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*REPORTS OF THE AUDITOR-GENERAL
MARCH 1988, SEPTEMBER 1988 AND
APRIL 1989*

*REPORT
300
JOINT
COMMITTEE
OF PUBLIC
ACCOUNTS*

*THE PARLIAMENT
OF THE
COMMONWEALTH
OF AUSTRALIA
NOVEMBER 1989*

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

REPORT 300

REPORTS OF
THE AUDITOR-GENERAL -
MARCH 1988, SEPTEMBER 1988
AND APRIL 1989

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SIXTEENTH COMMITTEE

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DUTIES OF THE COMMITTEE

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

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental 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 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 that are tabled in the Parliament and to report on any matters arising from those examinations that the Committee considers should be drawn to the attention of the Parliament.

In order to ensure expeditious consideration of Auditor-General's reports, the Committee revised its practices as reported in Report 291: 'Revised Procedures for Reports of the Joint Committee of Public Accounts'. The revised procedures involve the Committee in seeking comment from the Auditor-General and of meeting with him, after one of his reports is tabled, to discuss matters which may warrant further investigation.

The Auditor-General's advice is sought as soon as possible after the tabling of the report and with this information, the Committee conducts a separate assessment to decide on appropriate action.

The action may be either:

- . an immediate inquiry; or
- . a written request to relevant departments and authorities highlighting the Committee's concerns and seeking a response to matters raised by the Auditor-General. The need for further action such as a public hearing is then assessed by the Committee.

This report outlines the findings of the Committee on matters raised in the Auditor-General's Reports of March 1988, September 1988 and April 1989.

For and on behalf of the Committee.

R E Tickner, MP
Chairman
22 November 1989

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Chapter 1

OVERVIEW

Background

1.1 This Report outlines the Committee's findings on matters contained in the Reports of the Auditor-General for March 1988, September 1988 and April 1989.

1.2 In line with the practices noted in the Committee's Report 291, the Committee discussed these matters with the Auditor-General before resolving to request formal submissions from those departments and agencies considered to merit special attention.

1.3 The basis for the Committee's decision to request a submission remains as it always has: a concern that an issue raised by the Auditor-General has serious efficiency and effectiveness implications for the management of a Commonwealth program or policies.

Findings

1.4 The Committee is pleased that out of at least 21 broad subjects examined, none have been singled out for further attention by way of a formal inquiry. A full list of subjects examined by the Committee is provided in Tables 1.1 - 1.3.

1.5 However, the Committee notes that at least three subjects would likely have been taken up for examination except for extenuating circumstances. In one case (management of the Jobstart program by the Department of Employment, Education and Training), this involved the subject being taken up by another committee of the Parliament. In another case (management of the SkillShare program by the same department), it involved

recognising that a Cabinet decision to review the subject area within the forthcoming year may lead to existing problems being overcome. In the third case, new administrative arrangements meant that the subject area (administration of the Pharmaceutical Benefits Scheme) was transferred from the Department of Community Services and Health to the Health Insurance Commission, which needed time to bed down its new responsibility. These cases are detailed in Chapter 4 of this Report.

1.6 In addition, the Committee remains concerned about seven other subject areas although no decision has been made to proceed to formal inquiries at this stage. When resources permit and when the time is opportune, the Committee will reconsider developments in these subject areas, which are:

- . revenue leasing arrangements affecting Commonwealth property that is temporarily surplus to requirements;
- . management of Aboriginal student assistance schemes by the Department of Employment, Education and Training;
- . assignment of operating costs within offices of the Commonwealth Employment Service;
- . administration of the Business Migration Program and Visitors Entry sub-program of the Department of Immigration, Local Government and Ethnic Affairs;
- . effectiveness of fraud control measures in departments and agencies;
- . the development of appropriate performance measures in cases where grants are made to States; and
- . asset management by the Department of Defence.

1.7 It is appropriate that the Committee record its appreciation of the staff of departments and agencies, who have generally responded so ably and so quickly to the Committee's request for a formal submission within a short time-frame. It is indicative of the generally high standard of Commonwealth administration that the Committee has decided to formally review, or informally monitor developments in, a minority of the many subjects reviewed by the Auditor-General.

Submissions

1.8 Formal submissions from departments and agencies made in response to the Committee's requests for information are contained in separate submissions volumes entitled 'Submissions Relating to the Reports of the Auditor-General - March 1988, September 1988 and April 1989'. These volumes are available upon request from the Committee Secretariat.

Treatment of Subjects

1.9 The subjects examined by the Committee are outlined in detail in the following chapters of this Report. Chapter 2 looks at the material contained in the Auditor-General's Report for March 1988. Chapter 3 treats the material in the September 1988 Report and Chapter 4 provides information on the April 1989 Report. The concluding chapter, Chapter 5, draws together the principal themes arising out of the Committee's analysis. A summary of the Committee's treatment of each subject is provided in the accompanying Tables 1.1 - 1.3.

TABLE 1.1 - Report of the Auditor-General March 1988: Submissions from departments and agencies

Department/Agency	Subject	Date of Submission	Committee Comment
<u>Commonwealth Departments</u>			
Department of Administrative Services	Overseas Property Group project administration	20.5.88	Satisfactory
Department of Defence - Office of Defence Production	Financial statements	23.5.88	Progress noted
Department of Employment, Education and Training	Private Overseas Student Program	24.5.88	Satisfactory
Department of Primary Industries and Energy	Rural Adjustment Scheme	20.5.88	Satisfactory
Department of Social Security	Family and Associated Allowances	19.5.88	Satisfactory
<u>Statutory Authorities</u>			
ACT Health Authority	Financial statements	20.5.88	Satisfactory
Australian Heritage Commission	Financial statements	17.5.88	Satisfactory

TABLE 1.2 - Report of the Auditor-General September 1988: Submissions from departments and agencies

Department	Subject	Date of Submission	Committee Comment
Department of Administrative Services	Property Directorate: revenue leasing	21.12.88	To be monitored
	Australian Construction Services: Departmental Accounting and Information Systems	21.12.88	Satisfactory
	Australian Construction Services: Works Information and Management System	21.12.88	Satisfactory
Department of Defence - Office of Defence Production	Financial statements	(a) 20.12.88	Satisfactory
		(b) 22.12.88	
Department of Employment, Education and Training	Aboriginal Assistance Schemes	16.1.89	To be monitored
	Commonwealth Employment Service	16.1.89	To be monitored
Department of Immigration, Local Government and Ethnic Affairs	Business Migration Program	21.12.88	To be monitored
Department of Industry, Technology and Commerce	National Industry Extension Service	14.12.88	Satisfactory
Department of Veterans' Affairs	Domiciliary Nursing: Victoria	19.12.88	Satisfactory
	Repatriation Pharmaceutical Benefits Scheme	19.12.88	Satisfactory

TABLE 1.3 - Report of the Auditor-General April 1989: Submissions from departments and agencies

Department/Agency	Subject	Date of Submission	Committee Comment
Attorney-General's Department	Australian Legal Aid Office, Darwin	5.6.89	Satisfactory
	Fraud Control Committee	(a) 7.6.89 (b) 22.8.89	To be monitored
Department of Community Services and Health	Pharmaceutical Benefits Scheme	13.7.89	To be monitored
Department of Employment, Education and Training	Community Youth Support Scheme	3.7.89	To be monitored
	Jobstart	(a) 12.7.89 (b) 17.8.89	To be monitored
Department of Immigration, Local Government and Ethnic Affairs	Control of Visitor Entry	15.8.89	To be monitored
Department of Industry, Technology and Commerce	Business Regulation Review Unit	7.7.89	Satisfactory
Department of Primary Industries and Energy	Payments to the States: Port Kembla Grain Terminal and Assistance to Users of Fertilisers	15.6.89	To be monitored
<u>Various portfolios</u>	Asset management		
Arts, Sport, the Environment, Tourism and Territories:			
	Antarctic Division	26.9.89	Satisfactory
	Australia Council	22.9.89	Satisfactory
	Australian Sports Commission	22.9.89	Satisfactory
	National Library	27.9.89	Satisfactory

