



DEPARTMENT OF THE SENATE
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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 312

FINANCE MINUTES

December 1991



With the compliments of
the Secretary

Gavan
The "Signed"
Finance Minutes
Jane V

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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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FINANCE MINUTES

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

SEVENTEENTH COMMITTEE

Hon G F Punch, MP (Chairman)

Senator J O W Watson (Vice-Chairman)

Senator the Hon T Aulich¹

Mr K J Aldred, MP

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Senator C Schacht³

Mr G B Nehl, MP

Mr L J Scott, MP

Mr P D Shack, MP

Mr A M Somlyay, MP

Acting Secretary: Ms M J Vincent

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1. Appointed 6 March 1991
 2. Appointed 24 August 1990, discharged 6 March 1991
 3. Discharged 24 August 1990

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.

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Introduction

The Department of Finance Minute Process

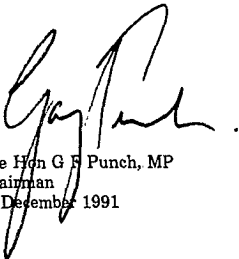
1. *Arrangements to ensure that appropriate action is taken in response to comments contained in each of the Joint Committee of Public Accounts' reports⁴ have been in operation since 1952. These procedures involve the preparation of a response, known as a Department of Finance Minute (or, more briefly, a Finance Minute), as follows:*
 - . the Committee's report is tabled in the Senate and House of Representatives;
 - . the Chairman of the Committee then forwards a copy of the report to the responsible Minister or Ministers and to the Minister for Finance with a request that the report be considered and the Chairman subsequently informed of actions taken and planned to address the Committee's recommendations;
 - . the reply takes the form of a Finance Minute which, since the Committee reviewed its procedures in 1988 (Report 291 Revised Procedures for Reports of the Joint Committee of Public Accounts, June 1988) and refined them in 1989 (Report 301 Finance Minutes, 1989), is tabled in the Parliament as soon as is practicable after its receipt, with comment if necessary;
 - . the Committee, under its revised procedure, then publishes annually, in one volume, all the Finance Minutes received in that calendar year, with additional comment if necessary; and
 - . in some cases, the Committee undertakes a further formal inquiry into the matters dealt with in the initial report and the corresponding Finance Minute.
 2. This Report contains the three Finance Minutes received by the Committee during 1991:
 - . Finance Minute on Report 305 - Review of the Finance Minute on Report 270 - Implementation of the Offsets Program - Supplement;
-
4. Formal responses to the Committee's reports are not prepared in the case of discussion papers, handbooks and the Committee's reports of activities.

Finance Minute on Report 308 - The Parliamentary Information Systems Office (PISO) "Unofficial Account"; and

Finance Minute on Report 309 - Annual Reporting Guidelines for Statutory Authorities

3. The Finance Minute on Report 305 was tabled on 12 September 1991, the Finance Minutes on Report 308 and Report 309 were tabled on 10 October and 28 November 1991 respectively. These Finance Minutes were tabled without Committee comment.
4. The tabling and publication of the Finance Minutes contained in this volume should not be taken to mean that the Committee is satisfied with the contents of the Minutes. The Committee reserves the prerogative of conducting detailed analysis of a particular Minute at a later time. In particular, the Committee will be reviewing the responses to Report 309 early in 1992.

For and on behalf of the Committee



The Hon G F Punch, MP
Chairman
12 December 1991

**FINANCE MINUTE ON
REPORT 305
REVIEW OF THE FINANCE MINUTE ON REPORT 270 -
IMPLEMENTATION OF THE OFFSETS PROGRAM
SUPPLEMENT**

SUPPLEMENT TO DEPARTMENT OF FINANCE MINUTE

The Department of Finance Minute on JCPA Report No 305 noted that the Committee's recommendations 21 and 22 required consideration by relevant Ministers and recommendation 38 by the Government, and that the Committee would be notified as decisions were made.

2. Decisions have now been made on recommendations 21 and 22 and supplementary responses are provided below:

Recommendation 21 (paragraph 4.17 of Report 305)

The Committee recommends that the Departments of Defence and Industry, Technology and Commerce collaborate on the joint production of a listing of overseas offsets obligors to be issued at the earliest opportunity.

Supplementary response

3. The recommendation is agreed. The next issue of the list of overseas participants in the program will include both civil and defence obligors. The joint list is expected to be issued shortly.

Recommendation 22 (paragraph 4.25 of Report 305)

The Committee recommends that the Departments of Defence and Industry, Technology and Commerce produce a single comprehensive report on the Offsets Program.

