament under my chairmanship and the Committee's first to be presented in the new Parliament House.

The primary purpose of this report is to inform the Parliament of the Committee's activities. The Committee appreciates, however, that because of its crucial role as 'watch-dog over public expenditure', this report will be of interest to a wide range of bodies outside of the Parliament. The report also provides a convenient means to suggest areas of public and financial administration which may require further review and reform.

The effective working year for the Committee was somewhat truncated due to the Federal election on 11 July 1987. Membership of the Committee lapsed on 5 June when the Parliament was dissolved and did not resume until the Sixteenth Committee was appointed by the Parliament on the 7 and 8 October 1987. Notwithstanding this, and the reduction in the Committee's resources, the Committee was able to present 11 reports to the Parliament and undertake five new important inquiries.

I am pleased to report two major initiatives which demonstrate the present Committee's commitment to improving the system of parliamentary scrutiny as a whole and not just simply dealing with issues on a case by case basis. These concern the Reform of the Australian Audit Office and the Advance to the Minister for Finance facility.

First, the Committee has taken a new direction by initiating an inquiry into the Reform of the Australian Audit Office. The Committee is of the view that it should always be looking towards proposals and initiatives for reform in public administration which will improve the system of public accountability of Commonwealth departments and agencies. In this respect the Australian Audit Office performs a crucial role and the Committee believes that, in terms of its possible long-term ramifications, this inquiry is one of the most important yet undertaken by the Committee. It is expected that the Committee's report will be presented to the Parliament in the Autumn Session 1989.

Second, I was pleased to announce on 27 April 1988 that the Minister for Finance would be introducing changes to legislation and guidelines as a result of the Committee's recommendations arising from its inquiry into the Advance to the Minister for Finance facility (Report 289). The Advance is a special area of government that gives the Minister for Finance

considerable discretion over expenditure without prior approval of the Parliament. This prompt response by the Government to the Committee's report emphasises the importance of the Committee's role in overhauling and revitalising parliamentary scrutiny in order to improve the system as a whole.

The Committee is also committed to reforming its own procedures to ensure that it operates in a more efficient and targeted manner. To this end, Report 291 entitled 'Revised Procedures for Reports of the Joint Committee of Public Accounts' is a significant milestone in the work of the Committee. It outlines a number of changes which will streamline the Committee's work. These changes have arisen, in part, as a consequence of the general lack of responsiveness by Government to concerns of the Parliament and the Auditor-General.

As a result of these revised procedures, the Committee:

- . has established a closer relationship with the Auditor-General to consider appropriate follow-up action to his reports;
- . will be monitoring and reporting on the responsibility of departments to report annually to the Parliament on action taken in response to concerns of the Parliament and the Auditor-General; and
- . is introducing an improved reporting procedure for Department of Finance Minutes.

A disturbing trend to emerge during the year was the poor standard of submissions and representations made by some departments. All too often the Committee has had to endure hastily and ill-prepared submissions which do not fully address the issues, poorly briefed witnesses and witnesses unable to speak with authority; in general, a lack of professionalism.

While the Committee is concerned about this situation, it is even more concerned at the difficulty it has experienced in eliciting relevant information from some departments. Whether this reflects a degree of incompetence, reluctance to co-operate or other factors is problematical. What it does suggest to the Committee is disdain for, or at the very least a lack of appreciation of, the process of parliamentary scrutiny and the role of the Committee.

Not only does the Committee expect a high standard of submissions, it also expects open, frank and active disclosure of all relevant information. The Committee will continue to monitor this situation and urges departments to do their homework and lift their game in their dealings with the Committee.

In February 1988, the Committee was pleased to receive a delegation from the Queensland Parliament to discuss arrangements for the establishment of a Public Accounts Committee in that State. This is a noteworthy development as Queensland remains the only State not to have a functioning Public Accounts Committee. The Committee looks forward to the day when Queensland has an effective and vigorous Public Accounts Committee.

The Committee acknowledges, with great appreciation, the contribution made to its work by the members of the Committee's secretariat and the Committee's advisers. Additionally, we thank all those who gave us assistance, particularly officers from the Department of Finance and the Australian Audit Office.

We also express our appreciation for the work done by the Principal Parliamentary Reporter and his staff and other officers of the parliamentary departments who have assisted the Committee in its activities.

In conclusion, I would like to take this opportunity to thank retiring members and also welcome the many new members to the Committee. I am pleased to see that four of my colleagues from the previous Committee, Senator Watson as Vice-Chairman, Senator Giles, Mr Nehl, MP, and Mr Ruddock, MP, were reappointed to the Sixteenth Committee. The public often do not appreciate the significant amount of time devoted to Public Accounts Committee work. Without the dedication and contribution made by members of the Committee, public accountability of Commonwealth activities would not be possible.



R E Tickner, MP  
Chairman  
Joint Committee of Public Accounts  
Parliament House  
CANBERRA

23 November 1988

SIXTEENTH JOINT COMMITTEE  
OF PUBLIC ACCOUNTS  
THIRTY-FIFTH PARLIAMENT



Back row: The Hon G G D Scholes, MP, Mr E J Fitzgibbon, MP,  
Senator J P McKiernan

Centre row: Senator the Hon A T Gietzelt, Mr P M Ruddock, MP,  
Senator B K Bishop, Mr S P Martin, MP,  
Mr K J Aldred, MP

Front row: Mr M J Lee, MP, the Hon R J Brown, MP,  
Senator P J Giles, Mr R E Ticker, MP (Chairman),  
Dr J R Hewson, MP, Dr R E Klugman, MP

Absent: Mr G B Nehl, MP



Senator J O W Watson (Vice-Chairman)

## **Members of the Public Accounts Committee**

The members of the Sixteenth Committee of the 35th Parliament are shown below. Unless otherwise stated, members were appointed to the Committee by the Senate on 7 October 1987 and by the House of Representatives on 8 October 1987.

**Mr Robert Tickner, MP, LL.B., LL.M. (Hons) (Syd),  
B.Ec (Syd), (Chairman)**

Robert Tickner was elected as Member for Hughes in February 1984. He was previously Principal Solicitor for the Aboriginal Legal Service Ltd and formerly lecturer in the Faculty of Law and the Faculty of Business Studies at NSW Institute of Technology. Robert Tickner was an alderman of the Sydney City Council for six years and was chairman of the Finance Committee of the Council and was acting Lord Mayor of the City for a brief period. Mr Tickner is also a member of the House of Representatives Aboriginal Affairs, Privileges, Selection and Legal and Constitutional Affairs Committees.

**Senator John Watson (Vice-Chairman)**

Elected to the Senate in 1977, Senator John Watson is a chartered accountant. Prior to his election to the Senate, he was general manager of a large textile operation and was also a part-time lecturer in accountancy at the Tasmanian State Institute of Technology and the TAFE College. Senator Watson is a member of the Senate Standing Committee on Employment, Education and Training and the Senate Publications Committee and has been a member of the Joint Committee of Public Accounts since 1978 (Vice-Chairman since 1986).

**Senator Bronwyn Bishop**

Senator Bronwyn Bishop was elected to the Senate in 1987. She is a solicitor and company director and, prior to her election to the Senate, was the President of the NSW Division of the Liberal Party. Senator Bishop is the secretary of the Opposition's Business, Industry and Science Policy Committee and was recently appointed Acting Shadow Minister for Business and Consumer Affairs whilst the Shadow Minister was overseas. She is also deputy chairman of the Senate Standing Committee on Regulations and Ordinances.

**Senator the Hon. Arthur Gietzelt**

Senator Arthur Gietzelt was born December 1920, San Francisco. He was elected to the Senate in 1970, 1974, 1975, 1977, 1983 and 1987 and as a member of the Opposition Shadow Ministry, served as spokesperson on agriculture, administrative services, consumer affairs and home affairs. Senator Gietzelt was Minister for Veterans' Affairs from 1983 to 1987 and has been a member of the ALP National Executive since 1971, and ALP Senior Vice-President since 1983.

