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

REPORT 320

REVIEW OF SIX PERFORMANCE AUDITS

November 1992

Commonwealth of Australia 1992

JOINT COMMITTEE OF PUBLIC ACCOUNTS
SEVENTEENTH COMMITTEE

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1. Appointed 6 March 1991.

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

This Report contains the results of the Committee's examination of two efficiency audits and four project performance audit reports by the Auditor-General which were tabled during the period 31 May 1990 to 18 April 1991. Examination of the Auditor-General's reports and the auditees' responses to his recommendations is carried out by the Committee in accordance with the *Public Accounts Committee Act 1951*. The Committee regards its role in scrutinising the operations and the Executive through the Auditor-General's reports as an important part of its work. In so doing, it supports the vital task of the Auditor-General in promoting efficiency and effectiveness and ensuring accountability in the Commonwealth public sector.

The Committee acknowledges the cooperation of the departments covered in the six Auditor-General's reports in providing information relevant to the Committee's review.

For and on behalf of the Committee

Hon G F Punch, MP
Chairman

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EXECUTIVE SUMMARY

The Auditor-General's reports reviewed in this Report cover programs from five departments and a report dealing with the administration of the Australian Capital Territory.

The reports of the Auditor-General identified several disturbing trends in the administration and utilisation of departmental resources. All reports highlighted the need for senior management to ensure that procedures, departmental administrative systems and quality assurance reviews are effective, promote further efficiencies and minimise costs to the taxpayer.

The Committee notes the comments of the Auditor-General concerning the inadequacy of performance monitoring systems and the lack of records for critically assessing whether departmental activities are efficient, effective and meet specified performance criteria. The Committee considers that it is essential that all departments critically assess on a routine basis the adequacy and appropriateness of their performance measurement criteria and standards.

Another area of concern to the Committee is overstaffing and the largesse of resources allocated by the Department of Defence to the maintenance of Squirrel helicopters. The Committee is of the view that this trend might also be found in the management of the maintenance of other Defence aircraft.

In its review of projects in all the departments considered in this Report, the Committee observed common problems in management control and coordination of information technology. These included inadequate prior planning, failure to monitor changes in cost-benefit ratios, loss of sight of original objectives of the project, failure to undertake post implementation review, inadequate training for staff using new systems and failure to prepare adequate system documentation or user manuals.

The Committee considers that all departments and agencies acquiring new information technology systems should establish at the outset procedures to plan, monitor and evaluate the development and implementation of such systems and examine their outcomes in terms of cost and benefits.

While consideration of these reports of the Auditor-General has raised a number of concerns, the Committee notes the overall high rate of acceptance by the auditees of recommendations made by the Auditor-General.

The Committee's recommendations are listed on pages xiii-xiv.

RECOMMENDATIONS

The Committee has made a number of recommendations which are set out below, cross-referenced to their locations in the text.

The Committee recommends that:

1. The Department of Defence:
 - expedite the development and implementation of its Computer Aided Maintenance Management System (Mark 2) (CAMM2); and
 - evaluate CAMM2's output regularly to ensure that it meets the Department's information requirements for monitoring performance in relation to maintenance and utilisation of equipment. (paragraph 2.23)
2. Before commencing development of a new IT system, departments and agencies:
 - undertake a rigorous cost-benefit analysis of the proposed project and identify those indicators by which the performance of the project can be assessed;
 - establish an Information Technology Steering Committee with proactive responsibility to ensure that:
 - time, cost and performance criteria are prepared for the project development and implementation;
 - responsibility is allocated for the management of individual components of the project;
 - project costs are regularly monitored against projected cost-benefit outcomes; and
 - routine testing is undertaken at each stage to ensure the system will meet the project objectives, including a post implementation review to be conducted for each project within 12 months of its introduction;

ensure that there is an efficient allocation of resources to the project;
and

ensure that adequate system documentation and appropriate training
courses and manuals will be prepared and issued to personnel prior
to the implementation of the project. (paragraph 8.12)

Chapter 1

Introduction

1.1 Under the *Public Accounts Committee Act 1951*, the Joint Committee of Public Accounts is required to examine all reports of the Auditor-General. This Report details the results of the Committee's examination of six Auditor-General's reports tabled in the Parliament between 31 May 1990 and 18 April 1991.

1.2. The six reports of the Auditor-General examined in this review are:

<u>Report No</u>	<u>Title</u>	<u>Date Tabled</u>
<u>1989-90</u>		
33	Department of Defence - Squirrel Training Helicopters: Utilisation and Maintenance	31.05.90
<u>1990-91</u>		
16	Department of Veterans' Affairs - Treatment Services Control	20.12.90
17	Department of Social Security - Telephone Rental Concession - Financial Management and Information System - Human Resources Management System	20.12.90
19	Attorney-General's Portfolio - Bankruptcy Administration - Australian Federal Police: Major Crimes Investigations - Proceeds of Crime	20.12.90

<u>Report No</u>	<u>Title</u>	<u>Date Tabled</u>
21	Department of Administrative Services - Australian Government Analytical Laboratories	09.04.91
24	Department of Veterans' Affairs - Transport Services - Personnel and Pay Administration System	10.04.91

1.3 The Committee's review of these reports of the Auditor-General is included in Chapters 2 to 7 of this Report.

1.4 The Committee's review of a number of the reports highlighted a degree of commonality in the findings of the Auditor-General concerning weaknesses in the development of management information systems by departments. The Committee's deliberations and recommendations in respect of those matters are included in Chapter 8 of this Report.

1.5 The first of the Auditor-General's 1990-91 reports was tabled on 23 August 1992 and dealt with units responsible for administration of the Australian Capital Territory. The Auditor-General's Report No 1 of 1990-91, *ACT Administration - to Self Government Day*, is reviewed by the Committee in Chapter 9 of this Report.

1.6 Several of the Auditor-General's 1990-91 reports have been considered by other parliamentary standing committees in both the House of Representatives and the Senate. The Committee resolved not to duplicate the work of other parliamentary committees in respect of the following reports of the Auditor-General:

<u>Report No</u>	<u>Title</u>	<u>Date Tabled</u>
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1990-91

3	Department of Defence	
	- Australia's Army Reserve	11.09.90
10	Australian Bureau of Statistics	
	- Data Collection for the Consumer Price Index	15.11.90
12	Aboriginal and Torres Strait Islander Commission	
	- Community Development Employment Projects	04.12.90
13	Australian International Development Assistance Bureau	
	- Aid to Papua New Guinea	04.12.90
15	Department of Foreign Affairs and Trade	
	- Officers Entitlements and Other Staff Related Matters	20.12.90
18	Specific Purpose Payments through and to the States and Northern Territory	20.12.90

1.7 The Committee's review of these reports and summaries of the results of their examination by other parliamentary committees are included in Chapter 9 of this Report.

Chapter 2

Department of Defence: Squirrel Training Helicopters - Utilisation and Maintenance

Introduction

2.1 The Auditor-General's Report No 33 of 1989-90 deals with a project performance audit of the Department of Defence, which examined Defence's utilisation and management of a fleet of helicopters purchased in 1984 for use by the Royal Australian Navy and the Royal Australian Air Force (RAAF).

2.2 The Department entered into a contract during August 1982 with Societe Nationale Industrielle Aerospatiale to purchase 18 ECURIEL AS 350B (Squirrel) helicopters; 12 were for the Royal Australian Air Force and six for the Royal Australian Navy. In November 1983 the Department signed a further contract for an additional six Squirrel helicopters which were to be used by the RAAF as search and rescue (SAR) aircraft. The 24 aircraft were delivered during 1984, at a final cost of \$33m. The Department expected the Squirrel helicopters would be operational for a minimum of 15 years.