Supplementary response

4. The recommendation is not agreed. As explained to the Committee in the Department of Defence's submissions and evidence, a joint annual report on offsets would not be useful because of the different objectives and sectors of industry that are involved in defence and civil offsets. Also, the proposal would not be practical because it would result in a large report that would contain much information that was of little or no interest to the small number of companies who are qualified to participate in the Defence Offsets Program. On the other hand the information on the Defence Offsets Program would be of no use to most of the participants in the Civil Offsets Program who are not technically qualified to participate in the Defence Offsets Program.

The 1989/90 annual report for the Civil program will be published shortly. The Defence Offsets report for each financial year will be included in the annual Defence Report.

Recommendation 38 (paragraph 6.38 of Report 305)

The Committee recommends that, at the earliest opportunity, an independent full scale assessment be undertaken of the national significance of the offsets policy, in particular to identify and quantify all policy implementation costs, and assess the success or otherwise in meeting both its civil and defence objectives.

Supplementary response by the Department of Industry, Technology and Commerce

5. A response to this recommendation will be provided following the forthcoming major statement on industry policy.



M S KEATING
SECRETARY
Department of Finance

FINANCE MINUTE ON
REPORT 308
THE PARLIAMENTARY INFORMATION SYSTEMS
OFFICE (PISO) 'UNOFFICIAL ACCOUNT'

DEPARTMENT OF FINANCE MINUTE ON REPORT 308

1. This Minute has been prepared on the basis of responses received from the Departments of Finance and Administrative Services, the Attorney-General's Department and the Public Service Commission.

2. In this Minute, each of the Committee's recommendations is reproduced in turn and, except for recommendations 5 and 6, is followed by the response. The Committee's recommendations have been numbered from 1 to 8 for ease of reference.

3. Three of the recommendations (nos. 5, 6 and 7) are directed primarily at Parliamentary Departments which are not part of the Executive Government. No response has been provided in this Minute to recommendations 5 and 6, although the Public Service Commission has provided a response in respect of recommendation 7 as it raises Service-wide issues. The Parliamentary Librarian has responded separately to the JCPA Report. The Parliamentary Library has advised that all relevant recommendations have now been acted on by that Department and, in particular, that outstanding money has been recovered from former officers, file notes have been prepared, internal audit arrangements are in place and action on staff induction is well advanced, as recommended.

4. Recommendation 1 (paragraph 2.5 of the Report)

The Department of Administrative Services review the guidelines and procedures regarding the disposal of surplus, unserviceable or obsolete assets to ensure that the arrangements currently in place are adequate, clearly understood and properly implemented.

Response by the Department of Administrative Services (DAS)

5. The Department supports the recommendation.

6. At the time of the Inquiry into the PISO "Unofficial Account" DAS was assisting the Department of Finance with the revision of Section 26 of the Finance Directions on accounting for stores to emphasise the responsibility and accountability of individual departments and agencies for asset management. Specific changes that have now been made in the disposal provisions include devolution of authority to individual departments to manage their own disposals by removing the requirement to use DAS disposal services and broadening the range of disposal methods that can be used.

7. Guidelines for the disposal of surplus assets are currently being prepared by the Department of Administrative Services. They are expected to be issued by the Minister in the next few months. A copy will be provided to the Committee. The term "surplus assets" refers to the full range of assets and stores including those that are surplus to requirements, unserviceable and/or obsolete.

8. The principal aims in surplus asset disposal are to:

- . achieve the best available net return,
- . correctly treat goods requiring special consideration in their disposal, and to
- . be even-handed, fair and honest in all dealings.

9. The new disposal guidelines will identify the issues to be considered in managing the disposal process and provide advice on selecting the most appropriate disposal method for various types of goods and circumstances. They will also identify problems and risks in disposal and emphasise the responsibility and accountability that now reside with individual departments and agencies.

10. Senior managers will be the target of an additional pamphlet that draws attention to the guidelines, accountability matters and the pitfalls such as undervaluing assets, selecting the wrong disposal method and questionable ethics and practices.

11. Each Chief Executive Officer is responsible for issuing directions on asset disposal within his or her respective agency having regard to the relevant guidelines. Each Chief Executive Officer is both responsible and accountable for his or her agency's performance.

12. Recommendation 2 (paragraph 2.55 of the Report)

As part of the induction process, all new entrants to the Australian Public Service be briefed on the financial legal framework affecting public servants' dealings with Commonwealth financial resources.