**Senator Patricia Giles, BA**

Senator Patricia Giles, BA, was elected to the Senate in July 1980. Her career spans nursing, child bearing and rearing, voluntary community activities, graduation as a mature student, and seven years as a trade union official. Senator Giles' parliamentary work reflects her concern for social justice and the enhancement of the status of women.

**Senator James McKiernan**

Senator Jim McKiernan was elected to the Senate in 1984. A fitter and turner by trade, he was previously employed as Western Australian Education Officer with the Amalgamated Metal Workers' Union. Senator McKiernan is Chairman of the Senate Standing Committee on Publications and a member of the Senate Standing Committee on Industry, Science and Technology. He is Deputy Government Whip in the Senate.

**Mr Kenneth Aldred, MP**

Ken Aldred was elected Member for Bruce at a by-election in May 1983, and was previously Member for Henty from 1975 to 1980. Actively interested in the areas of economics and defence, Ken Aldred is chairman of the Opposition Treasury Committee and was formerly chairman of the Opposition Defence Committee.

**The Hon Robert Brown, MP**

Bob Brown was elected Member for Hunter in 1980 and became Member for Charlton in 1984. Prior to 1980 he had been Mayor of Cessnock and State Member for Cessnock. Bob Brown was formerly a high school deputy principal. Mr Brown was appointed to the Committee on 28 October 1987 and resigned from the Committee on 31 August 1988 on his appointment to the Hawke Ministry.

**Mr Eric Fitzgibbon, MP**

Eric Fitzgibbon, formerly a high school teacher, was elected Member for Hunter in December 1984. An alderman on Cessnock City Council for fifteen years, Mr Fitzgibbon was Mayor of the Council for three years, and served several years as a member of the Hunter Valley County Council and the Shortland County Council.

**Dr John Hewson, MP**

John Hewson was elected Member for Wentworth in July 1987. He previously worked as an economist with a range of institutions, including the Bureau of Census and Statistics, the International Monetary Fund (IMF), the Reserve Bank of Australia and as a professor of economics at the University of NSW. He has also had a diversified background in business, government and journalism. Dr Hewson resigned from the Committee on 20 October 1988 on his appointment to the Shadow Ministry.

**Dr Richard Klugman, MP**

Dr Dick Klugman was first elected to the Parliament in 1969. He has been parliamentary representative on the Council of the Australian National University since 1973, a member of the Joint Committee on Foreign Affairs and Defence since 1972 and chairman of the Sub-committee on Australia's Representation Overseas since 1987. He was Shadow Minister for Health 1977-80 and has also been Shadow Minister for Repatriation, Science and Administrative Services. Dr Klugman was chairman of the Joint Committee on Electoral Reform 1983-84 and chairman of the Joint Select Committee on Video Material 1985-88. His special interests are: social security, health and foreign affairs. He was a medical practitioner before entering the Parliament. Dr Klugman was appointed to the Committee on 20 April 1988 and resigned from the Committee on 10 November 1988.

**Mr Michael Lee, MP**

Michael Lee was elected Member for Dobell in December 1984. After completing degrees in science and electrical engineering, he was employed as a construction and maintenance engineer with the Electricity Commission of NSW. Mr Lee resigned from the Committee on 24 March 1988.

**Mr Stephen Martin, MP**

Stephen Martin, formerly a town planner and university lecturer was elected Member for Macarthur in December 1984. Prior to entering the Parliament he was regional manager (Macarthur) for the New South Wales Department of Environment and Planning. Mr Martin is currently chairman of the House of Representatives Finance and Public Administration Committee and has taken a keen interest in the economics portfolios within the Government.

**Mr Garry Nehl, MP**

Garry Nehl was elected Member for the seat of Cowper on the mid-north coast of NSW in December 1984. He is Deputy Whip of the Federal National Party, chairman of the Opposition Policy Committee on Business, Industry and Science and a member of the Joint Parliamentary Committees on Foreign Affairs, Defence and Trade and Publications. Mr Nehl is actively interested in the areas of welfare, defence, foreign affairs, Antarctica, the aged, and transport issues.

**Mr Geoffrey Prosser, MP**

A businessman, Geoff Prosser founded a successful automotive engineering company and diversified into construction engineering and property development. He entered Federal Parliament as the Member for Forrest in July 1987 and has been closely involved in local government as a Bunbury City Councillor. Mr Prosser is also a member of the Standing Committee on Employment, Education and Training. He was appointed to the Committee on 20 October 1988.

**Mr Philip Ruddock, MP, BA, LL.B. (Syd)**

Philip Ruddock was elected to the Parliament in 1973. He has been Member for Dundas since 1977. As a solicitor he was a partner for a Sydney law firm before entering the Parliament. Mr Ruddock is a former Shadow Minister for Immigration and Ethnic Affairs, and the ACT. He has served on numerous parliamentary committees including the House of Representatives Committee on Road Safety, Joint Select Committee on Aboriginal Land Rights and Joint Committee on Foreign Affairs, Defence and Trade. He has been deputy chairman of the Select Committee on Telephone Interceptions and is now deputy chairman on the House of Representatives Committee on Legal and Constitutional Affairs. He was also chairman of the Joint Select Committee on the Family Law Act as well as the House of Representatives Standing Committee on Aboriginal Affairs. Mr Ruddock has represented the Parliament on the Council of the Australian National University, the Trade Union Training Authority and the Institute of Aboriginal Studies. He is a deputy chairman of Committees in the present Parliament and has been a member of this Committee since 1984.

**Mr Rodney Sawford, MP**

Rod Sawford was elected Member for Port Adelaide in March 1988. After his first occupation as a casual labourer on the Port Adelaide wharves, Mr Sawford became a primary school teacher, a South Australian Education Department consultant and since 1975 a primary school principal. Combatting poverty, unemployment and promoting preventative health, welfare and educational programs are his major interests. Mr Sawford was appointed to the Committee on 30 August 1988.

**The Hon. Gordon Scholes, MP**

Gordon Scholes was elected Member for the Federal Seat of Corio, Victoria, in July 1967. Before entering Parliament he was President of the Geelong Trades Hall Council and a councillor of the City of Geelong. He held positions of Deputy Speaker (Feb 1973 to Feb 1975) and Speaker of the House of Representatives (Feb 1975 to Feb 1976). Mr Scholes is a former Minister for Defence (1983) and Minister for Territories (1984 to 1987).

**Mr Leslie Scott, MP**

Les Scott was elected as the Member for Oxley in October 1988. He was formerly employed in the banking industry for 25 years. Mr Scott was an active unionist and held the honorary positions of State President and Federal Vice-President of the Australian Bank Employees Union. Mr Scott was appointed to the Committee on 10 November 1988.



## Chapter 1

### INTRODUCTION

#### Purpose of Committee

A well-resourced Public Accounts Committee is an essential force in a modern parliamentary democracy. Its purpose is to ensure that all activities of the public sector are accountable to the Parliament for the moneys expended by, and the efficiency of, government departments and agencies. For this reason the Committee has been described as the 'watch-dog over public expenditure' and the 'tax payers friend'.

Irrespective of the views of members of the Committee on the size of the public sector and their political persuasions, all members of the Committee find common ground in pursuing the goal of an efficient public sector. The Committee does this by scrutinising and regularly reviewing the manner in which Commonwealth departments and statutory authorities manage their diverse activities and finances. In doing this the Committee is primarily concerned with the cost effectiveness of policy rather than policy objectives.