2.3 During September 1985 the Department decided it would engage private contractors to provide SAR capability. Subsequently, between July 1987 and December 1989, the six RAAF SAR aircraft were redeployed to the RAAF No 5 Squadron, Fairbairn, ACT.

2.4 When the fieldwork for the audit was conducted during 1989, the Department was using 18 Squirrel helicopters for initial rotary wing flying training for Navy, Army and Air Force helicopter pilots. At that stage the helicopters were the responsibility of the RAAF, but on 1 January 1990 they were transferred to the Army's Australian Defence Helicopter School.

Audit Findings

2.5 The Australian National Audit Office's (ANAO) audit examined the utilisation of the training helicopters and the reporting systems used to monitor squadron operations during the period of 1984-85 to 1988-89. The RAAF Supply

System was not examined during the audit in view of its size and complexity and the fact that it would be subject to a future audit.

2.6 The ANAO's examination of the utilisation of the helicopters showed that, at the time of ordering them, the Department had overestimated the number required. This had led to considerable reserve capacity as indicated by the fact that, over the period from 1984-85 to 1989-90, flying occupied 24% of total available helicopter hours. This percentage was less than that anticipated at the time of purchase and less than that observed among other users of Squirrel helicopters.

2.7 Furthermore, the transfer to a training role of six Squirrel helicopters that were originally purchased for SAR duties was carried out without an adequate cost-benefit analysis of their use as training aircraft or for other roles.

2.8 The ANAO examined the Defence Force's future needs for helicopters for initial rotary wing flying training. The ANAO suggested that the current excess capacity in the Squirrel training fleet might be diverted to other roles if the flying programs and maintenance were better managed, and all initial rotary wing flying training was consolidated in one place and if Defence used only Squirrel helicopters. In addition, the need for replacement craft might be avoided. If, however, further helicopters were required, a thorough analysis would be needed to determine the minimum number to be purchased.

2.9 Squirrel helicopter maintenance occupied 31%-44% of potential available flying time, which was more than other users have reported and compared unfavourably with the figures of 22%-30% anticipated at the time of their purchase. The ANAO concluded that there was scope for rationalising maintenance and overhead practices and the use of resources as a means of containing recurrent costs. This included the employment of private contractors for maintenance tasks.

2.10 The ANAO found deficiencies in the setting of goals, the use and availability of performance measures and monitoring with respect to training activities and helicopter maintenance. It pointed to the need for a more appropriate system of recording and reporting and to the relevance of such a system for program management and budgeting.

Departmental Response

2.11 In its submission to the Committee, the Department of Defence stated that 'the majority of the ANAO's recommendations have been aggressively pursued'.¹ Those recommendations that have been implemented include:

- work on developing models for estimating aircraft maintenance needs that can be used in assessing the number of aircraft to be purchased in the future;
- developing a policy and methodology for life cycle costing of weapons systems, which will allow consideration of both maintenance and initial acquisitions costs when tenders are being considered;
- the collocation of all initial rotary wing flying training at the Australian Defence Force Helicopter School in June 1991, which will fully utilise all helicopters and reduce the number of replacement Kiowa helicopters required by the Army;
- a number of moves taken to reduce the time and costs associated with maintenance, such as:
 - having a pilot available to carry out test flights as soon as maintenance is completed;
 - reducing the frequency with which some aspects of servicing are carried out;
 - increasing the proportion of their time that tradesmen spend on maintenance rather than non-maintenance duties; and
 - contracting some maintenance activities to the private sector; and
- the development of an information system appropriate to the monitoring and reporting requirements - this system, the Computer Aided Maintenance Management System (Mark 2), will incorporate features corresponding to 10 of the Auditor-General's recommendations.

1. Evidence, p. S8.

2.12 Two recommendations were given only qualified acceptance and two were rejected by the Department. One of the recommendations that received only qualified support was for the Department to determine the minimum number of aircraft required to meet the training program at the Australian Defence Force Helicopter School, with particular regard to the most cost-effective scheduling of courses.

2.13 The Department's response to the ANAO was:

Cost effectiveness is not the most important parameter for pilot training. Effectiveness of training to meet operational needs is the prime consideration. Within these parameters, cost effectiveness becomes an important, but secondary factor.²

As a result, only limited support was given to this recommendation.

2.14 . The second recommendation that was given only qualified support related to setting targets for aircraft availability. The Department's view was that this presented difficulties in circumstances where demand alters from time to time and flexibility in meeting demand is paramount.

2.15 A recommendation concerning program management and budgeting (PMB) was rejected as being inappropriate at the unit level. However, in the course of implementing PMB at a subprogram level, some of the advantages of PMB could be expected to flow down to the unit level. A second recommendation about determining acceptable levels of maintenance delays and taking remedial action when these levels are exceeded was seen as being irrelevant in circumstances where delays were due to lack of resources. The Department also pointed out that the establishing and monitoring performance was more appropriately carried out across all areas, rather than unit by unit.

Computer Aided Maintenance Management System

2.16 While many of the Auditor-General's recommendations were directed at specific aspects of the operation and maintenance of Squirrel helicopters, some

2. The Auditor-General. *Audit Report No. 33 1989-90 Department of Defence Squirrel Training Helicopters - Utilisation and Maintenance*, AGPS, Canberra, 1990, p. 95.

had more general relevance to the Department. One of the most important of these is the establishment of adequate performance reporting systems that are used for, among other things, program management and budgeting and monitoring maintenance costs.

2.17 The Auditor-General found that, apart from a few isolated units, the information system previously in use had not been successfully implemented and had yielded very little useful management information. This system failed because of problems associated with computer hardware and software, the slowness and inflexibility of the system and turnover of RAAF personnel and their inadequate training.

2.18 The Department accepted the need for an improved monitoring system and is working on the Computer Aided Maintenance Management System (Mark 2) (CAMM2), which is designed to support all levels of maintenance management for all RAAF technical equipment, as well as Army and Navy aviation equipment. CAMM2 will be linked into a Defence-wide network that will interface with other logistics information systems.

2.19 According to information provided to the Committee by the Department, CAMM2 is divided into three phases:

- a development phase, to be completed in June 1995;
- an implementation phase planned for 1996-99; and
- implementation of a system for depot level maintenance which covers the most extensive maintenance services for aircraft.³ It is anticipated that this phase will follow the two listed above. However, firm plans have not yet been made for it because the impact that Force Restructuring and Commercialisation will have on depot level maintenance operations are not yet clear.

3. Russell Offices, Department of Defence (Air Force). *Computer Aided Maintenance Management Version 2: The Broad Brush Picture*, September 1991; evidence, p. S671.

Committee Comment

2.20 The Committee commends the Department of Defence for accepting most of the Auditor-General's recommendations. It is, however, dismayed that so many years will elapse before CAMM2 comes on line. It notes that there appears to have been a slippage of four years in the proposed program for CAMM2 since May 1990 when the audit report was tabled. There has been a similar slippage in other large system developments in the Department of Defence, such as the Supply Systems Redevelopment Project, on which the Committee reported recently.⁴

2.21 Furthermore, in its submission, the Department commented:

The extent to which it [CAMM2] is developed will depend on government funding and priorities determination by higher defence committees.⁵

2.22 While aware of the reasons for the slippage, the Committee believes that the Department of Defence should accord a higher priority to implementing an information system designed to manage its aircraft more efficiently. It concludes that the Department's commitment to establishing an effective management information system is open to question.