TABLE 1.3 continued

Department/Agency	Subject	Date of Submission	Committee Comment
Community Services and Health:			
	Australian Radiation Laboratory	4.10.89	Satisfactory
	Commonwealth Rehabilitation Services	4.10.89	Satisfactory
	National Acoustics Laboratory	4.10.89	Satisfactory
	Western Australia Regional Office	4.10.89	Satisfactory
Defence:			
	Aerospace Technologies of Australia Pty Ltd	26.10.89	Satisfactory
	Australian Defence Industries	13.9.89	Satisfactory
	Defence Housing Authority	20.9.89	Satisfactory
	Department of Defence	1.11.89	To be monitored
Industry, Technology and Commerce:			
	Australian Trade Commission	25.9.89	Satisfactory
	Commonwealth Scientific and Industrial Research Organisation	26.9.89	Satisfactory
Primary Industries and Energy:			
	Snowy Mountains Hydro-Electric Authority	3.10.89	Satisfactory

TABLE 1.3 continued

Department/Agency	Subject	Date of Submission	Committee Comment
Transport and Communications:			
	Australian Broadcasting Corporation	25.9.89	Satisfactory
	Federal Airports Corporation	18.10.89	Satisfactory
	Australian Telecommunications Commission	3.10.89	Satisfactory
Veteran's Affairs:			
	Australian War Memorial	25.9.89	Satisfactory

Chapter 2

AUDITOR-GENERAL'S MARCH 1988 REPORT

Background

2.1 Arising out of the Auditor-General's Report of March 1988, the Committee requested formal submissions from seven departments and agencies. These submissions covered five broad topics, namely:

- . project administration by the Overseas Property Group of the Department of Administrative Services;
- . financial statements prepared by the Office of Defence Production, the Australian Capital Territory Health Authority and the Australian Heritage Commission;
- . the Private Overseas Student Program of the Department of Employment, Education and Training;
- . the Rural Adjustment Scheme of the Department of Primary Industries and Energy; and
- . Family and Associated Allowances administered by the then Department of Social Security.

Findings

2.2 Following examination of the submissions from departments and agencies, the Committee resolved to take no further action on the above topics. Background information on each topic is provided below.

Department of Administrative Services: Overseas Property Group

2.3 At the time of the Australian Audit Office investigation, the Overseas Property Group was responsible for the provision of accommodation overseas for Australian Government purposes. This activity involved the administration of capital works projects for Australian missions abroad.

2.4 The Auditor-General's March 1988 Report criticised aspects of project management involving construction of a residential staff complex in Bangkok, Thailand. The Report also criticised the adequacy of liaison between the Overseas Property Group and the (then) Department of Housing and Construction (DHC) which, at the time, was responsible for the technical supervision of the project.

2.5 The department responded to the Auditor's comments in a submission to the Committee dated 20 May 1988. The submission points out that the Overseas Property Group and Australian Construction Services (formerly in the DHC) have been incorporated, resulting in a much closer relationship. In addition, the department advises that formal reviews of future major projects will be undertaken at the completion of preliminary sketch plans, final sketch plans and working drawings. At these reviews, the users and regulatory authorities will also be represented.

2.6 In view of the material contained in the submission, the Committee is satisfied with the response of the department to the Auditor-General's criticisms.

Department of Defence, Office of Defence Production: Financial Statements

2.7 At the time of the Auditor-General's review, the Office of Defence Production (ODP) operated nine munitions and ordnance factories as well as the Williamstown Dockyard and the Government Aircraft Factories at Fishermens Bend and Avalon, Victoria. The Auditor-General expressed serious concern about the generally inadequate state of financial and information systems maintained by the factories.

2.8 The department's submission provided some explanation of why problems existed but did not indicate that the improvements sought by Audit would be easily actioned. In the light of subsequent re-structuring of ODP and of further Audit reports on the adequacy of financial statements and asset management in 1988 and 1989, (see Chapters 3 and 4), the Committee has simply noted the departmental response.

Department of Employment, Education and Training: Private Overseas Student Program

2.9 The principal objective of the Private Overseas Student Program (POSP) is to enable foreign persons, especially from Australia's geographic region, to come to Australia to acquire qualifications and skills that will help their careers and contribute to the economic and social development of their own countries. Such students attending Australian educational institutions are required to contribute to the cost of their tuition through an Overseas Students Charge (OSC). In 1986-87 total revenue from the OSC was \$50m compared to the total program cost of \$137m.

2.10 The Australian Audit Office review of the POSP found that program objectives were not well defined, that some students unduly prolonged their stay in Australia, program monitoring was inadequate, quotas in courses and institutions were not reviewed by the department and that procedures for the timely collections of the OSC were ineffective.

2.11 The department responded to these criticisms in a submission dated 24 May 1988. While the department acknowledges the value of the Auditor-General's criticisms, it also provides reasons for adopting a different view on some matters. The submission also refers to reviews of the Program underway in 1988. Overall, the Committee is satisfied with the response of the department.

Department of Primary Industries and Energy: the Rural Adjustment Scheme

2.12 The Rural Adjustment Scheme (RAS) provides assistance for structural adjustment to a wide variety of agricultural industries. The Scheme is administered in accordance with an agreement between the Commonwealth, the States and the Northern Territory.

2.13 The States and the Northern Territory administer the RAS and expend funds on behalf of the Commonwealth pursuant to the RAS Agreement. In 1986-87 the Commonwealth spent \$34m on the Scheme.

2.14 An Audit review of RAS found that State operations and funds management were inadequately monitored, that insufficient performance monitoring took place, and that guidelines for the States were inadequate.

2.15 The Department's submission included copy of a consultant's report on the operations of the Scheme, which was prepared following the Auditor-General's criticisms. The consultant's recommendations included greater autonomy for State and Territory authorities to administer RAS funds, the Commonwealth to provide clearer policy directives, and implementation of new management information systems.

2.16 These recommendations were adopted by Commonwealth and State Ministers in April 1988 and in these circumstances, the Committee is satisfied with the department's response.

Department of Social Security: Family and Associated Allowances

2.17 Family and associated allowances were paid to 2.1 million people in 1986-87 in respect of 4.1 million children and students. Entitlement to payment depended on whether the claimant had care, custody and control of eligible children and whether the income of the household was below specified limits.

2.18 An Audit review of these payments found that review and monitoring arrangements were inadequate, procedures to detect people no longer eligible for payments were deficient, and departmental procedures at regional offices were sometimes ignored.

2.19 However, the Department's submission adequately explained the background to existing procedures and arrangements and at this time the Committee does not intend to proceed further.

ACT Health Authority: Financial Statements

2.20 The ACT Health Authority was established to provide and conduct health services in the ACT. An Audit review of the Authority's financial statements found inadequacies in the maintenance of assets, stores and long service leave records, accounting provisions, and salary preparation.

2.21 The Authority's submission to this Committee advised of satisfactory remedial action and the Committee resolved to take no further action.

Australian Heritage Commission: Financial Statements

2.22 The principal functions of the Australian Heritage Commission relate to the identification, conservation, improvement and presentation of the national estate. Audit found that documents supporting the financial statements were inadequate in part.

2.23 The Commission's submission to the Committee satisfactorily explained the problem areas, and advised of remedial action. The Committee notes Audit's advice that the 1987-88 financial statements indicate the difficulties have been overcome.

Chapter 3

AUDITOR-GENERAL'S SEPTEMBER 1988 REPORT

Background

3.1 Arising out of the Auditor-General's Report of September 1988, the Committee requested formal submissions from six departments. These submissions covered nine broad topics of inquiry, namely:

- . administration of Australian Construction Services by the Department of Administrative Services;
- . management of revenue leasing arrangements in the Property Directorate of the Department of Administrative Services;
- . preparation of financial statements by the (then) Office of Defence Production within the Department of Defence;
- . administration of Aboriginal assistance schemes by the Department of Employment, Education and Training;
- . management of the Commonwealth Employment Service by the Department of Employment, Education and Training;
- . administration of the Business Migration Program by the Department of Immigration, Local Government and Ethnic Affairs;
- . management of the National Industry Extension Service by the Department of Industry, Technology and Commerce;
- . management of arrangements relating to Domiciliary Nursing in Victoria by the Department of Veterans' Affairs; and
- . management by the Department of Veterans' Affairs of the Repatriation Pharmaceutical Benefits Scheme in Western Australia.