The Committee's duties are set out in an Act of Parliament (see Appendix A), thus the Committee is a committee of the Parliament and independent of government. The Committee has wide powers under its Act and is free to determine the specific areas of government it may wish to investigate or review. In addition to this wide mandate the Committee has developed a close and effective working relationship with the Auditor-General and his staff. Matters commented upon by the Auditor-General in his reports may be taken up by the Committee. In such cases further information about his investigation is provided by the Auditor-General.

#### Origin of the Committee

The Committee is constituted under the Public Accounts Committee Act 1951. It is one of five committees of the Parliament established by statute.

In 1913 the Commonwealth Parliament established a Public Accounts Committee. This Committee was disbanded in 1932 and re-established by the Public Accounts Committee Act 1951 which sets down the functions, constitution and powers of the Committee. The Committee met for the first time on 2 October 1952 and elected Emeritus Professor F.E. Bland, CMG, MP, as chairman.

## Membership

The Committee comprises both Government and Opposition members of Parliament. It is accepted practice that the majority of Committee members be from the Government party. The Chairman of the Committee has always been a Government member elected by the whole Committee and the Vice-Chairman is an Opposition member. The Committee has a total membership of 15, five members of the Committee are appointed by the Senate and 10 by the House of Representatives.

The Committee is proud of its bipartisan nature and the harmonious manner in which it pursues its work. This is evidenced by the fact that the Committee has not tabled a minority report in the last 30 years.

## Method of Operation

Under the terms of the Public Accounts Committee Act 1951 the Committee may operate with absolute independence. This power was derived principally from Sections 6A(1) and 8(1)b of the Act:

- 6A(1) The Committee may meet at such times and at such places within Australia as the Committee, by resolution, determines or, subject to any resolution of the Committee, as the Chairman determines ...
- 8(1)b to report to both Houses of 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.

The usual practice is for the Committee to determine its own program of work and the inquiries it should undertake. Either House of Parliament may also refer any question in connection with the public accounts for inquiry and report, and other duties may be assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

Through the operation of various sectional committees, the Committee is able to address a number of references concurrently. The Committee is required to hold its inquiry hearings in public and generally tables written submissions as evidence at these hearings. Under its Act the Committee may consider secret or confidential matters in camera.

The Committee is assisted in its inquiries by the Australian Audit Office and the Department of Finance. In addition, specialist advisers and consultants, from both the public and private sectors, provide technical advice to the Committee when required.

Prior to the implementation by the Government of the new administrative arrangements in July 1987, the Committee had also worked closely with the then Public Service Board on matters concerning public service conditions and salaries. Given the revised functions of the new Public Service Commission this formal relationship is no longer appropriate.

The Committee's requirement for written statements in advance of hearings has become standard procedure in the Committee's operations. The statements form the basis of evidence and enable the time taken for hearings to be kept to a minimum. The information, provided in advance, facilitates questioning and comprehension.

## Chapter 2

### CURRENT INQUIRIES

#### Reform of the Australian Audit Office

In April 1988, the Committee decided to hold an inquiry entitled the Reform of the Australian Audit Office.

The inquiry is a significant step forward for the Committee. A large part of the Committee's work is concerned with the follow-up of the Auditor-General's reports and with the examination of key aspects of public sector financial management. The inquiry into the Australian Audit Office (AAO) is an examination of the means by which public sector administration is accountable to the Parliament. Accordingly, it examines fundamental aspects of the relationship between the executive and legislative arms of government. The report's recommendations will have a significant effect in this area.

Some major issues to be addressed include:

- . examination of the most appropriate method of determining resources for the AAO;
- . determination of whether growth in audit resources has kept pace with growth in the audit workload and greater audit responsibilities;
- . redefinition of the role of performance audits, particularly efficiency audits, in view of the introduction of program budgeting;
- . examination of the benefits and disadvantages of commercially oriented government organisations having the right to select their own auditor;
- . the AAO's relationship with private sector audit firms; and
- . clarification of who is the Auditor-General's client.

In the conduct of the inquiry, the Committee has consulted very widely within Australia and overseas. In October 1988 it brought to Australia as an expert witness Mr Kenneth Dye, Auditor-General of Canada. Mr Dye is in the forefront internationally of the development of public sector audit.

Eight public hearings were conducted by the end of October 1988, and 45 submissions were received. It is expected that the report will be tabled in the Parliament in the Autumn sittings 1989.

## **Department of Defence – Safety Principles for Explosives and RAAF Explosives Ordnance**

On 20 April 1988, the Committee agreed to hold an inquiry reviewing the matters raised in the Auditor-General's Reports on Safety Principles for Explosives and RAAF Explosives Ordnance. The Committee also decided to examine the adequacy of the responses by the Department of Defence to these reports.

Up to the end of October 1988, the Committee had heard witnesses from the Department of Defence on three occasions and had inspected the explosives storage and loading facilities around Sydney Harbour.

Central to the Committee's inquiry has been the very serious allegations that successive Ministers for Defence were not adequately briefed by the Department. The Committee has discovered that important legal advice of the then Attorney-General had been ignored. In 1983 the Attorney advised that it was a matter for Government, and not Defence managers, to balance national interests against the risks where danger extended beyond Commonwealth property.

Further, the Committee has also been examining the serious charge that the Department of Defence showed little concerted or co-ordinated action to implement the new principles, formally adopted in 1981 without Government approval, until after the Audit commenced in 1986.

In addition to the Department of Defence's preliminary submission, the Committee has received a comprehensive supplementary submission and many supporting documents. A number of private organisations have also provided submissions to the inquiry.

The inquiry is continuing and is expected to report in the Autumn 1989 sittings of the Parliament.

## **Therapeutic Goods Evaluation and Testing**

The Chairman announced the inquiry into the Therapeutic Goods Evaluation and Testing function of the Department of Community Services and Health in January 1988. The inquiry has raised major issues in relation to public health safety.

At the time of this report the Committee has received some 80 submissions from many varied sources such as the Department of Community Services and Health, State departments of health, industry, professional and consumer bodies, manufacturers of therapeutic products and individuals. The Committee has held fourteen public hearings during the course of its inquiry.

Major issues to emerge are:

- . Over 3000 categories of medical devices are on the Australian market. Of these only five categories are evaluated prior to import into Australia. There is no legal requirement for evaluation of any other category nor of any device manufactured within Australia, even if of the same type as the five categories evaluated prior to import.
- . The Committee has found that it is also legally possible to import devices into Australia that have been banned overseas.
- . The lack of uniform legislation in Australia has resulted in a lack of Commonwealth authority to enforce manufacturing standards. The Committee has heard evidence that some one-third of manufacturers have major or critical deficiencies in their operations.

The Committee aims to table its report in the Budget sittings 1988.

## Management of the Antarctic Division

The Committee initiated an inquiry in April 1988 into the management of the Antarctic Division, especially in relation to the tender procedures for ship-charter services. The Committee decided on this course of action following allegations publicised in the media in early 1988 concerning irregularities in the tendering process for Australia's new Antarctic vessel to replace the Nella Dan.

The Committee has received a major submission from the Department of Arts, Sport, the Environment, Tourism and Territories (DASETT). Other submissions have come from government departments, some professional bodies and individuals who have been to or have a deep interest in the Antarctic.

Public hearings have been held in Hobart (11 and 12 July), Sydney (9 September) and Canberra (26 July and 5 October).

Issues already addressed include:

- . allegations suggesting improper payments to the then owner of the Icebird in 1985;
- . the role of the Antarctic Division in supporting scientific inquiry into the Antarctic;
- . the links between the shipping companies directly related to the Icebird (currently Australia's major carrier of goods and expeditioners to the Antarctic);
- . the role of the Antarctic Division's shipbrokers; and
- . the tender processes for Australia's new carrier, the Aurora Australis.

A report is expected to be tabled in the Autumn sittings 1989.