2.23 The Committee recommends that:

- the Department of Defence:
 - expedite the development and implementation of its Computer Aided Maintenance Management System (Mark 2) (CAMM2); and
 - evaluate CAMM2's output regularly to ensure that it meets the Department's information requirements for monitoring performance in relation to maintenance and utilisation of equipment.

4. JCPA. *A Champagne Appetite but only a Beer Income - Defence's Supply Systems Redevelopment Project*, AGPS, Canberra, 1992.

5. Evidence, p. S4.

2.24 An additional concern to the Committee relates to the inefficiencies in the maintenance of Squirrel helicopters uncovered by the Auditor-General. The Committee recognises that the institution of a system such as CAMM2 will make some of these inefficiencies more visible. However, the setting of appropriate maintenance standards is also important in ensuring the efficient use of resources. The Committee is confident that full implementation of the Auditor-General's recommendations by the Department will improve performance in this respect.

2.25 It is of concern to the Committee that a similarly inefficient use of resources for maintenance may exist in other areas within the Department of Defence. This is a topic that the Committee might wish to pursue in greater detail in the future.

Chapter 3

Department of Veterans' Affairs - Treatment Services Control

Introduction

3.1 The Auditor-General's Report No 16 of 1990-91 deals with Treatment Services Control (TSC), now entitled Health Services Control, which is part of the Department of Veterans' Affairs' system of control over its health program. This program provides health care to over 353,000 veterans and other entitled people, and incurred expenditures in 1989-90 of \$1,117m, including \$588m for community health care services.

3.2 The efforts of the TSC are directed mainly at detecting and taking action against overservicing and irregularities in the treatment accounts of doctors and other providers of treatment services. In 1988-89 the Department completed action in relation to 1,110 such cases of abuse of the health program; about 21 people carried out core TSC tasks during that year.

Audit Findings

3.3 In 1990 the ANAO conducted an efficiency audit which examined the scope for improving the efficiency and effectiveness of TSC's operations.

3.4 The more significant audit findings were that:

- more central direction of TSC's priorities and work programs was needed;
- TSC had not covered significant areas of health program expenditure;
- TSC had not carried out adequate risk assessment for the individual components of the health program; and
- there had been almost no TSC activity in Tasmania and Western Australia.

3.5 The audit also suggested that the Department could better plan and manage reviews of providers of community health care services and, through improved computer systems and guidance to staff, there was scope for investigations to be more efficient and effective.

3.6 The ANAO considered that the implementation of its recommendations would improve the efficiency and effectiveness of TSC operations, and require minimal increase in departmental resources allocated to the TSC function. The ANAO believed that highest priority should be given to:

- setting more comprehensive and detailed TSC priorities and work programs so that TSC efforts were directed at those areas of the health program at greatest risk of abuse;
- monitoring more closely and evaluating more rigorously the results of TSC activities;
- upgrading or replacing TSC computer systems to provide capacity for detecting unusual servicing patterns; and
- providing sufficient staffing resources to the TSC function and ensuring that staff were provided with adequate guidance and training.

Departmental Response

3.7 In its submission to the Committee dated 25 November 1991, the Department reported that it agreed with the thrust of the ANAO report. The Department advised the Committee that major steps had been taken and were continuing to improve performance.

3.8 The Department's submission to the Committee advised that of the ANAO's 32 recommendations:

- 16 recommendations were fully implemented;
- 12 recommendations were partially implemented; and
- four recommendations were not implemented.

3.9 The Department's submission provided constructive comments about the revised administrative functions in both the Canberra central office and State regional offices, particularly as they related to the development and review of risk assessments, policy guidelines, work planning and performance reporting. In addition, the Department identified remedial actions taken and an increased emphasis given to improving efficiency and effectiveness of TSC activities. Other initiatives undertaken following the efficiency audit included:

- work plans developed for areas of health program expenditure covering a wide range of health service providers, including private hospitals;
- a proposal to review nursing homes;
- improved liaison with medical associations and medical and service providers to publicise the TSC processes used to detect instances of fraud and abuse of the health program;
- risk assessments of the health program and ongoing reviews of proposed risk assessments, including one to identify specific risk factors for each State;
- improvement in the TSC coverage of departmental activities in Tasmania and Western Australia;
- improvements in the training of departmental officers;
- allocation of significant additional resources for the development of a computerised Provider Monitoring Systems with associated equipment; and
- establishment of a National Investigation Unit to investigate fraud which is based in Melbourne and is now fully operational.

Committee Comment

3.10 The Committee notes with approval that the Department accepted the significant recommendations made in the Auditor-General's report, and has actively addressed the measures needed to improve the efficiency and effectiveness of the TSC program.

Chapter 4

Department of Social Security - Telephone Rental Concession, Financial Management and Information System, and Human Resources Management System

Introduction

4.1 The Auditor-General's Report No 17 of 1990-91 covers three project performance audits of the Department of Social Security:

- Telephone Rental Concession;
- Financial Management and Information System (FINMIS); and
- Human Resources Management System (ADMINS).

Telephone Rental Concession

Introduction

4.2 The Telephone Rental Concession (TRC) provided a subsidy to eligible departmental pensioners and other beneficiaries for the rental cost of private telephones. A revised TRC commenced operations during January 1988, following an earlier scheme introduced in 1964. The annual cost of TRC was approximately:

1988-89	-	\$42.6m
1989-90	-	\$46.0m
1990-91	-	\$48.5m
1991-92	-	\$50.8m

The TRC was replaced in July 1992 by the Telephone Allowance.

4.3 In 1985 the Committee examined the earlier TRC scheme and followed up matters raised in a number of Auditor-General's reports going back as far as 1976-77.¹ The concerns of the Auditor-General in regard to the earlier TRC scheme were generally similar to those identified in 1990:

- the Department was unable to identify readily ineligible recipients of the concession; and
- administrative arrangements between Telecom and the Department needed rationalisation. In a Department of Finance Minute in response to the Committee's 1985 Report, the Government announced a decision to introduce a new voucher-based rental concession scheme.² This was initiated in 1988.

Audit Findings

4.4 Although both the Department and Telecom play a significant role in the administration of the TRC scheme, the ANAO found that neither accepted ownership of it, and there was no clear specification of their respective responsibilities.

4.5 The key findings of the ANAO were that:

- the TRC scheme failed to ensure that only eligible persons received the concession, and the correct amount of concession was paid to each eligible person each year;
- insufficient checks were made of an applicant's eligibility for the concession;
- one of the tests for eligibility, the household income limit, appeared not to be capable of effective implementation;
- procedures were not sufficient to prevent the use of vouchers by people to whom they had not been issued;

1. JCPA. *Reports of the Auditor-General 1981-82 and September 1982*, Report 229, AGPS, Canberra, 1985.
2. JCPA. *Response to Report 229. Reports of the Auditor-General 1981-82 and September 1982*, Report 258, AGPS, Canberra, 1986.

controls over the custody and issue to pensioners of replacement vouchers were inadequate; and

there was no formal agreement between Telecom and the Department which set out comprehensively the roles of each in the administration of the scheme and the procedures to be followed.

4.6 The ANAO estimated that faults in the scheme had resulted in \$8m being paid to ineligible pensioner beneficiaries.

Departmental Response

4.7 The Department, in a submission to the Committee dated 25 November 1991, reported that it had initiated remedial action following the recommendations of the Auditor-General and prior to a Government decision that the Telephone Rental Concession Scheme would be replaced, from 1 July 1992, with the Telephone Allowance. The *Social Security Legislation Amendment Act 1992* established the Telephone Allowance and thereby replaced a system of issuing vouchers with quarterly cash payments to eligible pensioners.