Findings

3.2 Following examination of the submissions from departments, the Committee resolved to monitor developments in four of the topics.

3.3 The topics being monitored by the Committee are:

- . revenue leasing arrangements of the Property Directorate of the Department of Administrative Services (DAS);
- . administration of Aboriginal Assistance Schemes by the Department of Employment, Education and Training;
- . the break-down of operating costs within the Commonwealth Employment Service (CES) in the Department of Employment, Education and Training; and
- . the administration of the Business Migration Program by the Department of Immigration, Local Government and Ethnic Affairs.

3.4 These topics are of concern to the Committee because they raise the issue of the most efficient utilisation of Commonwealth resources. In the case of the DAS Property Directorate, the resource is property owned by the Commonwealth; in the case of Aboriginal student assistance schemes, the resource is Commonwealth program payments; and in the case of the CES, the resource is office staff. The Committee's concern about the Business Migration Program is directed at both its management and its effectiveness, that is, the question of whether it is achieving its objectives.

3.5 The Committee will decide at a later time what action to take on these topics. The Committee will consider further briefing material on the overall responsibility of DAS for the management of nearly all Commonwealth property. An additional report by the Auditor-General on Aboriginal assistance schemes is being considered by the House of Representatives Standing Committee on Aboriginal Affairs. On the matter of cost attribution for service delivery within CES offices, the Committee will be very interested in the results of an Audit analysis now underway of CES cost attribution in one major State (Victoria) and in the Head Office. The Audit Report on this matter is expected to be completed in the first half of 1990.

3.6 The remaining topics of inquiry are considered to warrant no further investigation by the Committee. More detailed information on all topics is provided in the balance of this chapter.

Department of Administrative Services: Australian Construction Services

3.7 At the time of Audit's examination, the Department of Administrative Services was responsible, through its Australian Construction Services (ACS) group, for the planning, design, construction, fit-out and maintenance of building and engineering facilities for all Commonwealth departments and most statutory authorities.

3.8 The Auditor-General's Report drew attention to two aspects of ACS activities, namely, the Departmental Accounting and Information System (DAIS), and the Works Information and Management System (WIMS) which handled repairs and maintenance matters.

3.9 In relation to DAIS, the Committee was concerned about the lack of controls over policy and procedures applying to a range of items. However, the Committee has now been informed that - following the amalgamation of departments in July 1987 and the requirement to move to full cost recovery - the DAIS system is being replaced.

3.10 In relation to WIMS, the Committee's concerns related to the introduction of an information and management system without the appropriate resources, training or applications being provided. The response of the department indicates that WIMS has been re-evaluated and its breadth of coverage reduced to more realistic levels.

3.11 In these circumstances, the Committee is satisfied with the Department's submission.

**Department of Administrative Services:
Management of Revenue Leasing Arrangements
in the Property Directorate**

3.12 The Property Directorate (now Australian Property Group, APG) leases land, houses and other buildings which are temporarily surplus to Commonwealth requirements. These leases serve both to derive revenue and to minimise maintenance costs. In 1986-87 revenue from leasing of Commonwealth property under the control of the department was \$10.7m.

3.13 The Committee was concerned about the lack of defined objectives in data collection by the APG and the consequent difficulties in conducting effective reviews of property management.

3.14 The Committee requested a submission on these matters from the department, and it is reproduced in the submission volumes. The Committee has some concerns about information contained in the submission.

3.15 According to a Government decision on 26 July 1988, APG retains, with some exceptions, the estate management responsibility for all interest in real property used by all departments and budget-funded statutory authorities. The exceptions involve capital funding for special purpose facilities, Defence non-office accommodation and repatriation hospitals.

3.16 APG's responsibility is clarified in Department of Finance Memorandum 89/2 (dated 20 February 1989) which specifies:

In estate management, the APG will advise the Government on new property investments and how property currently used by departments and budget-funded statutory authorities (excluding ABC) can best be utilised.... APG can be thought of as the landlord of most Commonwealth owned or leased real estate.¹

1. Department of Finance, Memorandum 89/2, 20 February 1989.

3.17 The Department's submission states that formal cyclical reviews of Commonwealth land holdings are no longer undertaken because departments and agencies now have the responsibility to identify surplus holdings. The APG no longer views its role as being that of a watch-dog or regulatory type. It believes that recent Government initiatives, including the requirement to pay rent as from 1 July 1989, will encourage departments to relinquish surplus properties.

3.18 The Committee is concerned that reliance on departments may be an insufficient means of maximising the efficient utilisation of Commonwealth property. The Committee is concerned that the APG's responsibility to act as 'landlord' of much Commonwealth property requires it to conduct and maintain regular, comprehensive reviews and an adequate information data base.

3.19 The Committee considers this issue to be important and topical. It relates to the general question of the role of central co-ordinating bodies in the contemporary era of widespread devolution. The Committee is investigating this question in another context, namely, by means of a formal inquiry into the role of the co-ordinating departments.

3.20 The Committee is continuing to monitor developments affecting the efficient utilisation of Commonwealth property.

Department of Defence: Office of Defence Production - Financial Statements

3.21 Serious problems in the financial statements of establishments run by the (then) Office of Defence Production (ODP) have concerned Audit for several years. These were again noted by the Auditor-General in his September 1988 Report.

3.22 However, the Committee is pleased to be informed by the Auditor-General that substantial progress has been made in addressing these problems. A supplementary submission from the Defence Department comprises an assessment by the Auditor-General of these improvements as of 23 December 1988. The assessment concludes with the statement that:

In summary, Audit considers that the standard of financial statement reporting of ODP establishments has improved significantly in recent times ...²

2. Supplementary Submission from the Department of Defence, dated 22 December 1988. See Evidence p. S133.

3.23 The Auditor-General's assessment notes that only two establishments have not demonstrated this general improvement, namely, Garden Island Dockyard and the Maribyrnong Explosives Factory.

3.24 The Committee makes further comment on the adequacy of ODP financial statements in Chapter 4 and therefore has decided to simply note the progress underway at this stage.

Department of Employment, Education and Training: Aboriginal Assistance Schemes

3.25 The Department of Employment, Education and Training is responsible for the administration of Commonwealth Aboriginal student assistance schemes. The principal schemes of assistance are the Aboriginal Secondary Assistance Scheme (ABSEC) and the Aboriginal Study Assistance Scheme (ABSTUDY).

3.26 The objectives of the Schemes, which were introduced in 1969 and 1970 respectively, are to encourage Aboriginals and Torres Strait Islanders to take greater advantage of educational opportunities at the secondary school level and to undertake study or training after leaving school.

3.27 Under arrangements applicable to the end of 1987, the Schemes provided living allowances and other forms of benefits, free of an income test, to students attending approved secondary schools or classes, or undertaking approved full-time or part-time courses of education and training at universities, colleges of advanced education, colleges of technical and further education, and other institutions.

3.28 ABSTUDY also provides for special teacher training awards and assistance for special courses for Aboriginal students.

3.29 From the beginning of 1988, ABSEC and ABSTUDY were rationalised with a new rate structure aligned with the general educational allowances and with a modified income test.

3.30 Audit found that departmental procedures did not always ensure the eligibility of applicants or timely and accurate payment. In addition, Audit found that certain procedures for overpayments were unsatisfactory and some data processing facilities were inappropriate.

3.31 The submission from the Department advised that measures were in hand to correct problems with the Education Student Assistance System (ESAS), which was designed for student assistance schemes generally and not specifically for the Aboriginal schemes. The Department advised that it is improving post-payment checks to positively establish eligibility and entitlements.

3.32 The Committee is concerned that the department is placing undue emphasis on such post-payment checks, and that insufficient attention may have been paid to tightening departmental procedures in all areas of program administration. The Committee understands that departmental records indicate about one in every five students under ABSEC may have received overpayments, and about one in every six students under ABSTUDY.