Response by the Department of Finance

13. Finance considers that the primary responsibility for this matter rests with departmental secretaries, and has distributed a Finance circular to all departments drawing attention to the recommendation. However, Finance, as the department primarily responsible for the development of the financial management and legislative framework, will produce and disseminate appropriate material, such as the Commonwealth Financial Management

Handbook, together with an appropriate training package for inclusion in induction programs by departments and agencies. Where appropriate, the material will draw attention to this recommendation.

14. Finance also provides a range of training programs which deal with financial management. Finance Regional Offices have been, and will continue to be, of assistance in this role. In future, particular attention will be paid in these programs to relevant issues identified in the JCPA Report. Also, a separate campaign will be mounted to advise all departments and entities of the changed financial management and accountability requirements to be included in proposed legislation recommended by the JCPA in its Report 296 to replace the Audit Act 1901, prior to the commencement date of those new laws.

Response by the Public Service Commission (PSC)

15. With the abolition of the Public Service Board and the establishment of the Public Service Commission as a policy formulation agency, responsibility for the operational aspects of recruitment and induction was devolved to departments and agencies. Each agency is responsible for the conduct and content of its own induction program. Additionally, the Commission is not responsible for the development or direct promotion of financial practices in the Service.

16. While there is no scope for direct PSC involvement in the briefing of new entrants on 'the financial legal framework affecting public servants' dealings with Commonwealth financial resources', a reference to the framework will be in the new PSC Appointment and Probation Guidelines.

17. Recommendation 3 (paragraph 2.55 of the Report)

The Commonwealth Government examine ways to ensure its major contractors comply with relevant Commonwealth legislation and operating policies which impinge on contracts.

These two recommendations (ie, numbers 2 and 3) in no way relieve senior public servants or contractors to the Commonwealth of their responsibility to be aware of, and comply with, the relevant laws and regulations.

Response by the Department of Administrative Services (DAS)

18. Sound contracting and contract administration requires that the Commonwealth should advise its contractors, through or pursuant to the contract, of all the things they are to do. In the particular case of PISO and the Computer Power Group this was not done.

19. It is not practical to monitor this sort of issue across the board, but it should be a concern in the planning stages, including the risk assessment process, as well as in auditing and reviewing major procurements. Ensuring that training is undertaken and that standards are set and implemented is the responsibility of departmental secretaries.

20. Contractors also have an ethical responsibility not to condone suspected malpractice in a client agency.

21. Recommendation 4 (paragraph 3.41 of the Report)

All Commonwealth Departments ensure that cancellation of purchase order requests be clearly documented to show on whose authorisation the cancellation was made and for what reason.

Response by the Department of Finance

22. A Finance Circular has been distributed to all departments drawing attention to the recommendation.

Response by the Department of Administrative Services (DAS)

23. The Department supports this recommendation. Commonwealth Procurement Guidelines, issued by the Minister for Administrative Services, continue to reinforce the need for properly documented decisions. The Guidelines, while not specifically addressing the particular matter of cancellation of purchase order requests, highlight the importance of being able to identify the steps taken in a process to ensure an adequate audit trail and to meet current standards for identifying responsibility and accountability. The Commonwealth Procurement Policy Framework mentions the importance of documentation while Guidelines that specifically mention the requirements are:

1. Getting Value For Money
2. Open and Effective Competition
3. Ethics and Fair Dealing
7. Negotiation
10. Benchmarks for Procurement Decisions
13. Contracting for Consultancy Services

The importance of maintaining appropriate documentation is implicit in Guidelines 6, Using Specifications, and 11, Know Your Market.

24. Recommendation 5 (paragraph 4.41 of the Report)

The Parliamentary Librarian take appropriate action to recover from Mr Blume his outstanding debt of \$330 to the Commonwealth.

25. This is not a matter for response by the Executive Government.

26. Recommendation 6 (paragraph 6.19 of the Report)

Each Parliamentary Department that has not already done so should establish, as a matter of priority, an adequately resourced internal audit function.

27. This is not a matter for response by the Executive Government.

28. Recommendation 7 (paragraph 8.34 of the Report)

The delegate of the Secretary of the Department of the Parliamentary Reporting Staff review the actions of the former Manager of PISO, Mr Goodall and PISO's former Director, Planning and Administration, Mr Blume, with regard to establishing whether any misconduct may have occurred or whether there was a failure to fulfil their duties as officers while employed in the Australian Public Service. Should this be the case, an appropriate record be placed on the relevant personal files to ensure that this is taken into account in the event that either individual seeks reappointment to the Service.

29. The first sentence of this recommendation does not raise a matter for response by the Executive Government. However the second sentence has potential Service-wide implications and accordingly a response has been provided by the Public Service Commission (PSC).