4.8 The Department's submission advised the Committee that the abolition of the voucher system and adoption of the Telephone Allowance addressed the major concerns of the ANAO audit, and effectively made six of the Auditor-General's recommendations inapplicable. The Department advised the Committee that it had implemented four of the remaining recommendations, and is addressing the remainder.

Committee Comment

4.9 The Committee notes that various TRC schemes have been subject to critical comment by the Auditor-General, and were reviewed by the Committee in 1985 and again in December 1990. The Committee considers that the new Telephone Allowance will provide more effective controls over the eligibility and entitlements of pensioners to the allowance and result in improved administrative savings for the Department. The Committee is of the view that the new scheme should avoid a repetition of the problems associated with earlier TRC schemes and that, through its initiation, the issues raised by the Auditor-General have been rectified.

Financial Management and Information System

Introduction

4.10 The Department of Social Security's Financial Management and Information System (FINMIS), is a computer-based system designed to provide departmental managers with current, accurate and easily accessible information on departmental financial records. FINMIS was implemented in July 1989 on an Australia-wide network. Its aim was to provide management with regular, reliable and comprehensive data to allow informed decision making, to facilitate the efficient allocation of resources and to assist program and project management.

Audit Findings

4.11 The ANAO considered that the FINMIS package was the appropriate choice from those tendered to the Department. However, the audit disclosed a number of weaknesses in the use of the system in areas associated with cash receipting, purchasing, accounts payable, data security and associated staff training.

Departmental Response

4.12 The Department's submission to the Committee, dated 28 November 1991, reported that it had initiated remedial action on the recommendations of the Auditor-General in respect of:

- input of data;
- improved documentation and/or system enhancements of management reports, purchase orders and the FINMIS accounting and financial procedures;
- introduction of post payment checking of paid vouchers on a sample basis;
- improved cash receipting arrangements with allocation of additional personnel to minimise bottlenecks;
- regular reconciliations of FINMIS data with that recorded in the Department of Finance Ledger System;

- distribution of an updated manager's guide to all State offices;
- introduction of improved contingency plans; and
- a review of the responsibility for FINMIS security arrangements.

Committee Comment

4.13 The Committee notes that the Department has initiated remedial action to address most of the matters raised in the Auditor-General's report.

4.14 The Committee is concerned at the Auditor-General's comments that 12 months after the implementation of the FINMIS system that the Department had not undertaken a post implementation review of the system. This was reiterated in the Department's submission:

The Department is currently assessing the need to review the vendor software and related departmental enhancements. The possibility of post implementation review will also be considered, as well as the timing and format of any such review.³

4.15 The Committee is of the view that all departments planning for the introduction of new information technology systems should provide for a post implementation review as an integral strategy in their introduction of new systems. The Committee considers that such post implementation reviews should be undertaken within 12 months of the introduction of a new system. This issue is considered further in Chapter 8.

Human Resources Management System

Introduction

4.16 The Department of Social Security's Human Resources Management System (ADMINS) is an on-line computerised system which integrates the

3. Evidence, p. S184.

Department's establishments, staff management, personnel, human resource budgeting and training functions. ADMINS has been operational in all State offices since October 1988.

4.17 The objectives of the ADMINS system are:

- to provide the management information required to plan and control the Department's human resources;
- to rationalise day-to-day processing; and
- reduce paper flows and minimise work associated with data input.

Audit Findings

4.18 The audit of ADMINS, conducted in New South Wales, found that the system was achieving its stated objectives. However, the Auditor-General raised a number of matters requiring action including:

- the need for key staff to have a better understanding of the characteristics of some reports provided by ADMINS;
- the need for improved procedures in the processing of overtime and the need for closer monitoring of the duration of overtime shifts in the computer centre;
- the need for the numbers and duration of staff acting in higher positions to be monitored; and
- the need to implement procedures to confirm that data passed between the ADMINS and the Department of Finance payroll system had been received and processed.

Departmental Response

4.19 The Department's submission to the Committee dated 6 December 1991 outlined remedial action taken in response to the report of the Auditor-General.

Committee Comment

4.20 The Committee notes that recommendations of the Auditor-General concerning the ADMINS system were implemented by the Department.

4.21 However, the Committee also notes that there was a delay of approximately 20 months in circulating an updated managers' guide to all State offices. The Committee considers this unsatisfactory as it is of the view that all Commonwealth departments should ensure that appropriate manuals are prepared and issued to operative personnel in a timely fashion.

Chapter 5

Attorney-General's Portfolio - Bankruptcy Administration, Australian Federal Police: Major Crimes Investigations, and Proceeds of Crime

Introduction

5.1 The Auditor-General's Report No 19 of 1990-91 deals with three performance audits conducted in the Attorney-General's portfolio:

- Bankruptcy Administration;
- Australian Federal Police: Major Crimes Investigations; and
- Proceeds of Crime.

Bankruptcy Administration

Audit Findings

5.2 Section 313 of the *Bankruptcy Act 1966* requires the Auditor-General to inspect and audit the accounts and records of the Registrars, the Official Trustee and the Official Receivers. The audit covered the financial year ending 30 June 1989.

5.3 The Auditor-General noted that, although the Bankruptcy Act enabled the trustee to obtain all or part of the bankrupt's income for the benefit of the bankrupt's creditors, there were instances of the bankrupt receiving income but not making any, or sometimes making irregular, contributions to the Official Trustee. The Auditor-General considered that there was a need for improved monitoring of the contributions by bankrupts to the Official Trustee. The Auditor-General suggested that target profiles be prepared in respect of bankrupts who are considered capable of making contributions and appropriate follow up action taken.

5.4 The audit also disclosed other significant matters requiring remedial action; these included:

- problems associated with the use of the Department's computerised management information systems in the preparation of bank reconciliation statements;
- failure of the Attorney-General's Department to achieve its national performance standards for the administration of bankrupt estates; and
- arrangements whereby moneys of the Common Investment Fund Equalisation Account, a component of the Trust Fund, were held outside the Commonwealth Public Account.

Departmental Response

5.5 The Attorney-General's Department's submission to the Committee, dated 27 November 1991, advised that, following the receipt of the original audit findings, an administrative system was developed, within the then existing legal framework, which would improve the contributions collection system. Appropriate guidelines were issued in November 1990.

5.6 Other matters dealt with in the submission included:

- contributions by bankrupts;
- computerised management information systems;
- performance indicators; and
- the Common Investment Fund Equalisation Account.

Contributions by Bankrupts

5.7 The Department advised that, during 1990, the Minister for Justice and Consumer Affairs directed that an overall review be conducted of the Bankruptcy Act. This review included consideration of an improved contributions scheme. On 8 August 1991, the Minister announced proposed amendments to the Act which included the imposition of compulsory contributions from those bankrupts with a capacity to pay.

5.8 Other amendments in the *Bankruptcy Amendment Act 1992* provide for the compulsory contribution of 50% of the bankrupt's income where the bankrupt's income is above a minimum threshold.

Computerised Management Information System

5.9 Action has been taken to remedy the audit finding that the Bankruptcy and Official Receiver's Information System (BORIS) software was unable to provide complete information for periodic bank reconciliation of the Common Investment Fund. In addition, a feasibility study was conducted which recommended the replacement of the existing BORIS software and associated hardware. Approval was obtained to replace the hardware and for the development of user specific software. User specifications have been finalised and the development of the new software, the Official Trustees Information Services System (OTISS), is being conducted 'in-house.' Brisbane and Townsville offices have been selected for pilot site installations and the full implementation of OTISS is scheduled to occur by December 1994.