3.33 Audit prepared a further report on Aboriginal assistance schemes which was referred by Parliament to the House of Representatives Standing Committee on Aboriginal Affairs. The report of the Standing Committee is expected to be tabled by the end of 1989. In these circumstances, the Committee will simply monitor developments in this area.

Department of Employment, Education and Training: Commonwealth Employment Service

3.34 The Commonwealth Employment Service (CES) is a national agency which has the broad task of contributing to the efficient and equitable functioning of the Australian labour market within the resources provided and consistent with the Government's policy priorities. The CES is responsible for servicing the community in both metropolitan and rural areas.

3.35 Although the CES was established by the Commonwealth Employment Service Act 1978, this legislation was repealed on 30 June 1988. However, section 47 of the Employment, Education and

Training Act 1988 re-established a Commonwealth employment service within the Department of Employment, Education and Training, rather than as a separate entity, with effect from 1 July 1988.

3.36 The more detailed objectives of the CES in contributing to the efficient and equitable functioning of the Australian labour market in both metropolitan and rural areas have particular regard to disadvantaged clients by:

- . placing job seekers in suitable employment as quickly as possible;
- . attracting vacancies from employers and promptly filling them with suitable job seekers;
- . promoting high levels of employment, equity and job readiness through the delivery of government employment and training programs; and
- . co-operating effectively with the Department of Social Security in the administration of the unemployment benefit and job search allowance schemes.

3.37 Audit examined CES performance indicators, and particularly sought information on the extent to which total operating costs could be attributed to functions other than job seeker servicing, that is, referral to specialist services, employer servicing, labour market program referrals, work information and statistical activities.

3.38 The Department's submission analyses the appropriateness of performance measures and provides detailed information on aspects of the operation of CES offices in the Northern Territory, which had been criticised by the Auditor-General.

3.39 The Committee is generally satisfied with the response of the Department but is concerned that the CES take action to enable costs to be attributed to the diverse activities of the Service. Such cost attribution will facilitate efficiency and effectiveness of CES operations. The Committee is keeping this matter under review.

**Department of Immigration, Local
Government and Ethnic Affairs:
Business Migration Program**

3.40 The Business Migration Program aims to attract people with a proven business background who intend to settle in Australia and who will use their skills and capital to establish ventures of benefit to Australia. Essential criteria are that the applicant has a successful business background and the proposed venture has the potential to either reduce imports, increase exports, create or retain jobs, or introduce new technology.

3.41 Applicants are required to demonstrate permanent settlement intentions and to have \$350,000 equity (if aged under 40) or \$850,000 (if over 40). This distinction is intended to encourage a younger business migrant intake.

3.42 The number of successful applicants has grown rapidly in recent years. In 1982-83 there were 171 cases (involving over 500 people) and an estimated funds transfer of \$43m. In 1988-89 there were 2500 cases (involving about 10,200 people) and an estimated funds transfer of \$1500m.

3.43 The Business Migration Program authorises Accredited Business Migrant Agents to assess, counsel and process applicants and to submit applications on their behalf to overseas posts for decision.

3.44 The Auditor-General's September 1988 Report criticised the Business Migration Program on three counts:

- . the objectives were very broad, which made any performance assessment very difficult;
- . the performance of accredited agents was not monitored; and
- . the post-settlement review of the activities of business migrants was inadequate.

3.45 The Government announced a new monitoring and evaluation package on 30 June 1988 consisting of three elements:

- . improved monitoring of outcomes against Commonwealth objectives using:
 - a joint Commonwealth/State research study;
 - objective aggregate evaluation of business migrants' financial ventures which some major banks indicated they could provide;
 - data from questionnaires issued to business migrants applying for citizenship or resident return visas;
 - data from questionnaires issued at visa issue to be returned after the first and second year in Australia; and
 - data extracted from finalised case files;
- . improved monitoring of the activities of accredited agents using:
 - data from annual reports submitted by agents when seeking re-accreditation;
 - unique accreditation identifying numbers to facilitate computer analysis; and
 - compliance audit of a sample of 1:15 applications; and
- . improved program evaluation using:
 - 'trace' codes to permit cost-benefit analysis to be undertaken on each form of program promotion; and
 - State Governments and accredited agents being encouraged to do the same.

3.46 The Government announced further changes to the Business Migration Program on 27 September 1989. These changes include a requirement that business migrants make a legally-binding declaration in relation to the transfer of their funds to Australia. The Government is also examining capital transfer procedures to reduce the chances of people abusing the system.

3.47 Notwithstanding these changes, and taking into account the Department's submission dated 21 December 1988 in response to the Auditor-General's criticisms, the Committee has decided to keep the Business Migration Program under review. The Committee is particularly concerned about the adequacy of performance measures able to demonstrate that the program is achieving its objectives.

Department of Industry, Technology and Commerce: National Industry Extension Service

3.48 The National Industry Extension Service (NIES) was launched in March 1987. NIES is a joint Commonwealth-State and Territory Government activity intended to improve the efficiency of small to medium sized Australian firms and increase their competitiveness in international markets. Its major method of operation is the provision of information and advice on management practices, new technologies, marketing strategies and quality in production processes.

3.49 The responsibility for the delivery of NIES services is vested in State and Territory authorities under the provisions of bilateral agreements signed in January 1987 between the Commonwealth and each State and Territory. The NIES and Small Business Programs Branch and the State Offices of the Department of Industry, Technology and Commerce are responsible for developing, implementing and overseeing NIES for the Commonwealth.

3.50 In 1986-87, payments to the States and Territories under the bilateral agreements totalled approximately \$6.9 million and expenditures at the national level on NIES implementation and new products were \$10.6 million.

3.51 Audit criticised the absence of a formal review mechanism and of program evaluation measures. However, the department's submission advises that reviews of NIES will commence in early 1990 and that a management information system is under development.

3.52 The Committee is therefore satisfied with the Department's response at this stage.

Department of Veterans' Affairs:

Domiciliary Nursing

3.53 Through the Local Medical Officer (LMO) Scheme, general practitioners may prescribe nursing care for veterans and eligible dependants under the Veterans' Entitlements Act 1986. State registered nurses provide the nursing care which is co-ordinated by the Department of Veterans' Affairs. These domiciliary nursing services are provided to reduce the possibility of institutional care and to allow veterans and eligible dependants to remain at home. The cost of the nursing services is met by the department.

3.54 Audit found that there was little direct control or monitoring of the quality of the domiciliary nursing program by the department in the following areas:

- . the adequacy and quality of treatment;
- . the frequency of visits by domiciliary nurses; and
- . assessment of whether the treatment provided was the most beneficial and/or cost effective.

3.55 The Department's submission indicated that remedial action had been taken to address these criticisms. Specific measures included the introduction of Domiciliary Nursing Assessment Teams into Victoria and New South Wales, and improvements to the Treatment Services Control function and Treatment Accounts System.

3.56 In these circumstances, the Committee is satisfied with the Department's response.

Department of Veterans' Affairs:

Repatriation Pharmaceutical Benefits Scheme

3.57 The Veterans' Entitlements Act 1986 and associated legislation provides the Repatriation Pharmaceutical Benefits Scheme for people who meet the provisions of this legislation.

Under the Scheme, the claims of pharmacists supplying pharmaceutical benefits to eligible people are paid by the Department of Community Services and Health on behalf of the Department of Veterans' Affairs.

3.58 Audit found that administration of the Scheme by the department was generally satisfactory but that there were shortcomings in post-payment checking of claims and in recoveries from overseas administrations.

3.59 The Department's submission advises that two steps have been taken to redress these criticisms. The first is that pharmacists are being encouraged to use the PHARMPAY Claims Transmission System (CTS) which was operated (until recently) by the Department of Community Services and Health. The second step is that the department has approved a computer system to undertake checking of CTS claims and provide the basis for collection of overseas recoverables.