Response by the Public Service Commission

30. The Public Service Commission advises that it has been working with the Department of the Parliamentary Reporting Staff on this recommendation.

31. The Commission advises that there is no power under the Public Service Act 1922 to review the actions of former public servants. However, the Commission does see it as being in order for the facts of the matter to be recorded in a file note, in respect of Messrs Blume and Goodall, as background information for the delegate should either person apply to the Department of the Parliamentary Reporting Staff for reappointment to the APS under sub-section 47B of the Public Service Act.

32. It should be noted that, should either person apply for base-level appointment in the APS, through the normal recruitment procedures of the Australian Public Service Recruitment Office (Department of Employment, Education and Training), or appointment at any other level, any file note concerning Mr Blume or Mr Goodall would not come to the attention of those deciding whether either was a fit and proper person for appointment to the APS, unless either disclosed his previous APS employment on taking up duty with the new APS employer.

33. The general position is that applicants for appointment are required to provide relevant information to departmental recruiters. The provision of false or misleading advice could result in disciplinary action and possible dismissal or termination of probationary appointment. In undertaking fit and proper person checks, agencies are advised to check previous employment history. In such situations, recruiting agencies would have access to information contained on file notes.

34. The Public Service Commission also advises that it is interested in the more general question of the image of the APS, if it is perceived that people are able to avoid being brought to account for misconduct by resigning or retiring. As part of the review of APS disciplinary provisions, the PSC has undertaken to look at whether the Public Service Act should be amended to cover this situation.

35. Recommendation 8 (paragraph 8.34 of the Report)

Finance Regulation 133 be revised to ensure that penalties for breaching the Finance Regulations can be applied not only to current accounting officers or persons subject to the Audit Act 1901, but also to persons breaching the Regulations who are no longer accounting officers or persons subject to the Audit Act 1901.

Response by the Department of Finance

36. The Department of Finance supports, in principle, a revision of Finance Regulation 133 as recommended.

37. The Attorney-General's Department has advised that an amendment to Finance Regulation 133 as recommended would probably go beyond the authority expressed in subsection 71(4) of the Audit Act for imposing penalties by regulation. An amendment to the Audit Act would be required to give effect to the recommendation. However, the Attorney-General's Department has drawn attention to the following possible legal impediment to such an amendment. As presently constructed, the penalty envisaged by subsection 71(4) and imposed by regulation 133, which relates to persons who are accounting officers

or otherwise subject to the provisions of the Act, is no more than an administrative sanction. By contrast, extending the power of the Minister for Finance to impose penalties on persons who are no longer public servants or subject to the provisions of the Act may involve an exercise of the judicial power of the Commonwealth which, in general terms, can only be exercised by a court. Nevertheless, the legal impediment would not arise if the Act were amended to provide for appropriate offences for such persons with penalties to be imposed through the courts.

38. The Government accepted, in 1989, a JCPA recommendation that the Audit Act be replaced by more contemporary legislation. Work on that proposed legislation is progressing and, in that context, the question of imposing sanctions as envisaged in Recommendation 8 will be considered.

Michael Keating

M S KEATING
Secretary
Department of Finance

**FINANCE MINUTE ON
REPORT 309
ANNUAL REPORTING GUIDELINES FOR
STATUTORY AUTHORITIES**

DEPARTMENT OF FINANCE MINUTE ON REPORT 309

This minute has been prepared on the basis of responses received from the Departments of the Prime Minister and Cabinet, Finance and Administrative Services.

2. This Finance Minute does not address many of the recommendations contained in the Report:

- Recommendation Numbers 1, 2, 6*, 8*, 9*, 15 (second part), 19 (first part), 23* and 24* involve matters of policy and a separate Government response will be provided directly to the Chairman of the JCPA;
 - Recommendation Numbers 11, 26, 27 and 28 are directed at the Parliament (although a response on Recommendation 27 is provided by the Department of the Prime Minister and Cabinet); and
 - Recommendation Numbers 3, 4*, 5*, 10*, 12*, 13, 14, 15 (first part), 16, 17, 18, 19 (second part)*, 20, 22*, 25*, 31 and 32 will be addressed with the issuance of a revised set of annual reporting guidelines for statutory authorities.
- * Various aspects of these recommendations will also be considered by the Government in the context of the proposed legislation to replace the Audit Act 1901.

3. In this Minute each of the remaining recommendations is reproduced in turn and is followed by the response.

Recommendation 7 (paragraph 3.29)

The new annual reporting guidelines for statutory authorities be prepared by the Department of the Prime Minister and Cabinet and the Department be responsible for an annual review and up-date of the guidelines.