Performance Indicators

5.10 The national performance standards which were developed in 1987 for the administration of bankrupt estates were revised, refined and incorporated in an Insolvency and Trustee Service Business Plan.

Common Investment Fund Equalisation Account

5.11 The Department advised that revised banking arrangements had been implemented since August 1990. Interest which is derived from the investment of moneys in the Common Investment Fund, is being credited to the Equalisation Account, which now forms part of the Commonwealth Public Account.

Committee Comment

5.12 The Committee notes with approval the Attorney-General's Department's implementation of most of the recommendations of the Auditor-General.

5.13 The Committee considers that, prior to the introduction of any new information technology project, rigorous detailed testing of the proposed system should be undertaken to ensure that the system will provide the essential information for which it was designed. In the Committee's view, the inability of the BORIS system to provide complete information for the preparation of bank reconciliations should have been detected and remedial action taken prior to the implementation of the system.

Australian Federal Police: Major Crimes Investigations

Introduction

5.14 An audit of the Northern Region of the Australian Federal Police (AFP), which is based in Brisbane, was conducted by the ANAO in 1990 to establish whether the Region was meeting the objectives of its drug-related operations and had effective systems to support those functions.

Audit Findings

5.15 The audit disclosed that the Department was meeting its objectives in an effective manner in the Northern Region. It also identified a number of additional areas where improvements were required, including:

- procedures for reconciling seals on seized drugs;
- the development of indicators used to evaluate the effectiveness of drug operations; and
- computer security procedures.

Departmental Response

5.16 The Australian Federal Police submission prepared for inclusion in the Attorney-General's Department's submission, dated 27 November 1991, advised that a position of Regional Seals Officer had been established with responsibility for reconciliation of seals on seized drugs; the computerised Drug Offence Reporting System would be reviewed in line with the Auditor-General's findings and included as part of Computerised On-line Police System (COPS), a new statistical recording and reporting system with the capacity to overcome problems identified by the

Auditor-General; and, following the issue of the new Commonwealth Protective Security Manual in 1991, the AFP security manual dealing with security of information and document security had been redrafted.

Committee Comment

5.17 The Committee notes that the Department has responded constructively to the recommendations of the Auditor-General and has identified and put in train remedial action.

Proceeds of Crime

Introduction

5.18 The administration of property which is subject to Restraining Orders made in accordance with the *Proceeds of Crime Act 1987* and the *Customs Act 1901* is carried out by the Official Trustee in Bankruptcy through the Offices of the Official Receiver in each State.

5.19 The Official Receiver administers property subject to Restraining Orders until a final Confiscation Order is issued, imposing penalties and administrative fees. The Official Trustee may then dispose of the property under restraint, with the proceeds being paid into Consolidated Revenue and any surplus going back to the defendant.

5.20 An audit of the Official Receiver's office in New South Wales and its administration of the 'proceeds of crime' was completed during June 1990. The objectives of the audit were:

- to evaluate the reliability of controls;
- to assess the propriety, accuracy, completeness and reliability of the accounts and records; and
- to assess compliance with the legislation and applicable regulations.

Audit Findings

5.21 The results of the audit were satisfactory. Some minor administrative issues were raised with the Official Receiver. The Department noted the tendency for defendants to initiate a series of appeals against Court Orders restraining disposal of their property and then to seek the permission of the Court for some of their property to be applied to meet their legal costs. This consequently reduced the amount of property subject to Restraining Orders and ultimately Confiscation Orders, resulting in less money recovered under the *Proceeds of Crime Act 1987*.

5.22 The audit identified the following administrative matters and practices requiring remedial action:

- the maintenance of defendants' files and other documents;
- the timely and independent review of files and accounting records; and
- the monitoring of performance against operational standards.

Departmental Response

5.23 The Attorney-General's Department's views on the actions of defendants in initiating legal challenges to proceedings involving the Proceeds of Crimes Act were that this type of action was a basic right of an individual. The Department's comments included in the Auditor-General's report were considered by the Committee which concluded that existing procedures were appropriate and satisfactorily safeguarded the rights of individuals, whilst providing for adequate checks and balances to be exercised by the Director of Public Prosecutions.

5.24 The Department's submission to the Committee dated 27 November 1991 outlined remedial action taken in respect of the administrative issues raised by the Auditor-General. It advised the Committee that the Department had nothing to add to the comments included in the audit report, concerning legal challenges initiated by defendants which resulted in expenses being met out of property subject to Restraining Orders.

Committee Comment

5.25 The Committee is satisfied with the response by the Department to the issues raised and recommendations made by the Auditor-General.

Chapter 6

Department of Administrative Services - Australian Government Analytical Laboratories

Introduction

6.1 The Auditor-General's Report No 21 of 1990-91 deals with an efficiency audit of the Australian Government Analytical Laboratory within the Department of Administrative Services.

6.2 The Australian Government Analytical Laboratory (AGAL) provides a comprehensive range of services in analytical chemistry and microbiology. In 1987 it was transferred from the Department of Science to the Department of Administrative Services. AGAL employed a staff of 265 and its budget was \$20m in 1990-91.

6.3 AGAL's activities are coordinated by the Australian Government Analyst from a central office in Canberra. AGAL's regional laboratories are located in Sydney, Melbourne, Adelaide, Perth and Hobart. The laboratories provide similar core services, such as the analysis of pesticide residues and trace elements, with each region providing some specialist services.

6.4 In October 1988, the Government decided that AGAL would be the first point of reference for the delivery of analytical and microbiological services to Commonwealth departments. AGAL's main Commonwealth clients are the Department of Primary Industries and Energy (40% of client workload), the Australian Federal Police (10%) and the Australian Sports Commission (10%). In addition, AGAL provides services to State governments and private sector clients.

6.5 In October 1988, the Minister for Administrative Services approved a new charter for AGAL. In fulfilling its charter, AGAL provides benefits to the community, maintains reserve capability to respond to crises affecting the health or safety of the community and contributes to improvements in scientific and industry standards and practices. AGAL also assists Australia to meet international commitments to the United Nations Division of Narcotic Drugs, United Nations Environment Program and World Meteorological Baseline Programs.

6.6 The Government decided that AGAL would move to full cost recovery by 1 July 1990 and approved a separate Budget appropriation to finance AGAL's 'public interest' activities or Community Service Obligations. These include nine categories of public interest activities which cannot be charged to a particular client.

6.7 Examples of these public interest activities financed from the Budget include:

- the maintenance of a laboratory response capacity to meet emergency situations affecting public health or agricultural exports;
- the promotion of chemical and microbiological competence in Australia;
- the provision of scientific information, advice and services to the Minister and the Department; and
- research and development investigations.

6.8 AGAL estimated the full cost of its public interest program to be \$7.2m in 1990-91 or around 38% of its total revenue.

Audit Findings

6.9 The audit reviewed the economy, efficiency and administrative effectiveness of AGAL and focused on delivery of services to clients and management of the public interest functions. The audit reviewed quality assurance information available within AGAL. It did not attempt to review AGAL's scientific competence.

6.10 The audit revealed that, overall, AGAL had managed the transitional stage of its move to commercial operations well and had developed a greater client focus in the conduct of its operations. The ANAO considered that there was scope for further improving the efficiency and effectiveness of AGAL's operations, particularly the management of its public interest functions.