3.60 In these circumstances, the Committee is satisfied with the Department's response.

Chapter 4

AUDITOR-GENERAL'S APRIL 1989 REPORT

Background

4.1 Arising out of the Auditor-General's Report of April 1989, the Committee requested formal submissions from twenty departments and agencies. These submissions covered eight broad topics of inquiry, namely:

- . administration of the Australian Legal Aid Office, Darwin;
- . activities of the Fraud Control Committee of the Attorney-General's Department;
- . administration of the Pharmaceutical Benefits Scheme;
- . program administration of Jobstart and SkillShare in the Department of Employment, Education and Training;
- . administration of the Visitors and Entry sub-program of the Department of Immigration, Local Government and Ethnic Affairs;
- . activities of the Business Regulation Review Unit;
- . administration of schemes to provide payments to the States; and
- . asset management in a diverse group of departments and agencies.

Findings

4.2 Following examination of the submissions from departments and agencies, the Committee resolved to monitor developments in six of the topics.

4.3 The topics being monitored by the Committee are:

- . activities of the Fraud Control Committee;
- . administration of the Pharmaceutical Benefits Scheme;
- . program administration of Jobstart and Skillshare;
- . administration of the Visitors and Entry sub-program of the Department of Immigration, Local Government and Ethnic Affairs;
- . administration of schemes to provide payments to the States; and
- . asset management by the Department of Defence.

4.4 These topics are of concern to the Committee for one or both of two reasons. The first is that they reflect general, underlying problems existing across the departments (examples are fraud control and administration of schemes to provide payments to the States). The second reason is concern that problems in specific areas are not being handled as efficiently and effectively as they might be (examples are administration of the Pharmaceutical Benefits Scheme; program administration in the Department of Employment, Education and Training (DEET); management of the Visitors and Entry sub-program of the department of Immigration, Local Government and Ethnic Affairs; and asset management within the Defence Department).

4.5 The remaining topics of inquiry are considered to warrant no further investigation by the Committee. More detailed information on all topics is provided in the balance of this chapter.

Attorney-General's Department: Australian Legal Aid Office, Northern Territory

4.6 The Australian Legal Aid Office (ALAO) provides a general problem-solving service of legal advice to clients and a duty-lawyer service in various childrens' and magistrates' courts, as well as providing representation before the Mental Health Tribunal and the Adult Guardianship Board.

4.7 Clients are people affected by Commonwealth law and, in matters arising under State and Territory law, individuals for whom the Commonwealth has a special responsibility. For the purposes of the ALAO, all law in the Northern Territory has been regarded as Commonwealth law.

4.8 An audit of the ALAO was undertaken in 1988 within the Northern Territory Branch, focusing on the Darwin office. Expenditure on ALAO services in the Territory in 1987-88 was \$1.7m.

4.9 The Auditor-General's April 1989 Report criticised the management of the ALAO in the Territory. The Attorney-General's Department responded to the Auditor's comments in a submission to the Committee dated 5 June 1989.

4.10 The submission advised that the Commonwealth is negotiating with the Northern Territory Government to establish an independent legal aid commission in the Territory, possibly in 1989-90, at which time the ALAO will cease to operate.

4.11 The Department also advised that action was underway to remedy Audit criticisms of an inconsistent approach to the consideration of applications for legal aid; lack of revision and consolidation of guidelines for aid; an incomplete policy and procedures manual; loose delegations for the approval of applications for legal aid; lack of clarity in the contractual relationship between the ALAO, clients and private legal practitioners undertaking legal aid work; uneconomic fee scales; inadequate performance monitoring; and mixing trust and non-trust monies.

4.12 The Department provided satisfactory explanations for not proceeding with the recording of ALAO in-house costs at this stage and for why full cost recovery is not appropriate in many cases.

4.13 In view of the above circumstances, the Committee expresses its satisfaction with the response of the department to the Auditor-General's criticisms.

Attorney-General's Department: Fraud Control Committee

4.14 The objective of the Fraud Control Committee (FCC) is to co-ordinate and monitor responses to, and implementation of, the recommendations of the Government's Review of Systems for Dealing with Fraud on the Commonwealth. This Review reported in 1987 and the Government accepted all but two of its 27 recommendations.

4.15 The FCC was established in September 1987 and now consists of four officers.

4.16 The Auditor-General's April 1989 Report criticised the 'unsatisfactory level of commitment by many agency managements to develop effective fraud risk assessments and comply with both the spirit and letter of the Government's attack on fraud.'¹ The Attorney-General's Department responded to the Auditor's comments in a submission to the Committee dated 7 June 1989.

4.17 The department advised that considerable progress on the submission of risk assessments and fraud control plans had occurred since the time of the Auditor-General's review. The new position was that only nine agencies had yet to submit assessments (as of June 1989) while fifteen agencies had fraud control plans outstanding.

4.18 After initial deliberation, the Committee resolved to seek further information about the following matters:

- the exact basis for evaluating risk assessment and fraud control plans;
- the role of the FCC in oversighting the development of guidelines for referrals by agencies to the Federal Police or Director of Public Prosecutions;

1. The Auditor-General, Reports on Audits to 31 December 1988, April 1989, AGPS, Canberra, p. 73.

- dissemination of information about fraud management;
- the use of administrative remedies to deal with minor fraud;
- the training requirements for fraud investigation; and
- reporting fraud control activities in departmental annual reports.

4.19 The Attorney-General's Department responded promptly to the Committee's request for further information in a submission dated 22 August 1989. The submission adequately covered the Committee's concerns.

4.20 The Committee notes that the role of the FCC is limited to monitoring the implementation of the Government's decision on the Review of Systems for Dealing with Fraud on the Commonwealth. The Committee also notes advice from the Attorney-General's Department that it is in the process of recommending alternate arrangements for the monitoring of fraud control. These arrangements could involve the Australian Audit Office (AAO), which will receive the detailed evaluation of the risk assessments and fraud control plans prepared by the Fraud Policy Unit.

4.21 The Committee considers the AAO has a vital role to play in the monitoring of fraud control operations in Commonwealth departments and authorities. The Committee notes that the formal assumption of this responsibility by the AAO will add to its already heavy workload.

4.22 The Committee signals its intention to review the effectiveness of fraud control measures in the future. At such time, the Committee will focus on the particular agencies where fraud appears to be a major problem.

Department of Community Services and Health: The Pharmaceutical Benefits Scheme

4.23 The Pharmaceutical Benefits Scheme (PBS) provides for the Commonwealth to pay pharmacists, under the provisions of the National Health Act 1953, for certain pharmaceutical items supplied to individuals.

4.24 The PBS supplies benefits to individuals in four categories:

- general (the general public), who receive benefits only for those approved pharmaceutical items which cost more than \$11.00;
- concessional (low income earners), who pay the first \$2.50 toward the cost of approved pharmaceutical items;
- pensioner, where the medication is free; and
- SAFETYNET (those members of the general or concessional categories whose family has been dispensed more than 25 approved pharmaceutical items within a calendar year), where the medication is free.

4.25 Expenditure under the PBS was \$948m in 1987-88, up 28 per cent on the previous year. Whereas the cost of the general benefit (where those eligible make a contribution to the cost of a prescription) is steady (\$147m), the cost of benefits where no contribution was made by the public (pensioners and SAFETYNET) is high and increasing rapidly (\$749m). This means that the majority of PBS payments are for cases where there is no monetary disincentive on the user of pharmaceuticals.

4.26 Details of items dispensed by approved pharmacists are entered into the PHARMPAY system, which calculates the value of payments to be made to pharmacists.

4.27 The Auditor-General found that the PHARMPAY system did not provide sufficient information to confirm entitlements to benefits and recommended it be improved by providing the following:

- additional data to ensure payments relate to legal entitlements and to discourage fraud and over-prescribing;
- inclusion of information related to SAFETYNET and AUTHORITIES Systems (the latter applies to expensive drugs which can only be approved for specified medical conditions); and
- consider the possible application of technologies such as plastic cards, optical character recognition devices, etc.

4.28 In addition, Audit recommended improvements in relation to the cyclic audit review system and Claims Transmission System (which allows the pharmacist to prepare electronic claims for payment that are forwarded on floppy disc or transmitted by modem).