## **Engagement of Consultants by Commonwealth Departments**

In April 1988 the Committee announced an inquiry into the Engagement of External Consultants by Commonwealth Departments. This inquiry arose as a consequence of several adverse references in recent Auditor-General's Reports to inadequacies in departments' procedures for selecting, monitoring and assessing the consultants they engage.

In addition to these procedures other issues under investigation during this inquiry include:

- . whether contracts of engagement are adequate to protect Commonwealth departments from incurring additional costs either from unsatisfactory work by consultants or excessive increases in projected consultancy fees;
- . the conditions under which Commonwealth departments engage external consultants;
- . the extent to which consultants are engaged to meet departmental workloads; and
- . whether deskilling of the public sector workforce is occurring as a result of Commonwealth departments engaging consultants.

The Committee has received over 50 submissions from Commonwealth departments, public sector unions, private consulting bodies and individuals. Four public hearings were held to the end of October 1988. It is expected that a report will be tabled in the Autumn sittings in 1989.

## Finance Minutes

The Committee is currently considering the following responses from the Minister for Finance. These responses, known as Department of Finance Minutes, are the formal response to reports of the Committee. An explanation of this procedure is given on p.18 below.

No. of Report	Title Proposed
249	Proposed Computer Acquisition for Repatriation General Hospitals
254	Project DESINE - Department of Defence Computer Proposal
256	Forward Obligation of Government Expenditure
257	Review of Efficiency Audit - Quarantine Services
259	Department of Community Services Computer Acquisition
261	Review of Efficiency Audit - ACTION
263	Aspects of Defence Equipment Support Vol 1
270	Implementation of the Offsets Program
280	Defence Science and Technology Organisation - Task Cost Management
285	Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1985-86)
286	Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1986-87)
287	Australian Taxation Office Computer System Re-equipment and Redevelopment. Subsequent to the issuing of this report the Committee heard further evidence and will be considering the matter in conjunction with the Finance Minute.
289	Advance to the Minister for Finance.



## Chapter 3

### ISSUES ARISING FROM COMMITTEE ACTIVITIES

#### Quality of Submissions and Evidence

The Committee is concerned at the incidence of poor quality submissions and evidence provided to the Committee. This problem is by no means universal. Indeed the Committee has received submissions and evidence of a high standard. However, in the interest of improving the process of parliamentary scrutiny, the Committee feels it would be helpful to departments and agencies, which may have future dealings with the Committee, to spell out its specific concerns. They are:

- . ill-prepared submissions which do not fully address the issues;
- . delays in obtaining all relevant information;
- . the non-disclosure of relevant information;
- . witnesses not able to speak with authority on questions asked by the Committee; and
- . a lack of appreciation of the role and powers of the Committee and its method of operation.

The Committee cannot emphasise too highly the responsibility of government departments and agencies to conscientiously fulfill their obligations in respect of the parliamentary scrutiny process. Should departments and agencies not fulfill their responsibilities to the Committee, the Committee will have no alternative but to follow the accountability chain to the highest level of the department or agency concerned. The Committee will monitor this situation closely and report on it as required with a view to improving standards.

## **Finance Minute Delays**

The Committee is concerned by the tardiness of some departments in providing their responses to the Committee's findings. This is particularly evident in the formal follow-up procedure known as the Department of Finance Minutes (see p.18 below).

It would appear that some departments were taking an inordinate amount of time to furnish their responses to the Department of Finance which has the overall responsibility for the preparation of Finance Minutes. The Committee is of the view that, if this trend continues, the Committee will consider summoning officers of departments concerned to appear before the Committee to explain why the Finance Minute accountability procedures are not being properly observed.

Committee reports requiring responses as at 30 June 1988 are shown in the following table.

**Outstanding Finance Minutes  
as at 30 June 1988**

Report No.	Topic	Report Date	Finance Minute Date
252	JOB SEEKER - Computer Acquisition by the Department of Employment and Industrial Relations	6/86	*
261	Review of Efficiency Audit - ACTION	11/86	8/88
270	Implementation of the Offsets Program	4/87	10/88
272	Administration of the Commonwealth's Property Function	5/87	*
280	Defence Science and Technology Organisation - Task Cost Management	6/87	8/88
282	Review of Efficiency Audit - Australian Wool Corporation Property Operations	10/87	*
284	Stratplan - Department of Social Security ADP Re-equipment Program - Final Report	10/87	*
285	Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1985-86)	12/87	10/88
287	Australian Taxation Office - Computer System Re-equipment and Redevelopment	11/87	8/88
288	Review of Efficiency Audit - Administration of Capital Grants to Non-Government Schools	11/87	*
289	Advance to the Minister for Finance	3/88	10/88
290	A Better Deal for Our Veterans	5/88	*
	* Outstanding as at 23 November 1988		

## **Follow-up Procedures for Committee Reports**

Two significant changes have been made with regard to the Committee's follow-up procedures. These are discussed in detail in Report 291 entitled 'Revised Procedures for Reports of the Joint Committee of Public Accounts' (see p.17 below).

The changes are summarised as follows:

- . All Finance Minutes will be tabled as one annual report unless a Finance Minute warrants immediate reporting to the Parliament because it is urgent or significant in other respects.
- . The Committee will examine and report annually on whether departments adequately address relevant matters arising from reviews by the Auditor-General or parliamentary committees in their annual reports.

It is the intention of the Committee that the Committee's report on Finance Minutes and the Committee's report on departmental annual reports be tabled as one combined annual report. The Committee considers that this annual report will be an extremely important element in ensuring the accountability of public expenditure.

## **Disagreement with Senate**

The disagreement between the Committee and the Senate regarding the Committee meeting during sittings of the Senate continues. While the Committee endeavours to arrange its public meetings to the maximum extent possible so that they do not clash with sittings of the Parliament, practical reasons such as cost and Committee members' time imposed by the Committee's heavy inquiry workload make this impossible. The House of Representatives does not place any restrictions on its committees meeting while that House is sitting.

The legal opinions obtained by the Committee have not dissuaded the Committee from the view that under the provisions of the Public Accounts Committee Act 1951, which is an expression of the power given by both Houses, the Committee can meet at such times and at such places within Australia as the Committee determines. The Senate is of the view that no Committee with Senators as members should hold public meetings during Senate sittings and adopted a new Sessional Order (300A) on 22 September 1987 to restate its position. Sessional Order 300A reads:

Sittings of Committees during sittings of Senate

300A. All Committees of the Senate and Joint Committees of both Houses of the Parliament may sit during the sittings of the Senate for the purpose of deliberating in private session, but shall not make resolutions or take votes unless all members of the relevant committee are present, and shall not otherwise sit during the sittings of the Senate unless by special Order of the Senate.

The Committee's position on this matter is contained in its Report 264 entitled 'Public Accounts Committee and the Senate' of February 1987. The Committee recently sought and received advice from the Attorney-General's Department reaffirming the previous advice given in Report 264. This advice is to the effect that it is for the Committee to decide the times of its meetings and that Sessional Order 300A has no effect.

## Standing Reference on ADP Acquisition

A major change to the Committee's standing reference on the acquisition of ADP facilities was foreshadowed by the Government's acceptance of recommendations from an Efficiency Scrutiny Unit review of ADP acquisition processes.

The Committee's standing reference to investigate and report on proposed acquisition of Automatic Data Processing (ADP) facilities by Commonwealth departments and authorities under the Public Service Act 1922 was formally established by the Parliament in May 1985. It arose as a result of a Cabinet decision in 1983 that large acquisitions (defined as in excess of \$5 million for equipment and necessary works) should be referred to the Committee for approval. Under its standing reference the Committee has tabled five reports. The last was Report 287 entitled 'Australian Taxation Office - Computer System Re-equipment and Redevelopment' which was tabled in November 1987 (see p.21 below).