6.11

Other key findings of the ANAO report were that:

- AGAL needed to take account of Government policies and the needs of current and potential Government clients;
- some of the costs charged by AGAL to public interest activities should be charged instead to clients;
- AGAL would benefit from having a long-term marketing and promotion strategy;
- AGAL's pricing policy should be to achieve full cost recovery of its commercial activities; and
- AGAL should establish minimum standards for quality assurance applicable to all of its laboratories.

6.12

The Auditor-General's report anticipated that implementation of these recommendations could achieve savings of expenditure on public interest activities and reduce the need for finance from the Budget.

Departmental Response

6.13

The Auditor-General's report included extracts from AGAL's response to the efficiency audit. AGAL noted that the audit was conducted during the early stages of implementing full cost recovery. AGAL commented that the change to full cost recovery had resulted in culture shock for its laboratories. Moving to cost recovery required permanent modification of behaviour and attitudes to turn specialist regulators into cost-conscious service providers operating in a competitive environment.

6.14

The Department's submission dated 5 December 1991 advised the Committee that, of the 44 recommendations made by the Auditor-General, AGAL had responded positively to 42 and had already implemented 36 of them. The Department's submission also commented that AGAL considered the Auditor-General's report as generally positive and that implementation of its recommendations would be of significant assistance to AGAL's future operations.

6.15 The Department's submission outlined a number of actions taken in response to the audit report. For example, AGAL has completed a Community Service Obligations Plan to provide for classification and management of public interest activities throughout AGAL. With respect to management information issues, a comprehensive review of computer systems was completed and the findings of the review were used in the preparation of AGAL's three-year Information Technology Strategic Plan. Furthermore, AGAL refined its cost centre structure and introduced time recording in some areas.

6.16 All of the Auditor-General's recommendations relating to AGAL's commercial activities were implemented, including the completion of client and industry market research and the incorporation of research findings into marketing plans. Memoranda of Understanding which specify service delivery standards have been negotiated and, in some cases, completed with major clients. AGAL's pricing decisions have been improved as a result of refinements to its cost centre structure.

6.17 AGAL has prepared a Quality Manual and an Analytical Quality Assurance Plan which include ANAO recommendations. AGAL has drawn the attention of all staff to the specific requirements raised by the ANAO. AGAL is working to obtain full Quality Systems Assurance Accreditation according to the international ISO 9001 Standard (Australian Standard 3901). The accreditation will cover scientific services, and administrative and financial operations.¹

Audit Recommendations Rejected by the Laboratories

6.18 The ANAO report examined AGAL's costing system and the basis of amounts charged by AGAL during July and August 1990 to the public interest segment of its activities. The Government's approval during October 1988 for the funding of public interest activities from the Budget included services provided by AGAL for:

- work on technical committees and assessments of draft standards in respect of the Standards Association of Australia (SAA); and
- the provision of assessors for the National Association of Testing Authorities (NATA).

1. Evidence, p. S411.

6.19 The assistance and services provided by AGAL to the SAA arise from a Memorandum of Understanding between the Department of Industry, Technology and Commerce (DITAC), representing the Commonwealth, and the SAA. The ANAO considered that the cost of services funded to assist the SAA should be funded by DITAC, not AGAL.

6.20 While both AGAL and private laboratories assist NATA by providing assessors free of charge, the ANAO noted that AGAL was providing more assessors than the private laboratories. The ANAO considered that the cost of providing assessors should be charged as AGAL overheads rather than to the public interest subsidy appropriation, and the cost of the excess assessors should be charged to DITAC.

6.21 AGAL rejected these two recommendations on the basis that the scope of the assistance provided by AGAL was in accordance with the Government's 1988 policy initiatives.

Committee Comment

6.22 The Committee notes that the Department and AGAL have responded positively to the recommendations of the Auditor-General. The Committee considers that both the ANAO and AGAL are to be commended for their constructive approach to the numerous issues identified in the audit report. It believes that AGAL is satisfactorily implementing changes to move to become a commercial and self-funding entity.

6.23 The Committee considers that the costs of AGAL's assistance to the SAA and NATA should continue to be funded from the public interest subsidy appropriation as the work is undertaken in the national interest.

Chapter 7

Department of Veterans' Affairs - Transport Services and Personnel and Pay Administration System

Introduction

7.1 The Auditor-General's Report No 24 of 1990-91 deals with a project performance audit of two areas within the Department of Veterans' Affairs:

- Transport Services; and
- Personnel and Pay Administration System.

Transport Services

7.2 The Department provides transport services, or assists financially with travel costs, for veterans and other entitled beneficiaries to travel to receive treatment at departmental or other institutions. The departmental transport service is provided by Commonwealth cars, licensed hire cars, taxis, ambulance or hospital patient transport vehicles. The Department has guidelines which determine whether a veteran is eligible for the provision of official or taxi transport.

7.3 In 1989-90, approximately 300,000 journeys were provided throughout Australia at a cost of \$25.2m. The audit disclosed that between 220 and 300 beneficiaries were transported each day in Western Australia, where the audit was conducted.

Audit Findings

7.4 The audit was conducted during 1988-89 with the objective of evaluating the Department's systems and procedures for the provision of beneficiary transport services. The audit focused on the provision of pool transport and road ambulances. These forms of transport accounted for 89% of beneficiary transport expenditure in Western Australia, 61% provided by vehicles hired from the Department of Administrative Services (DAS) and 28% by ambulances.

7.5 The audit evaluated the Department's transport services and focused on:

- planning of transport services and arrangements with DAS;
- transport service operations;
- guidelines and procedures for approval of beneficiary travel; and
- payment for transport services.

7.6 The Auditor-General commented that, although the Department had conducted several reviews of transport services, it had not undertaken a comprehensive analysis for obtaining these services in the market place, retaining or changing the mixture of existing methods of transport, or using alternative types of vehicles for some services.

7.7 The Auditor-General made seven recommendations of which the most significant ones concerned the need for:

- cost-benefit analyses of the operations of the transport service;
- a review of the guidelines and procedures for approval of beneficiary travel; and
- more adequate checking of the accounts received from DAS.

Departmental Response

7.8 The Department's submission to the Committee dated 27 November 1991 advised that, in the five years to May 1987, a total of 17 reviews of beneficiary transport had been undertaken. Following questions from a Senate Estimates Committee during April 1987, a National Review of Beneficiary Transport was undertaken. That review identified the potential for savings of \$2.5m in 1988-89 and ensuing years through improved efficiencies.

7.9 In its submission, the Department commented that none of the findings from the ANAO report were matters of which the Department was unaware, and outlined action taken to implement the recommendations. The action taken included:

- reducing the number of Commonwealth cars on permanent hire to the Department;
- assigning responsibility for booking all transport requirements to the Department;
- negotiating favourable hire rates;
- using a mix of vehicles to avoid depot-to-depot charging practices;
- increasing the use of air transport for longer journeys;
- reviewing the need of country patients to travel to the city for medical treatment;
- changing appointment times to enable the use of more economical travel arrangements;
- changing the pick up practices of repatriation general hospitals to reduce the times vehicles waited for passengers;
- taking action to minimise futile trips; and
- implementing procedures for checking DAS accounts and liaising with DAS to obtain additional detailed information to determine account accuracy.

Committee Comment

7.10 The Committee is satisfied that the Department has addressed the issues raised by the Auditor-General and has implemented remedial action to improve the economy and efficiency of the transport service provided to beneficiaries.