4.29 The Department's response, dated 13 July 1989, acknowledged the worth of many of the Auditor-General's comments but advised that responsibility for operating the PBS was transferred from the department to the Health Insurance Commission on 17 July 1989.

4.30 The Commission has substantial experience in managing processing work of this type, and will use the opportunity to make substantial improvements in the computer system that processes pharmacists' claims.

4.31 In the light of the size of payments under the PBS and the significant nature of a number of Audit criticisms, the Committee expects to request a joint submission from the department and the Commission once development on the proposed new system is well underway. This is likely to be in the second half of 1990.

Department of Employment, Education and Training: Program Administration of Jobstart and SkillShare

Jobstart

4.32 The objective of the Jobstart program is to assist disadvantaged jobseekers to obtain employment through the provision of wage subsidies to employers. Jobstart commenced in December 1985 and expenditure on the Jobstart program in 1987-88 was \$108m.

4.33 The Auditor-General's April 1989 Report criticised the management of Jobstart. In particular, the Auditor-General drew attention to confusion over program objectives, inadequacy of performance indicators, absence of data on program placements, program over-expenditure, inadequate post-program monitoring and absence of overall program assessment.

4.34 The Department responded to the Auditor-General's comments in a submission to the Committee dated 12 July 1989. However, the submission did not directly address the Auditor's criticism of Jobstart budgeting.

4.35 The Department's response indicated that it was having difficulty in coming to terms with the development and use of performance indicators, both short and long term. Basic confusion existed about the principal objective of Jobstart. Program indicators are only now being developed. Also, the basis of the department's overall evaluation of Jobstart is not provided.

4.36 The Department's response also indicated that some confusion exists about the role of central office vis-a-vis State and zone offices. The use to be made by zone offices of program evaluation data (once it becomes available in December 1989) is not clear. The basis on which State managers could undertake early intervention in problem areas is also not clear. The inflexibility of departmental procedures in one zone in Western Australia suggests that the State office did not attempt to adjust the procedures or achieved nil success when it tried. Though zone offices are responsible for performance monitoring, they sometimes did not do it.

4.37 The management of resources is also a problem area for the department. It seems that resources to monitor targeting of programs (including Jobstart) were only made available when problems became evident or when other work pressures permitted.

4.38 The slow development of management information systems is the most striking example of resource misallocation or lack of planning. Though the Jobstart program commenced in December 1985, a management information system linked to wider program management was to be trialled only in 1988-89. The facility to identify all eligible jobseekers for possible Jobstart assistance is still being developed, and the role of State Divisional Management Information Systems is unclear.

4.39 The Committee is concerned about the serious nature of these problems of program management. The Committee notes that further Audit criticisms of Jobstart contained in the Auditor-General's Audit Report No. 5 of 1989-90 were referred to the House of Representatives Standing Committee on Employment, Education and Training. The Committee also notes that the department is at present preparing a final report on the evaluation of Jobstart.

4.40 In these circumstances, the Committee will follow with interest the further investigation into Jobstart.

Department of Employment, Education and Training: SkillShare

4.41 The objective of the SkillShare program is to assist long term and other very disadvantaged unemployed people to gain employment, and to move on to further education or training. SkillShare commenced in late 1988 and its expenditure allocation for 1988/89 was \$67 million.

4.42 SkillShare is based on the integration of three former programs, namely, the Community Youth Support Scheme (CYSS), the Community Training Program (CTP) and the Community Volunteer Program (CVP). Expenditure on these three schemes was \$57m in 1986-87.

4.43 The Auditor-General's April 1989 Report criticised the management of CYSS in the following areas: inadequate program guidelines, inadequate management information systems, and poor monitoring and review. The department responded to the Auditor's comments in a submission to the Committee dated 3 July 1989.

4.44 The Department's submission did not directly address the criticisms of CYSS made by the Auditor-General. Rather, the submission focused on the extent to which management details of SkillShare are intended to avoid the types of criticisms made about CYSS.

4.45 In essence, the Auditor-General's criticisms involved five matters:

- . consistency, clarity and adequacy of the program guidelines;
- . clarifying the role of central office vis-a-vis State offices, zone offices and project sponsors;
- . ensuring financial guidelines or requirements are met;
- . assessing the adequacy of program information systems; and

assessing the basis of program evaluation, including the adequacy of performance indicators.

4.46 The Department's response indicated an effort has been made to improve its handling of these concerns, especially with respect to program guidelines and financial monitoring. But it appears that problems remain in the areas of the role of central office, information systems and program evaluation.

4.47 The Department's submission stated that the responsibility for day-to-day monitoring of projects rests with zone offices but overall monitoring of the program will be done by central office. While the submission indicated the basis on which zone offices are to make individual project assessments (including financial returns, quarterly reports of activities, inspections), it did not indicate the basis of central office's assessment of the program as a whole.

4.48 Further, the Department has been unable to frame essential performance criteria for the program. The Department's submission advised that a consultant is investigating 'the development of a standard and objective criteria of need and performance on which to base the assessment of applications'.² The consultant's report will cost \$17,200 and was expected in August 1989. The SkillShare program would have been in operation for over six months without these essential performance criteria in place.

4.49 The Department's submission indicates that at least three information systems are being used (or are planned to be used) in SkillShare. The first of these is the SkillShare Policy Handbook (or manual), which was to be ready by August 1989. The second is the SkillShare National Information Processing System (SNIPS) which, though already operational in part, won't be fully operational until early 1990. The third information system is the SkillShare State and Territory Operational Guide (STOG), which will be ready within twelve months.

4.50 It is noteworthy that not one of these information systems was up and running when the SkillShare program commenced at the end of 1988. Also noteworthy is the use of a consultant to design and program SNIPS at a cost of \$60,000 - raising the question of whether the department should be doing more to upgrade its in-house programming capacity. The Department's submission noted that information on SkillShare participants was linked to the existing Program Administration and Statistical System database (PASS), which leads to the question of whether a wholly new information system is really necessary.

2. Submission from Department of Employment, Education and Training dated 3 July 1989, paragraph 2.2. See Evidence, pp. S280-1.

4.51 The justification for these information systems is unclear. While the department's submission advises that the Handbook will be replaced by STOG within twelve months, it does not explain why the Handbook is deficient. The relationship between STOG and SNIPS appears to be that the former is intended for project managers and staff, whereas SNIPS is intended for both this group of people and central office evaluations. (SNIPS will provide details of participants, sponsors, activities, budgets, agreements, performance of sponsors in meeting grant conditions, level of grants, and post-program outcomes of ex-participants). It could be suggested that the two systems be combined and/or that SNIPS should be broadened to include similar information on other programs of the department.

4.52 In short, a few serious inadequacies in program management appear to persist, involving:

- performance indicators;
- appropriateness of information systems; and
- the nature of the responsibility of central office managers to assess program performance as well as project performance, and to advise the Minister accordingly.

4.53 The Committee expects these matters will be addressed in the department's review of SkillShare, which Cabinet requested be completed within the scheme's first year of operation. Also, the inquiry into Jobstart by the House of Representatives Standing Committee on Employment, Education and Training may encourage the department to improve its efficiency and effectiveness in program delivery.

4.54 The Committee will continue to monitor developments affecting efficient and effective program delivery by the department.

Department of Immigration, Local Government and Ethnic Affairs: Visitors and Entry Sub-Program

4.55 The objectives of the Visitors and Entry sub-program of the Department's Migration and Visitor Entry program are to

develop and foster practices and procedures which promote and facilitate the entry of foreign nationals to Australia for tourism, social, economic, business, cultural exchange and other short-term visits, and to provide effective and efficient immigration screening for Australia. Screening is necessary to prevent the entry of people whose presence would not be in the interests of the Australian community, for example, criminals, illegal immigrants and terrorists.

4.56 In general, under the Migration Act 1958, visiting nationals of other countries are required to obtain a visa before undertaking travel to Australia. These visas are available from more than 80 overseas offices and agencies of the Department and are freely granted on the basis of acceptance in good faith of visitor's own statements, subject to their clearance through immigration screening processes. Entry conditions such as length of stay and employment restrictions apply to all visitors, depending upon the intended purpose of visit. Categories of visitor visas include tourist, business, family, medical and academic.