While confident of the value of the work performed under the standing reference, the Committee was not comfortable with its involvement in the executive decision-making process of Government through the standing reference.

The Efficiency Scrutiny Unit recommended, amongst other things, that referral of acquisition proposals to the Committee be no longer required, but Ministers may refer any specific proposal to the Committee or any other appropriate parliamentary committee for scrutiny. The Government's new procedures for acquisition of information technology facilities were approved and circulated in March 1988.

The Committee was not formally advised of Cabinet's decision of 14 March 1988 to change the ADP acquisition procedures. When the Department of Finance subsequently consulted the Committee in May 1988 it was given only one week to consider and comment on draft guidelines for the new procedures. The Committee is disappointed that no genuine effort was made to consult with the Committee on this matter.

The Government's decision to stop the automatic referral of proposals to the Committee in no way affects the traditional role of the Committee to review anything it chooses. It is expected that the Government will initiate action to rescind the resolutions of the Parliament that established the standing reference.

## **Requests for Funds (Advance to the Minister for Finance)**

There is an important recommendation arising from the Committee's review of the Advance to the Minister for Finance facility. The second recommendation of Report 289 (see p.19 below) concerns the tabling in the Parliament of all copies of applications for funds against the Advance. The Committee believes that this will facilitate early parliamentary review. Questions could be asked by members of the Parliament or examining committees leading to a more detailed examination of particular items before the end of the financial year.

The Department of Finance currently sends copies of applications to the Committee, the Parliamentary Library, the Senate Table Office and the House of Representatives Bills and Papers Office. This is not entirely satisfactory and the Committee is pursuing improved distribution arrangements with the Department.

## **Staffing Resources**

The Committee's continuing ability to conduct a broad range of inquiries has been significantly curtailed by the new staffing arrangements. Under these arrangements staffing levels have dropped from 15 in 1987 to a current level of seven.

The impact of this reduction of resources is of concern to the Committee. Consequently the Committee will continue to review its operations to ensure the best use of its resources. Procedural changes, such as those described in Report 291 (see p.17 below), will be implemented where appropriate. In addition the Committee will continue to focus on those references which are likely to result in significant improvements in the efficiency of government and the accountability of public expenditure. The Committee will also be exploring ways of bolstering the resources of its Secretariat by 'personal development' secondments from areas that work closely with the Committee. Such areas include the Department of Finance, the Australian Audit Office and the Public Service Commission.

## **New Technology**

The Committee recommended in Report 284 (see p.23 below) that all departments and agencies which are contemplating introducing new technology, in addition to consulting with the unions involved, establish a consultative mechanism with the Public Service Commission and the Department of Finance to develop initiatives on sharing anticipated efficiency gains and benefits with the affected staff.

## Chapter 4

### TABLED REPORTS

#### Reports of the Committee

In the 12 months from July 1987 to June 1988 the Committee tabled 11 reports. These are shown in the table below.

No. of Report	Title	Page
281	Joint Committee of Public Accounts - Report of Activities July 1986 - June 1987	-
282	Review of Efficiency Audit - Australian Wool Corporation Property Operations	24
283	Finance Minute on Report 248 - Report of the Auditor-General April 1985	27
284	Stratplan - Department of Social Security ADP Re-equipment Program - Final Report	23
285	Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1985-86)	26
286	Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1986-87)	26
287	Australian Taxation Office Computer System Re-equipment and Redevelopment	21
288	Review of Efficiency Audit - Administration of Capital Grants to Non-Government Schools	25
289	Advance to the Minister for Finance	19
290	A Better Deal for our Veterans	22
291	Revised Procedures for Reports of the Joint Committee of Public Accounts	17



## **Report 291 – Revised Procedures for Reports of the Joint Committee of Public Accounts**

### **Operations Reorganised**

The Committee is committed to ensuring vigorous scrutiny of public expenditure. To better achieve this end, the Committee has streamlined its own long-standing procedures to ensure that it operates in a more efficient and directed manner. In essence, keeping those procedures that work, discarding or up-dating those that are no longer effective and introducing new approaches where appropriate.

Report 291 highlights a number of significant changes to the Committee's procedures for examining Auditor-General's Reports and the Committee's follow-up procedures. This follow-up is of particular importance in making sure the public sector is accountable to the Parliament.

### **Reports of the Auditor-General**

The Committee decided to introduce a standard practice of seeking comment from the Auditor-General and of meeting with him. This will be done, as soon as possible after the tabling of a report, on matters believed to be of importance and which may warrant further investigation. The Committee will, with this information in mind, conduct its own separate investigations and decide on its actions.

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.

This 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.

The Committee believes that this initiative will further enhance the close working relationship between the Committee and the Auditor-General.

#### **Finance Minutes**

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 of the Committee. 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.

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, significant 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.

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. Indeed, the Committee is particularly concerned at the time taken to prepare Finance Minutes (see p.10 above).

## **Departmental Annual Reports**

The review of action taken on recommendations contained in Committee reports will be strengthened by 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.

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 '...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'.

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 one 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 departmental accountability of public expenditure.

## **Report 289 - Advance to the Minister for Finance**

Report 289 reviews the administration of the Advance to the Minister for Finance facility. The Committee is concerned that use of the Advance be kept within the strict parameters laid down by the Parliament. This is a fundamental element in the role of the Parliament supervising the executive government.

The Advance to the Minister for Finance is a central contingency fund in the annual Appropriation Acts. It is a special area of Government expenditure because it gives the Minister for Finance considerable discretion over expenditure without prior approval of the Parliament as a whole.

The three main concerns of the Committee were:

- . whether the procedures for the use and reporting of the Advance were appropriate;
- . whether the wording of the various Appropriation Acts with respect to the Advance was being interpreted correctly, particularly the terms 'urgent' and 'unforeseen'; and
- . whether the Committee should maintain its present role in reviewing expenditure from the Advance.

The Committee concluded that it should not undertake routine annual examination of final expenditure under the Advance while it is satisfied that other parliamentary committees are undertaking appropriate scrutiny.

The Committee's specific recommendations were:

- . use of a standard form for applying for funds from the Advance;
- . monthly reporting of the application forms to the Parliament; and
- . revision of Department of Finance guidelines on the use of the Advance to ensure conformity with the law.

The Minister for Finance and his Department quickly adopted the Committee's first and third recommendations and initiated parallel changes to the legislation. This prompt response is welcomed by the Committee and emphasises the importance of the Committee's work in improving the system of parliamentary scrutiny.

Although the second recommendation concerning the monthly reporting of application forms to the Parliament has been implemented, the Committee is liaising further with the Department of Finance regarding improvements to the distribution arrangements.

The Committee has received the Minister for Finance's response to Report 289 and this response is still before the Committee.

## **Report 287 - Australian Taxation Office - Computer System Re-equipment and Redevelopment**

Report 287 presents the findings of the Committee's review of the proposed computer system re-equipment and redevelopment program of the Australian Taxation Office.

The project is one of the largest of its kind to be undertaken in this country. Over a twelve year period the proposal is estimated to cost \$693 million.

The Committee supports the Australian Taxation Office in its endeavours to make better use of information technology and is firmly of the view that the Taxation Office has no alternative but to proceed with its computer system re-equipment and redevelopment proposal. Nevertheless the Committee had a number of concerns and made recommendations accordingly. The principal concerns relate to:

- . the continuing shortage of suitably qualified computer personnel;
- . the management expertise of those charged with 'driving' the program; and
- . the justification of the project used by the Tax Office and, in particular, the use of cost effectiveness analysis.