Response by the Department of the Prime Minister and Cabinet

4. The Department of the Prime Minister and Cabinet will co-ordinate work on the preparation of the new annual reporting guidelines and on their periodic review and update.

5. The frequency of the review and update will be decided by the Government in its consideration of Recommendation 6.

Response by the Department of Finance

6. The Department of Finance agrees that the Department of the Prime Minister and Cabinet should co-ordinate work on the preparation, review and update of the guidelines. As with the departmental guidelines, Finance will contribute on topics relevant to its responsibilities.

Recommendation 21 (paragraph 6.24)

In formulating the guidelines for annual reporting by statutory authorities and, in particular, requirements for reporting non-financial performance, the Department of the Prime Minister and Cabinet should consult widely with a range of statutory authorities and central agencies to ensure that the information requirements result in the provision of meaningful data and avoid excessive overlap with information provided in other public documents.

Response by the Department of the Prime Minister and Cabinet

7. The Department of the Prime Minister and Cabinet will consult widely with a range of statutory and central agencies in formulating the guidelines, with the aim of providing meaningful data and avoiding excessive overlap.

Response by the Department of Finance

8. Agreed. In addressing the issue of revised guidelines Finance will, in co-operation with the Department of the Prime Minister and Cabinet, seek to ensure that there is minimal overlap between statutory authorities' annual reports and other public documents. It will also seek to ensure that the quantum of information required is balanced against such factors as the extent of freedom within which the more commercial authorities are required to operate, and the extent to which an authority receives budget funding.

Recommendation 27 (paragraph 8.12)

The standing committees of the House of Representatives be formally assigned responsibility for the scrutiny of annual reports prepared by statutory authorities. The resolution formalising the process of review should be specific in terms of requiring committees to consider whether the annual reports are in accordance with the guidelines for annual reporting by statutory authorities and any departure from the guidelines should be followed up with the relevant authority and reported accordingly.

Response by the Department of the Prime Minister and Cabinet

9. Although this recommendation is one for the Parliament to respond to, the Department of the Prime Minister and Cabinet notes that on 4 September 1991 the House of Representatives, on the basis of a motion proposed by the Government, resolved as follows:

"Annual reports of government departments and statutory authorities tabled in the House shall stand referred to the relevant committee for any inquiry the committee may wish to make. Reports shall stand referred to committees in accordance with a schedule tabled by the Speaker to record the areas of responsibility of each committee: Provided that (i) any question concerning responsibility for a report or a part of a report shall be determined by the Speaker, and (ii) the period during which an inquiry concerning an annual report may be commenced by a committee shall end on the day on which the next annual report of that Department or authority is presented to the House."

Recommendation 29 (paragraph 9.7)

The Commonwealth printing and publishing manual be updated to incorporate recommendations made in 1986 by the Joint Committee on Publications in its report on the Review of the Cost and Distribution of the Parliamentary Paper Series.

Response by the Department of Administrative Services

10. The Department of Administrative Services agrees with the recommendation. In June 1988, the Australian Government Publishing Service (AGPS), in liaison with the Parliamentary chamber departments, devised internal instructions for AGPS staff to ensure observance of, and compliance with, procedures to implement 30 of the 35 recommendations of the Joint Committee on Publications' (JCP) 1986 Report for which such procedures had been agreed. Of the five remaining recommendations, three were implemented in 1989, and the other two - Recommendations 6 and 7 - are in the final phase of resolution. It is expected that the provisions of all the JCP recommendations will be incorporated into the Guide to Commonwealth printing and publishing which is planned for publication early in 1992. That publication will replace the Commonwealth printing and publishing manual which was published as a second edition, before the Presiding Officers' instructions to implement the JCP recommendations were received in June 1988.

11. The Manual is being re-titled the Guide to Commonwealth printing and publishing to reflect the deregulated nature of Government, and the client service and commercial orientation of AGPS.

Recommendation 30 (paragraph 9.7)

Any update to the Commonwealth printing and publishing manual should take account of recent public sector reforms of commercially oriented statutory authorities, so that constraints on printing for this class of agency are realistic in a commercial environment without jeopardising current publishing requirements for the Parliamentary Paper Series.

Response by the Department of Administrative Services

12. The Department of Administrative Services agrees with the recommendation and the reforms will be taken into account in the forthcoming Guide to Commonwealth printing and publishing. In effect, the provisions of the recommendation are recognised in the existing manual. That is, Class III standards cater for the highest quality of tabled document produced by agencies competing in the commercial environment, physical specifications for Class III are identified and a re-classification mechanism is also identified.

Michael Keating

M S KEATING
SECRETARY
Department of Finance
5 November 1991