4.57 On arrival in Australia, foreign nationals are required to present travel documentation at the passport control line. Subject to health, immigration and other screening procedures, including assessment of bona fides, an entry permit is granted in accordance with the stipulated conditions.

4.58 In 1987-88 the Visitors and Entry sub-program issued approximately 1.3 million visas, a 23 per cent increase over the previous year, and was involved in the clearance of 3.8 million travellers, both Australians and foreign nationals, entering Australia. This growth followed an increase in visitor visas in 1986-87 of 29 per cent, with some posts registering a two year (1985 to 1987) overall increase of 40 per cent. These figures reflect the rapid growth of international travel to Australia in recent years, and high levels of tourism are expected to continue.

4.59 The Auditor-General's April 1989 Report found control weaknesses, procedural breakdowns and system deficiencies within visa issue and entry operations, specifically:

- . a lack of clear policy and procedures in the Migration Alert List (MAL), which is the warning list used by the Department to screen all persons who seek to enter Australia;
- . instances of visas issued by unauthorised officers;

- . the possibility of override of screening alerts during processing visas on the Immigration Records and Information System (IRIS), which is a computerised visa processing and records system at many overseas posts;
- . a single-user identification code can be used to operate simultaneously on more than one IRIS terminal, increasing the risk of unauthorised visa issue;
- . inadequate control of overseas visitors over their domestic travel on international flights; and
- . a lack of adequate communication between the central office of the Department and its overseas posts and airports.

4.60 The Department responded to these Audit criticisms in a submission dated 15 August 1989.

4.61 Separate advice from Audit identified a further problem in the Movement Records component of the Visitors and Entry sub-program. This component keeps track of people arriving in and departing from Australia so as to monitor the movement of over-stayed visitors for any warranted deportation action. The original computer system handling this task was called the Movement Data Base (MDB), which was criticised in a 1984 AAO efficiency audit. A new system has been installed, but is not fully operational.

4.62 After considering the Department's submission and consulting further with the Auditor-General, the Committee resolved to monitor developments affecting the Visitors and Entry sub-program in the following areas:

- . assessing the adequacy of departmental policy and procedures regarding the Migration Alert List;
- . monitoring the adequacy of the department's extensive computerisation program, especially as it relates to:
 - the capability of the new Entry Control Centre (to be established this year) intended to daily manage the various data bases;
 - the monitoring of over-stayed visitors (estimated by the department to number 71,000 people); and

assessing the Department's response to Audit criticisms of cases where unauthorised officers issued visas at overseas posts and to the need to minimise the risk of illegal visitor entry via abuse of domestic travel on international flights.

Department of Industry, Technology and Commerce: Business Regulation Review Unit

4.63 The Business Regulation Review Unit (BRRU) was established in May 1985 to service the Structural Adjustment Committee of Cabinet in the area of business regulation. The Unit's objectives are:

- to assess the impact of selected areas of Commonwealth regulations on business and co-ordinate the regulation review process;
- to screen all proposed, new and amended Commonwealth business regulations to ensure they are efficient, cost effective, likely to achieve their desired objectives and that they avoid duplication and are not excessively rigid; and
- to liaise with State governments to facilitate co-ordination of Commonwealth and State actions on business regulatory reform.

4.64 The Government's eleven designated priority areas of business regulation reform for monitoring by the BRRU are foreign investment, export controls on minerals, food laws, customs administration, Commonwealth collection of business statistics, the national chemicals notification and assessment scheme, building regulations, controls on financial institutions, transport and aviation regulations, primary industry regulations, and rationalisation of building and fire board regulations for child care centres.

4.65 At the time of the Audit report, the BRRU reported to the Minister for Industry, Technology and Commerce and was serviced by, and accountable for its administration to, the Department of Industry, Technology and Commerce (DITAC). The average number of staff since inception was six.

4.66 An audit of the BRRU was completed in January 1989. Audit concluded that the BRRU was not achieving all of its stated objectives. Audit considered that the BRRU had been unable to conduct a comprehensive review of all targeted business regulations or to advise the Government on all new regularity proposals largely because of insufficient resources. Many departments had not or would not provide an inventory of business regulations under their jurisdiction, as requested by the BRRU. Consequently, the BRRU had been unable to establish the number and nature of business regulations in force.

4.67 The Department considered that the issue of staff resources was not as significant a matter as the Auditor-General's April 1989 Report indicated, for the following reasons:

- . the BRRU is not the sole agency reviewing business regulations;
- . the review was intended to be a gradual process;
- . the BRRU has been able to successfully target key areas;
- . responsibility for the development and promulgation of information on existing regulations rests with individual departments and agencies, not with the BRRU;
- . the BRRU is co-operating with State small business agencies in an effort to co-ordinate regulatory requirements;
- . the BRRU advises the Government of cases where it considers departmental consultation with interested parties to be inadequate; and
- . the BRRU has been able to assist departments formulate new regulatory proposals.

4.68 The DITAC submission indicates that the BRRU is improving the extent of its own consultation with interested parties and is also receiving a greater number of requests by the public for reviews of regulations.

4.69 In the matter of performance indicators, the DITAC submission states that indicators are being developed - though these are regarded as 'imperfect' and as not 'necessarily an accurate measure of effectiveness'.³

3. Submission from Department of Industry, Technology and Commerce dated 7 July 1989, pp.4-5. See Evidence, pp. S317-8.

4.70 Finally, the Department's submission outlined the nature of the arrangements in place between the department and the BRRU, noting that both agree that perceptions of potential conflict of interest need to be addressed and (they) will negotiate an agreement for submission to the Minister.⁴

4.71 The Department's response to the Auditor-General's criticisms is viewed by the Committee as satisfactory. The Committee also takes note of the Governments's move to include the BRRU in an expanded Industry Commission.

Department of Primary Industries and Energy: Payments to the States

4.72 The Department of Primary Industries and Energy (DOPIE) administers a number of appropriation items categorised as payments to or for the States or the Northern Territory. Two such items are Assistance to the Steel Regions: Port Kembla Grain Terminal, and Assistance to Users of Fertilisers.

4.73 In each case, the relevant appropriation act provides that payments shall be in accordance with conditions determined by the Minister. The practice followed by the Department has been to include the required conditions in determinations by the Minister or in agreements executed with each of the States or the Territory receiving funds from these appropriation items.

Port Kembla Grain Terminal

4.74 In August 1983 the Commonwealth Government decided to stimulate economic development and provide employment and training opportunities in Australia's two major steel regions. In March 1984 the Commonwealth Minister for Employment and Industrial Relations and the Premier of NSW agreed that \$18.7m of Commonwealth funds should be used to offset the cost of a proposed grain terminal at Port Kembla.

4.75 The then Department of Primary Industry provided comments to the then Department of Employment and Industrial Relations (DEIR) on the grain terminal proposal, but only in

4. Submission from Department of Industry, Technology and Commerce dated 7 July 1989, p. 6. See Evidence, p. S319.

respect of grain handling and marketing aspects and not in relation to the objectives of the Steel Region's Program. In addition, financial procedures and arrangements for the Steel Region Program were developed between DEIR and the Department of Finance.

4.76 Audit reviewed the Steel Region Program in 1988 and found that payments to NSW were properly made. But Audit also determined that neither DEIR nor the Department of Primary Industry (DPI) accepted responsibility for monitoring the performance of the project in relation to its stated objectives.

4.77 A submission from DOPIE addressing the Auditor-General's criticisms was received on 19 June 1989.

4.78 DOPIE's submission outlined reasons for considering that responsibility for performance monitoring lay with DEIR rather than DPI. In essence, these reasons relate to the key function of the Steel Region Program being to boost local employment and training opportunities, which were the responsibility of DEIR.

4.79 The Committee considers that the Auditor-General could usefully have directed Parliament's attention to DEIR's role in the matter with a view to this Committee requesting a submission from the Department of Employment, Education and Training as well as from DOPIE.

4.80 However, the changes which have taken place in departments since the grain terminal payments were made suggests that it is not useful to further pursue this particular issue.