The Committee recommended that the Tax Office re-evaluate the justification for its proposal and identify the proposal's potential benefits in terms of the objectives and performance targets defined in the Office's Corporate Plan. The Committee also recommended that the Tax Office and the Department of Finance adopt a co-ordinated and timely approach to the specification of appropriate performance indicators for the re-equipment and redevelopment program.

The Committee believes the conclusions and recommendations it made demonstrates a continuing need for thorough scrutiny of ADP acquisition proposals. The Committee notes, however, that the Australian Taxation Office showed in some aspects of its proposal that it has benefited from the experience of other Commonwealth organisations and the scrutiny given to their ADP acquisition proposals.

The Committee has received the Minister for Finance's response to Report 287 and this response is still before the Committee.

## **Report 290 – A Better Deal for our Veterans**

Report 290 presents the findings of the Committee's inquiry into the management of Repatriation General Hospitals by the Department of Veterans' Affairs.

The Department of Veterans' Affairs (DVA) operates a Repatriation General Hospital (RGH) in each State to provide acute care and diagnostic and treatment services to eligible veterans and their dependants. The Department also operates Auxiliary Hospitals in some States to provide hospital treatment and short term nursing and convalescent care for patients needing less acute treatment services.

The inquiry began in November 1987 as part of a general review of the Auditor-General's reports on audits undertaken between 1985 and 1987. The Committee found that the Auditor-General had reported adversely on aspects of the Department of Veterans' Affairs management of its Repatriation Hospitals on a number of occasions. The Committee subsequently sought three submissions from the Department and held two public hearings, in November 1987 and March 1988, into the management of the Repatriation Hospitals.

The Committee was concerned to find fundamental deficiencies in the management information systems maintained by the Department to monitor and assess the performance of the various Repatriation Hospitals and State public hospitals and of monitoring the performance of Visiting Medical Officers engaged by the Department.

The Committee was also concerned by the lack of an effective management structure within the Department and by its apparently cavalier approach to responding to the findings of the Auditor-General. In the three year period reviewed by the Committee the Department of Veterans' Affairs either failed or lacked the capacity to ensure that deficiencies in the management of Repatriation Hospitals reported by the Auditor-General were systematically rectified at a national level.

The Committee's recommendations aim at promoting the development of an improved management structure in the Department and at establishing more comprehensive management information in the Repatriation Hospitals. It is the Committee's belief that

the implementation of the recommendations of this report will not only lead to improved administrative efficiency in the Repatriation Hospital System but will also promote the development of a health care system which is more responsive to the health care needs of veterans. The Committee will monitor the Department's implementation of its recommendations with considerable interest.

## **Report 284 - Stratplan - Department of Social Security ADP Re-equipment Program - Final Report**

Report 284 is the Committee's third report on the implementation of Stratplan. It covers a number of outstanding issues plus several matters dealt with in Report 225 for which satisfactory responses were not provided in Report 237. It is anticipated that this will be the Committee's final report on its monitoring of the implementation of Stratplan.

Stratplan is a major computer re-equipment program currently being implemented by the Department of Social Security.

Matters, which were of concern to the Committee, addressed by this report include:

- . industrial relations;
- . applications development;
- . Computer Systems Officer (CSO) staffing and the use of contractors;
- . cost effectiveness of Stratplan; and
- . matters outstanding from Report 237.

The Committee recommended that all departments and agencies which are contemplating introducing new technology, in addition to consulting with the unions involved, establish a consultative mechanism with the Public Service Commission and the Department of Finance to develop initiatives on sharing anticipated efficiency gains and benefits with the affected staff.

The Committee also recommended that the Department of Social Security re-evaluate the concept of the National Index and investigate the feasibility and costs of available technical options for satisfying this requirement.

The Committee noted that the Department of Social Security has successfully managed site procurement, preparation and fit-out, and has successfully trained thousands of staff in the use of Stratplan equipment and products.

The Committee also noted that the Department of Social Security has sought to develop good working relationships with the principal vendor organisation at all levels. This has included regular contact with not only the senior management of the vendor's Australian subsidiary but also with the parent organisation. The Committee concurs with the Department that this type of relationship is necessary with a major and complex computer project.

## **Report 282 – Review of Efficiency Audit – Australian Wool Corporation Property Operations**

Report 282 outlines the findings of the Committee's review of the Auditor-General's Efficiency Audit Report of the property operations of the Australian Wool Corporation. The Auditor-General's report was tabled in the Parliament on 26 November 1985.

The Australian Wool Corporation was established by the Wool Industry Act 1972 with a range of responsibilities associated with the marketing of the Australian wool clip.

The efficiency audit focused on the commercial management of the wool stores owned by the Wool Corporation. The Auditor-General's analysis was based on the assumption that the Corporation should maximise the income obtained from its property operations, arguing for greater risk taking in property investment decisions.

However, the Committee noted that, in its submission to the Committee on the efficiency audit report, the Wool Corporation disagreed fundamentally with the Auditor-General's analysis. The Corporation did not disagree with the factual accuracy of the report, but rather with the Auditor-General's assessment of the commercial risks associated with the redevelopment of its wool stores and his criticisms of the Corporation's commercial judgement.



The scope of the Auditor-General's role and responsibilities in relation to government business enterprises has been raised in previous reviews of Audit reports. The differing views of the Audit Office and the Australian Wool Corporation on the conduct of the efficiency audit has highlighted this issue once again. The Committee has therefore recommended that a detailed review of efficiency auditing guidelines for government business enterprises be undertaken (see p.4 above).

## **Report 288 - Review of Efficiency Audit - Administration of Capital Grants to Non-Government Schools**

Report 288 outlines the findings of the Committee's review of the Auditor-General's Efficiency Audit Report on the Commonwealth Schools Commission's Administration of Capital Grants to Non-Government Schools. The Auditor-General's report was tabled on 23 September 1986.

Capital grants for building and equipment projects at non-government schools are authorised under Part III of the States Grants (Schools Assistance) Act 1984 as amended. This program is currently administered by the Department of Employment, Education and Training. During the Audit the program was the responsibility of the Commonwealth Schools Commission. The efficiency audit examined aspects of the capital grants program, especially procedures for the processing, assessment and approval of applications for grants. The audit also examined the administration of approved projects, the information base and internal review of the program.

The Committee notes that some of the findings and recommendations of the audit were out of date because of the delay in tabling the report after the collection of data. The Committee did not inquire into matters relating to the operation of the program that would not be relevant following the introduction of new arrangements for the payment of capital grants to non-government schools from the beginning of 1988.

The Committee's main concerns related to the need for a clear set of objectives with a means of measuring performance against these objectives, for comprehensive and up-to-date policy and procedure documents, for appropriate methods of measuring

schools' educational, financial and socio-economic needs, and of using these factors to determine eligibility and priority for grants. The Committee was also concerned about the need to protect the Commonwealth's financial interest in assets after they had ceased being used for approved purposes or were sold.

The Committee was pleased to note that the Department had taken action on a number of matters highlighted in the Auditor-General's Report and in the Committee's public hearings.

### **Report 285 – Expenditure from the Advance to the Minister For Finance (Appropriation Acts 1985–86)**

Report 285 deals with expenditure from the Advance to the Minister for Finance in 1985-86. The Committee received statements relating to 134 items of expenditure from the Advance in 1985-86.

The Committee was satisfied that in most cases expenditure from the Advance in 1985-86 was confined to urgent and unforeseeable requirements. Nevertheless, the Committee was concerned that some departments appeared to possess inadequate control mechanisms.

The Committee has received the Minister for Finance's response to Report 285 and this response is still before the Committee.

### **Report 286 – Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1986–87)**

Report 286 deals with expenditure from the Advance to the Minister for Finance in 1986-87. There were 96 successful applications for funds to remain as a final charge against the Advance. Of these, 28 were found not to have been accompanied by sufficient supporting information for the Committee's purposes.