Personnel and Pay Administration System

Introduction

7.11 The Department employs 13,000 staff, comprising 577 different job classifications and about 1,300 salary scales. Approximately 50% of the staff perform shiftwork on a seven day week, 24 hour roster cycle in the Department's hospitals.

7.12 The Department required a personnel system capable of meeting its organisation and staffing needs. It developed in house its Personnel and Pay Administration System (PAPAS), a computer system for recording rostered attendance, pay, leave and other personnel information relating to staff employed in repatriation hospitals and departmental offices throughout Australia. PAPAS was designed to provide management information to the Department's central office in Canberra, branch offices and repatriation hospitals in each State, as well as several auxiliary hospitals and regional offices.

7.13 The objectives and functions of PAPAS were:

- to improve personnel service for departmental staff;
- to automate time-consuming records processing and rationalise duplicated manual records; and
- to provide a basis for comprehensive and accurate human resource information.

7.14 The Department commenced development of PAPAS during July 1985, for completion during December 1985 at an estimated cost of \$4.6m.

Audit Findings

7.15 The Auditor-General identified deficiencies in the management of PAPAS' development, as well as significant slippage and cost overruns.

7.16 The audit examined the Department's management of the development of PAPAS with particular reference to cost-benefit analysis. The Auditor-General reported that the Department did not prepare a cost-benefit statement for PAPAS prior to its commencement in July 1985.

7.17 The first and only cost-benefit analysis was completed in August 1986. It was presented to the Department's Steering Committee responsible for the development of PAPAS during February 1987, some 20 months after the commencement of the project and just prior to the completion of the first module of PAPAS.

7.18 Two significant areas of concern were identified by the Auditor-General. The first involves the cost of developing and implementing PAPAS which significantly exceeded the Department's estimate of \$4.6m. Secondly, completion of the main phases of the system took four years, in comparison with the Department's estimate of 17 months. The ANAO assessed the cost of developing PAPAS at \$8m, excluding other unquantified costs.

7.19 The Auditor-General also reported that senior departmental management had exercised inadequate direction and control over the development of PAPAS.

7.20 Other key findings of the audit were:

- although PAPAS was expected to achieve direct staff savings of nearly \$1m a year, the actual savings had not been clearly identified by the Department;
- the costs of maintaining PAPAS were higher than originally estimated;
- less than half of the Department's personnel records had been converted to PAPAS; and
- full implementation of PAPAS was unlikely in view of the proposed integration of the repatriation hospitals into the State health systems.

Departmental Response

7.21 The Department's submission to the Committee, dated 27 November 1991, agreed with the comments of the Auditor-General regarding the need for timely preparation and completion of cost-benefit analyses prior to the commencement of an information technology (IT) project, and acknowledged that there had been unsatisfactory delays in developing the system. The Department also outlined the remedial action taken to address the critical comments relating to cost-benefit analyses, the delays in completing PAPAS, and savings from implementing the system.

7.22 The Department advised that it will require the preparation of cost-benefit analyses prior to the commencement of IT projects, and steering committees will continue to require accurate and comprehensive project cost information at regular intervals. Where appropriate the Department will reassess IT projects and undertake new cost-benefit analyses; these will form the basis for future management decisions. Senior managers will continue to be advised of the progress of IT projects at the appropriate project stages. There were a number of factors which contributed to the slippage, including the diversion of PAPAS development staff to other higher priority IT projects.

7.23 The Department reported that PAPAS had already achieved savings of \$635,550. However, further staff savings at the repatriation hospitals from PAPAS will need to be reconsidered in view of the Government's announcement in August 1988 that repatriation hospitals would be transferred to the State health systems. The first of these, the Repatriation General Hospital in Hobart, was transferred to State control on 1 July 1992. At October 1992 the transfer of the remaining repatriation hospitals in five other States is still under negotiation.

7.24 With other IT projects, the Department has undertaken to identify the actual savings achieved. The Department also advised of the action taken to improve security over PAPAS.

Committee Comment

7.25 The Committee is concerned with the inadequate management and control exercised over the project of developing PAPAS by the Department and the failure to carry out a realistic cost-benefit analysis prior to embarking on the project in July 1985. The Committee considers that the limited control and coordination of the project is evidenced by the lapse in time before an initial cost-benefit statement was completed in August 1986, some 12 months after the commencement of the

project, and a further delay until February 1987 before it was considered by the Department's Steering Committee. The Committee is concerned at the extensive cost and time overrun to implement all segments of PAPAS.

7.26 The Committee was pleased to note that the Department's submission satisfactorily addressed the Auditor-General's critical comments concerning the planning, monitoring and overseeing of the development of PAPAS. The Committee considers that the issues identified by the Auditor-General relating to PAPAS have relevance to the development of other IT systems by Commonwealth departments and agencies.

7.27 The Committee deliberated on a number of common issues concerning the development of IT systems that came to light during this review of six audit reports. A report on their deliberations and recommendations is included in Chapter 8.

Chapter 8

Management of Information Technology Projects

Introduction

8.1 The Committee is disturbed by recurring references by the Auditor-General, in a number of the reports under review, to failures and weaknesses in projects to implement information technology (IT) systems. Those systems of particular concern included:

- the Department of Defence's Computer Aided Maintenance Management System (CAMM2) reviewed in Chapter 2;
- the Department of Social Security's Financial Management and Information System (FINMIS) and Human Resources Management System (ADMINS) reviewed in Chapter 4;
- the Attorney-General's Bankruptcy and Official Receiver's Information System (BORIS) reviewed in Chapter 5; and
- the Department of Veterans' Affairs' Personnel and Pay Administration System (PAPAS) reviewed in Chapter 7.

8.2 The Committee's background in conducting inquiries into proposals for large IT acquisitions has made them aware of the fundamental dependence of modern organisations on their information technology.

8.3 Between June 1986 and November 1987 the Committee tabled reports of six inquiries into the acquisition of large IT systems.¹ These inquiries arose as a result of a Cabinet decision in 1983 that large acquisitions, defined as in excess of \$5m for equipment and necessary works, should be referred to the Committee for approval. In June 1984 the Parliament gave the Committee a reference to review major Automatic Data Processing (ADP) acquisitions by Commonwealth departments and authorities staffed under the *Public Service Act 1922*. This

1. JCPA. Reports Nos 249, 252 and 253, June 1986; No 254, September 1986; No 259, October 1986; No 287, December 1987, AGPS, Canberra.

reference lapsed with the dissolution of Parliament in December 1984, was renewed in mid-1985 as a standing reference to the Committee and continued until March 1988 when Cabinet approved new procedures for acquisition of IT systems.

8.4 Among these procedures, departments and agencies governed by the *Audit Act 1901* and the Finance Regulations are required to establish an Acquisition Council for each major IT acquisition proposal above \$5m and to prepare three-yearly Information Technology Strategic Plans, or more frequently in the case of major changes.²

8.5 The Committee notes with approval the range of advice published by the Departments of Finance and Administrative Services to assist agencies in their IT acquisition and IT planning processes.³ The Committee observes that very little material is available to assist agencies through the next stage of developing, implementing and monitoring IT systems and ensuring that their systems are developed efficiently and cost effectively.

Common Findings Across Audit Reports

8.6 In five of the performance audits considered in this Report, the Committee notes a degree of commonality in the findings of the Auditor-General concerning the development of computerised management information systems by departments. It is evident to the Committee that there are a number of overlapping weaknesses in the development and implementation of IT systems which require resolution.