4.81 Nevertheless the Committee remains concerned with the general issue raised by the Auditor-General's criticism and the department's response. This issue concerns the importance of developing performance measures to supplement the ordinary processes relating to control of expenditure. This is especially significant in situations where more than one department is involved in the administration of a Commonwealth program.

Assistance to Users of Fertilisers

4.82 The Fertiliser Assistance Grants Scheme was introduced in January 1986 to reduce prices payable by users of fertilisers. The Scheme utilises Section 96 grants to the States⁵ to fund payments to importers and local manufacturers.

4.83 Expenditure under the Scheme was \$67m over the past three years with a further \$19m appropriated for 1988-89 (of which \$4.2m was spent). The Commonwealth Government terminated the Scheme as from 9 December 1988.

4.84 Audit reviewed the Scheme in 1988 and found that appropriate procedures existed to monitor expenditure and performance with one exception. The exception concerned measures to assure the Commonwealth and States that the benefits of the payments were being passed on in lower prices to the users of fertilisers.

4.85 Audit considered it was inadequate to rely solely on certificates from importers and manufacturers stating that the benefits are passed on in prices charged to users.

4.86 The Department responded to the Auditor-General's criticisms in a submission dated 15 June 1989. The submission pointed out that the Australian Customs Service (ACS) verified duty paid on imported fertiliser and domestic sales of locally manufactured fertiliser, and that DOPIE did not pay rebate claims under the Scheme for locally manufactured fertilisers until ACS verification was received. Also, DOPIE considered that individual users of fertilisers and farmer organisations would have quickly advised the Department if the full benefit of the grants had not been passed on.

4.87 In these circumstances, the Committee accepts the Department's viewpoint and considers that no further inquiry is warranted.

5. Section 96 of the Constitution states:

During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit.

Asset Management by Various Departments and Agencies:

4.88 The Auditor-General's Report criticised the management of assets by bodies within the following portfolio areas:

- . Department of the Arts, Sport, the Environment, Tourism and Territories
 - Antarctic Division
 - Australia Council
 - Australian Sports Commission
 - National Library

- . Department of Community Services and Health
 - Australian Radiation Laboratory
 - Commonwealth Rehabilitation Services
 - National Acoustic Laboratory
 - Western Australian Regional Office

- . Department of Defence
 - Aerospace Technologies of Australia Pty Ltd
 - Defence Housing Authority
 - Office of Defence Production

- . Department of Industry, Technology and Commerce
 - Australian Trade Commission
 - Commonwealth Scientific and Industrial Research Organisation

- . Department of Primary Industries and Energy
 - Snowy Mountains Hydro-electric Authority

- . Department of Transport and Communications
 - Australian Broadcasting Corporation
 - Federal Airports Corporation
 - Australian Telecommunications Commission (Telecom)

- . Department of Veterans' Affairs
 - Australian War Memorial

4.89 The Committee requested formal submissions from the bodies listed above, and these are included in the submissions volumes. (See paragraph 1.8).

4.90 By requesting formal submissions from the eighteen bodies listed above, the Committee hoped to stimulate the level of commitment by agencies to improved asset management. In general, the quality and detail of the submissions indicates that this objective was achieved. The Committee is satisfied that the various bodies are making satisfactory progress towards the higher standard of asset management now required of Commonwealth bodies.

4.91 There is, however, one exception to this observation. The Committee is not satisfied that the response of the Department of Defence adequately addresses the criticisms made by the Auditor-General. The Department's submission indicates an inability to give priority to meeting long-standing Audit criticism of the standard of financial reporting and handling of asset records in the (former) Office of Defence Production (ODP).

4.92 The Committee expresses its disappointment that the Department's formal submission should completely ignore the serious Audit criticisms of, for example, the poor quality of financial statements applying to the Garden Island Dockyard. The Department's submission states that:

The Department is unable to offer comment on the specific issues raised by the Auditor-General on the financial statements of Williamstown Dockyard and Garden Island Dockyard.⁶

4.93 The Committee is not impressed by a submission which attempts to assign the responsibility for inadequate performance to another government department (the Department of Finance).⁷ Nor is the Committee convinced that the Department, in reference to establishments comprising ODP, has since 1984 undertaken a planned restructuring of its financial and management systems.⁸

4.94 In short, the Committee considers the submission by the Department of Defence indicates the likely existence of significant deficiencies in the area of Defence asset management. The Committee is therefore taking additional measures to address these concerns.

6. Submission from the Department of Defence dated 1 November 1989, Attachment A, para 8. See Evidence p. S458.

7. Ibid, paras 6, 15. See Evidence, pp. S458, S460.

8. Ibid, para 16. See Evidence, p. S460.

Chapter 5

CONCLUSION

5.1 Arising out of the Committee's analysis of the Reports of the Auditor-General for March 1988, September 1988 and April 1989 are four broad themes, which may be regarded as perennial issues in any examination of Commonwealth administration. These themes relate to:

- . the adequacy of financial statements;
- . the effective management of government programs, which particularly involves monitoring the effectiveness of programs utilising appropriate performance measures, and providing requisite management information systems;
- . the efficient administration of Commonwealth assets, which includes property management but also involves fraud control activities; and
- . appropriate handling of schemes run jointly by the Commonwealth and State/Territory Governments.

5.2 With one exception (involving the Department of Defence), the Committee is pleased with progress being made by departments and agencies in the presentation of financial statements. However, there is concern about continuing problems in monitoring the overall effectiveness of some Government programs, in part reflecting the absence of suitable performance measures. The Committee looks forward to the day when the present difficulties in developing and utilising performance measures are over. The Committee's Inquiry, now underway, into the role of the Department of Finance in the era of devolution of management responsibilities may assist in resolving outstanding problems.

5.3 The selection and utilisation of management information systems is of continuing concern, with some departments and agencies seeming to display too eager a readiness to utilise consultants rather than improve their in-house computer personnel and ADP capability. The Committee has noted instances where departments have not devoted sufficient resources to their information systems until a substantial problem in program management has developed. The Committee hopes that the satisfactory response of seventeen departments and agencies to its

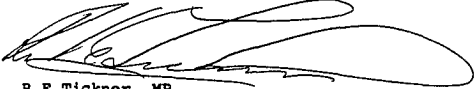
call for submissions on asset management (following the Auditor-General's April 1989 Report) is a useful reminder to all other areas of government about the need to devote care and attention to management information systems that, among other tasks, keep track of assets.

5.4 The efficient administration of the Commonwealth's property interests is of continuing concern to the Committee, which is not entirely convinced by the argument that 'new initiatives agreed to by Government will serve to encourage departments to relinquish surplus properties' and that 'the all-encompassing review style practised in the past is outmoded'.¹ However, the Committee is pleased with the progress of departments and agencies in developing fraud assessment and control plans. The Committee may undertake an inquiry into this area of Commonwealth administration at some time in the future.

5.5 The appropriate handling of schemes run jointly by the Commonwealth and State/Territory Governments is a permanent feature of inter-governmental relations in a federal system. The Committee's present inquiry into the Management of Commonwealth Road Funding Programs can be expected to raise important issues of accountability within Commonwealth grants administration.

5.6 The opportunity to review a broad range of Commonwealth Government activities at the one time is a useful feature of the Auditor-General's biannual Reports on Audits. The Committee was particularly pleased that the arrangements for meeting with the Auditor-General just after a Report was tabled, provided topical insights into problem areas. These arrangements were noted in the Committee's Report 291, 'Revised Procedures for Reports of the Joint Committee of Public Accounts'.

5.7 To some extent the Auditor-General's recent decision to publish individual Audit Report as they are completed cuts through these arrangements. The Committee is taking measures to ensure it is briefed on each Audit Report prior to its tabling in Parliament, but some difficulties remain. The Committee feels strongly that its 'watch dog' brief over public expenditure necessitates its broad overview of the full range of government activity.



R E Tickner, MP
Chairman
22 November 1989

1. Submission by the Department of Administrative Services dated 21 December 1988, paras 2.2, 2.4. See Evidence, p. S048.