While the Committee was satisfied that in most cases expenditure from the Advance in 1986-87 was confined to urgent and unforeseen requirements, it continued to be concerned by the many instances of insufficient documentary information being provided by departments in support of their applications for funds from the Advance. The Committee has raised this shortcoming in previous reports. While the Committee recognises that the Department of Finance has attempted to ensure that departments comply with existing procedures to satisfy the Committee's requirements, it recommended that the Department of Finance should adopt a more prescriptive approach to administering the Advance to the Minister for Finance process. The Committee reviewed this process in Report 289 (see p.19 above).

The Committee has received the Minister for Finance's response to Report 286 and this response is still before the Committee.

## **Report 283 – Responses to the Report of the Auditor-General – April 1985**

Report 283 contains the Government's response, known as a Department of Finance Minute, to the Committee's 248th Report reviewing the Report of the Auditor-General - April 1985.

Report 248 contained the results of the Committee's inquiry following audits into matters affecting several departments and statutory authorities. Based on the administrative arrangements as at September 1986, these were the Departments of Community Services, Defence, Employment and Industrial Relations, Finance, Health, Housing and Construction, Immigration and Ethnic Affairs, Social Security, Territories, Veterans' Affairs as well as Aussat Pty Ltd, the Australian National Airlines Commission, the Australian National Gallery, the Australian National University and the Australian Shipping Commission.

Some twenty issues were dealt with in Report 248, with significant areas being:

- procedures for the handling of grants by the Department of Community Services under the Children's Services Program;

- . the recovery of over-payments by the Department of Social Security;
- . the matching of eligibility and entitlements for family allowances; and
- . financial records of the Australian National University.

In general, the Committee was satisfied with the undertakings offered by departments and authorities.

However, the Committee wishes to re-iterate its view on guidelines for the preparation of annual reports. Each report should contain information regarding any reviews by the Auditor-General or parliamentary committees which directly affect the department or agency, showing recommendations arising from such reviews and the action taken to address them. This is now a requirement of the Government's guidelines for the preparation of annual reports which is discussed in Report 291 (see p.19 above).

## Chapter 5

### REPORTS OF THE AUDITOR-GENERAL

#### Reports of Audits

The Committee believes that, in the interests of effective parliamentary scrutiny, it is important that the Committee maintain a close working relationship with the Auditor-General and his staff. With this in mind, the Committee has introduced a standard practice of meeting with the Auditor-General as soon as possible after the tabling of his reports which may warrant further investigation. The Committee will then decide on an appropriate course of action. This new approach will not be applied to efficiency audit reports. The Committee believes these warrant separate consideration.

This new approach was applied by the Committee to its consideration of the Auditor-General's Report on Audits to 31 December 1987 tabled in March 1988. The Committee has written to the following bodies relating to problems raised by the Auditor-General:

- . Department of Primary Industries and Energy - Rural Adjustment Scheme;
- . Department of Administrative Services - Overseas Property Group - Project Administration;
- . Department of Defence Production - Office of Defence Production - Financial Statements;
- . Department of Employment, Education and Training - Private Overseas Student Program;
- . Department of Social Security - Family and Associated Allowances;
- . ACT Health Authority; and
- . Australian Heritage Commission.

The Committee has received advice from the above bodies and is currently examining their responses.

In early 1988, the Committee reviewed reports of the Auditor-General 1985-1987. Of these, the Committee decided to report only on the Auditor-General's reports concerning the Department of Veterans' Affairs. Report 290 entitled "A Better Deal For Our Veterans" was subsequently tabled in Parliament on 26 May 1988 (see p.22 above).

On 14 June 1988 the newly appointed Auditor-General, Mr John Taylor, appeared before the Sectional Committee on the Reform of the Australian Audit Office. Mr Taylor and his staff met again with the Committee on 12 October 1988 to discuss, amongst other things, areas warranting the Committee's attention arising from the September 1988 Auditor-General's Report.

## **Efficiency Audits**

The Committee examines reports of the Auditor-General including efficiency audits. However, some efficiency audits are examined by other parliamentary committees.

Efficiency auditing is concerned with the assessment of the efficiency of the administrative systems and processes employed by departments and agencies in the deployment and use of financial, staffing and other resources. It includes the procedures existing in the audited organisation for reviewing the efficiency and economy of its own operations in achieving the objectives specified by government.

The Auditor-General completed the following eight efficiency audits in 1987-88. They are listed below under the parliamentary committees which are or will be examining them:

### **PUBLIC ACCOUNTS**

#### **Department of Defence**

- . RAAF explosives ordnance
- . Safety principles for explosives

FINANCE AND PUBLIC ADMINISTRATION

Australian Taxation Office

- . International profit shifting
- . Provisional tax (renamed Taxpayers in Unincorporated Businesses)

Department of Community Services and Health

- . Home and Community Care Program

PUBLICATIONS (of both Houses)

Department of Administrative Services

- . Australian Government Publishing Service

TRANSPORT, COMMUNICATIONS AND INFRASTRUCTURE

Australian Postal Commission

- . Philatelic services

Australian National Railways Commission

- . Commission traffic

The above committees, with the exception of the Public Accounts Committee and the Senate Standing Committee on Publications, are Standing Committees of the House of Representatives.

In addition to the above references, the Committee has examined and will be reporting separately on the following five efficiency audits:

- . Department of Defence: Army Mapping
- . Department of Defence: Principal Item Stock Control and Entitlement System (PISCES)
- . Australian Customs Service: Licensing and Administration of Customs Agents
- . Department of Primary Industry: Administration of Meat Inspection Services by the Export Inspection Service
- . Department of Resources and Energy: Offshore Petroleum Royalties and Excise.

The Committee also has as a reference the Report of the Auditor-General on an Efficiency Audit: Parliament House Construction Authority.

## **Chapter 6**

### **OTHER ACTIVITIES OF THE COMMITTEE**

#### **Ethics, Fraud and the Public Service – Seminar**

The Royal Australian Institute of Public Administration (RAIPA), ACT Division, held its Autumn seminar on 2 May 1988. At this seminar, the Chairman, Mr Tickner, spoke on the Committee's Role in Ensuring Accountability.

Mr Tickner explained that the Committee is concerned with ensuring parliamentary and public accountability of Commonwealth government funds. He related the need for accountability of government funds to the prevention of fraud and to ensuring that governments spend the revenue they raise in an 'ethical' manner for 'ethical' purposes. Mr Tickner presented some perspectives on accountability with particular emphasis on the role of the Australian Audit Office and the activities of Statutory Authorities.

#### **Can Accrual Accounting Work in Government? – Seminar**

The Chairman, Mr Tickner, opened a seminar entitled "Can Accrual Accounting Work in Government?" convened by the Australian Society of Accountants on 1 December 1987.

The role and functions of the Committee were explained by Mr Tickner. He advised the seminar that the Committee supported moves towards accrual accounting in the government sector and referred to the Committee's appraisal of cash versus accrual accounting contained in its 199th Report, 'The Form and Standard of Financial Statements for Commonwealth Undertakings - a discussion paper'. Mr Tickner then outlined some of the benefits of accrual accounting in assisting administrators, Government and the public in the measurement of performance and stewardship of programs.



## Inspections

The Committee made the following inspections:

- . 26 October 1987 - New Parliament House
- . 10 November 1987 - National Biological Standards Laboratory premises in Acton, Downer, Braddon and Symonston in the ACT
- . 11 November 1987 - National Biological Standards Laboratory, Parkville and Abbotsford, Melbourne
- . 11 November 1987 - Glaxo Australia Pty Ltd factory and quality assurance laboratory, Melbourne
- . 7 December 1987 - Computer Facilities operated by the Department of Social Security and the Australian Taxation Office in the Deakin Offices, ACT
- . 18 April 1988 - Drug Evaluation and Evaluation Support Branches of the Department of Community Services and Health at Woden, ACT.

## Meeting with Tasmanian Public Accounts Committee

On 29 March 1988, in Hobart, the Committee met with members of the Tasmanian Public Accounts Committee. Fruitful discussions were held on a number of matters of mutual interest including:

- . the merits of open hearings as opposed to closed hearings;
- . use of consultants/advisors/secondedees; and
- . accrual accounting.

## Visitors

The Committee welcomed the opportunity to meet colleagues from other Parliaments. Visitors included:

- . 4 November 1987 - Mr Atieru Tetoa, Clerk, Parliament of Kiribati, attended a meeting of the Committee as an observer.
- . 25 February 1988 - A delegation from the Queensland Parliament discussed with the Committee arrangements for the establishment of a Public Accounts Committee in that State.

## PUBLIC ACCOUNTS COMMITTEE SECRETRIAT



(from left to right)

Mrs Y Huddleston, Dr P Nicholl, Mrs L Brennan, Dr P Jackson,  
Ms K Malmberg, Mrs A Garlick, Mr M Kelly



Mr M Talberg (Secretary)

## **Chapter 7**

### **ADMINISTRATION AND STAFFING**

#### **Staffing**

The permanent staff engaged with the Committee as at 30 June 1988 were:

Secretary: Mr Michael Talberg  
Deputy Secretary: Ms Karin Malmberg

Project officers: Dr Peter Jackson  
Mr Andrew Newmarch

Support staff: Mrs Laraine Brennan  
Mrs Amanda Garlick  
Mrs Yvonne Huddleston

Other permanent staff engaged by the Committee during the year were:

Senior project officers: Mrs Robina Mills  
Mr Trevor Rowe  
Mr Peter Stephens

Project officers: Mr John Craig  
Mr Mark Kelly  
Mr Andres Lomp  
Mrs Lexia Noakes

Support staff: Ms Clair Cooney  
Miss Laura Gillies  
Mrs Janet Wilkinson

#### **Secondments**

The Committee continued its policy of accepting officers participating in the Public Service Commission's Executive

Development Scheme, Interchange Program and Administrative Trainee Program. Such secondments and placements assist the Committee, provide parliamentary experience and broaden the participant's work experience. The secondments during the twelve month period were:

- Dr Paul Nicoll - Department of Employment, Education and Training (Executive Development Scheme)
- Mr Alexander Dobes - Public Service Commission (Administrative Trainee Scheme)
- Mr Michael Vnuk - Public Service Commission (Administrative Trainee Scheme)

The Committee expresses its thanks to these seconded officers and their present organisations for the valuable assistance given.

## **Consultants**

Mr P Kemmis of Koranya Pty Ltd and Mr P MacGregor of P K MacGregor and Associates provided consultancy services to the Committee during the year on information technology matters.

Early in 1988 the Committee approached a number of universities with a view to forming a panel of consultants in the specialities of Public Administration, Public Finance and Law.

## **Sectional Committees**

In order to deal with a large number of inquiries in an efficient manner, the Committee divided into five sectional committees. Membership of the sectional committees was as follows:

### **THERAPEUTIC GOODS EVALUATION AND TESTING**

- Mr Tickner (Chairman)  
Senator Bishop  
Senator Gietzelt  
Senator Giles  
Senator McKiernan  
Senator Watson  
Mr Fitzgibbon  
Mr Ruddock

SAFETY PRINCIPLES FOR EXPLOSIVES

Mr Tickner (Chairman)  
Senator Bishop  
Mr Fitzgibbon  
Dr Hewson  
Mr Martin  
Mr Nehl  
Mr Ruddock

ENGAGEMENT OF CONSULTANTS BY COMMONWEALTH DEPARTMENTS

Mr Tickner (Chairman)  
Senator Bishop  
Senator Gietzelt  
Senator Watson  
Mr Aldred  
Mr Ruddock  
Mr Scholes

REFORM OF THE AUSTRALIAN AUDIT OFFICE

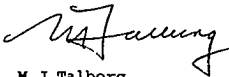
Mr Tickner (Chairman)  
Senator Bishop  
Senator Gietzelt  
Senator Watson  
Mr Brown  
Dr Hewson  
Mr Martin

MANAGEMENT OF ANTARCTIC DIVISION

Mr Tickner (Chairman)  
Senator Watson  
Mr Fitzgibbon  
Dr Hewson  
Mr Martin  
Mr Nehl  
Mr Scholes



R E Tickner, MP  
Chairman



M J Talberg  
Secretary  
Joint Committee of Public Accounts  
Parliament House  
CANBERRA  
23 November 1988

## 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.

## MEMBERS OF THE SIXTEENTH PUBLIC ACCOUNTS COMMITTEE

### Previous Committees

A complete list of members for the First Committee (1914) through to the Fifteenth Committee (1985) is contained in Appendix C in Report 281 (Joint Committee of Public Accounts - Report of Activities July 1986 - June 1987).

### Sixteenth Committee

The Sixteenth Committee was appointed on 7 October 1987 (Senate) and on 8 October 1987 (House of Representatives).

Chairman: Robert Edward Tickner, MP  
Vice-Chairman: Senator John Odin Wentworth Watson

Senator Bronwyn Kathleen Bishop  
Senator the Hon Arthur Thomas Gietzelt  
Senator Patricia Jessie Giles  
Senator James Philip McKeirnan

Kenneth James Aldred, MP  
The Hon Robert John Brown, MP (from 28 October 1987  
to 31 August 1988)  
Eric John Fitzgibbon, MP  
John Robert Hewson, MP (until 20 October 1988)  
Richard Emanuel Klugman, MP (from 20 April 1988 to 10 November  
1988)  
Michael John Lee, MP (until 24 March 1988)  
Stephen Paul Martin, MP  
Garry Barr Nehl, MP  
Geoffrey Daniel Prosser, MP, (from 20 October 1988)  
Philip Maxwell Ruddock, MP  
Rodney Weston Sawford, MP (from 31 August 1988)  
The Hon Gordon Glen Denton Scholes, MP  
Leslie James Scott (from 10 November 1988)

Secretary: Mr M J Talberg



## LIST OF REPORTS PRESENTED BY THE PUBLIC ACCOUNTS COMMITTEE

### Reports prior to July 1987

A complete list of reports prior to July 1987 (Nos. 1 to 280) is contained in Appendix E in Report 281 (Joint Committee of Public Accounts - Report of Activities July 1986 - June 1987).

### Reports July 1987 to June 1988

No. of Report	Title	Date of Presentation	Parl. Paper No.	Finance Minute Rpt No.
281	Report of Activities July 1986 - June 1987	10 Dec 1987	358 of 1987	*
282	Review of Efficiency Audit - Australian Wool Corporation Property Operations	10 Dec 1987	359 of 1987	n.p.
283	Finance Minute on Report 248 - Report of the Auditor-General April 1985	10 Dec 1987	361 of 1987	*
284	Stratplan - Department of Social Security ADP Re-equipment Program - Final Report	10 Dec 1987	362 of 1987	n.p.
285	Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1985-86)	10 Dec 1987	360 of 1987	n.p.
286	Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1986-87)	10 Dec 1987	363 of 1987	n.p.
287	Australian Taxation Office Computer System Re-equipment and Redevelopment	10 Dec 1987	364 of 1987	n.p.

288	Review of Efficiency Audit - Administration of Capital Grants to Non-government Schools	10 Dec 1987	357 of 1987	n.p.
289	Advance to the Minister for Finance	19 April 1988		n.p.
290	A Better Deal for our Veterans	26 May 1988		n.p.
291	Revised Procedures for Reports of the Joint Committee of Public Accounts	26 May 1988		*

\* not applicable  
n.p. not yet presented