8.7 It is disturbing to the Committee that, in all these instances, senior departmental management have not allocated a sufficiently high priority to the development of important and expensive computer systems, there has been limited oversight of their developmental phase to ensure the adequacy of these new systems, and in some instances the procedures for their implementation have been inadequate; the time, cost and performance criteria associated with these projects have not been monitored or controlled effectively.

2. Department of Finance *Circular Memorandum to Departments*, 1988/6, 1988/17 and 1991/11.
3. Department of Finance. *Developing a Business Driven IT Strategy*, Department of Finance, Canberra, 1991.
Department of Finance. *Guidelines for the Operation of IT Acquisition Councils*, Department of Finance, Canberra, 1991.
Department of Administrative Services. *Information Technology Buyers Handbook*, AGPS, Canberra, 1991.

8.8 The Auditor-General disclosed disturbing trends in the development of IT systems, citing instances where departments provided low priority to expediting the longer-term economies or the enhanced effectiveness of departmental programs.⁴ The Committee noted that limited management control and coordination of the development of IT systems permitted significant delays and cost overruns to occur.⁵ The Committee noted other problems with the implementation of IT systems: the implementation of deficient systems⁶ that failed to provide adequate controls or the information required by senior management and other users,⁷ a lack of departmental training,⁸ failure to prepare complete training manuals⁹ and the general inadequacy of systems documentation.

Committee Comments

8.9 The Committee is concerned that certain IT systems examined in this review were inadequate and at completion did not provide the accurate, timely and detailed information required for accounting for Commonwealth moneys.

8.10 The Committee considers it imperative that Commonwealth departments and agencies ensure that their procedures are efficient and effective in planning, monitoring and overseeing the development and implementation of IT projects. The Committee supports comments of the Auditor-General that timely information and cost-benefit analyses should be undertaken.

8.11 The Committee also supports the appointment of steering committees for each new IT project. Such committees should adopt a proactive role and ensure that time, cost and performance criteria for the project's development and implementation are prepared and adhered to, and planned savings and improved efficiencies and economies of departmental operations are achieved.

4. See paragraphs 2.20, 7.22.

5. See paragraph 7.18.

6. See paragraphs 4.11 and 5.4.

7. See paragraphs 5.13 and 7.20.

8. See paragraphs 4.11 and 4.18.

9. See paragraphs 4.11 and 4.21.

The Committee recommends that:

- before commencing development of a new IT system, departments and agencies:
 - undertake a rigorous cost-benefit analysis of the proposed project and identify those indicators by which the performance of the project can be assessed;
 - establish an Information Technology Steering Committee with proactive responsibility to ensure that:
 - time, cost and performance criteria are prepared for the project development and implementation;
 - responsibility is allocated for the management of individual components of the project;
 - project costs are regularly monitored against projected cost-benefit outcomes; and
 - routine testing is undertaken at each stage to ensure the system will meet the project objectives, including a post implementation review to be conducted for each project within 12 months of its introduction;
 - ensure that there is an efficient allocation of resources to the project; and
 - ensure that adequate system documentation and appropriate training courses and manuals will be prepared and issued to personnel prior to the implementation of the project.

Chapter 9

Audit of the ACT Administration and Six Reports Considered by Other Parliamentary Committees

Audits of the ACT Administration

9.1 Two of the Auditor-General's 1990-91 reports dealt with the ACT which, under Commonwealth legislation, became self governing on 11 May 1989. One of the reports, the Auditor-General's Report No 2 for 1990-91, *ACT Government Services*, was never tabled and is not considered here. It reported to the Speaker of the ACT Legislative Assembly on the period from 11 May 1990 until the Government Audit Office for the ACT was appointed on 1 July 1990.

ACT Administration - to Self Government Day

9.2 The Auditor-General's Report No 1 for 1990-91 summarised the results of audits of various ACT bodies which were required to report to the Commonwealth Parliament prior to 11 May 1989 in respect of various municipal functions and activities. In accordance with the provisions of the *Audit Act 1901*, these various ACT bodies, the responsibility of the Department of the Arts, Sport, the Environment, Tourism and Territories, were subject to audit by the Auditor-General.

9.3 Self government was granted to the ACT by Commonwealth legislation with effect from 11 May 1989. On that day the Commonwealth's *Audit Act 1901* ceased to have effect in relation to bodies administering the ACT, and the ACT's *Audit Act 1989* took effect.

9.4 The audit report provided information in respect of the following ACT bodies:

- ACT Housing Assistance Fund;
- ACT Transport Trust;
- ACT Forestry Trust;
- ACT Electricity and Water Authority;

- Gaming and Liquor Authority;
- ACT Community and Health Service; and
- Office of the Public Trustee.

9.5 The Committee examined the audit report and resolved it would make no further comment on the matters commented upon by the Auditor-General.

Six Auditor-General's Reports Considered by Other Parliamentary Committees

9.6 During 1990-92 six reports of the Auditor-General were considered by other parliamentary committees, comprising joint committees and standing committees of the House of Representatives and the Senate.

Auditor-General's Report No 3 for 1990-91: Department of Defence - Australia's Army Reserve

9.7 The Parliament resolved on 11 September 1990 that the Auditor-General's report No 3 for 1990-91 be referred for consideration by the Joint Committee on Foreign Affairs, Defence and Trade. The Joint Committee's report, *The Australian Defence Force Reserves*, was tabled in the Parliament on 28 November 1991.¹

9.8 The Joint Committee on Foreign Affairs, Defence and Trade considered the Auditor-General's report was 'a very valuable document both in its own right and for the impetus and guidance provided to the processes of calculating and attributing the cost of Australian Defence Force activities'.²

9.9 The Committee notes that the Joint Committee on Foreign Affairs, Defence and Trade identified the strengths and weaknesses of the Australian Defence Reserves and the various defence planning processes and had recommended measures to improve the effectiveness of the Defence Reserves.

1. Joint Committee on Foreign Affairs, Defence and Trade. *The Australian Defence Force Reserves*, AGPS, Canberra, November 1991.

2. House of Representatives Hansard, 28 November 1991, p. 3505.

9.10 The Committee resolved that it would not make any comment on the Auditor-General's report in view of the report of the Joint Committee on Foreign Affairs, Defence and Trade.

Auditor-General's Report No 10 for 1990-91: Australian Bureau of Statistics - Data Collection for the Consumer Price Index

9.11 The Parliament resolved on 15 November 1990 that the Auditor-General's Report No 10 for 1990-91 be referred for consideration by the House of Representatives Standing Committee on Finance and Public Administration.

9.12 The key findings of the audit were that:

- there was no reason to question the accuracy of the Consumer Price Index (CPI);
- the processing of data and the compilation of the Index were based on sound principles and professionally performed; and
- scope existed for improved quality controls for the processing, compiling of indexes and assigning weightings to data.

9.13 The Standing Committee's report, *Cars, Prawns and Interest Rates*, was tabled in the Parliament on June 1991.³ It confirmed the Auditor-General's findings that measurement of the CPI was valid and reported that the Australian Bureau of Statistics considered that many of the ANAO recommendations were practicable and were being incorporated into new data processing applications.⁴

9.14 The Committee resolved that it would not make any comment on the Auditor-General's report in view of the Standing Committee's report.

3. The House of Representatives Standing Committee on Finance and Public Administration. *Cars, Prawns and Interest Rates: Review of the Auditor-General's Report on Data Collection for the Consumer Price Index*, AGPS, Canberra, May 1991.

4. House of Representatives Hansard, 6 June 1991, p. 4890.

Auditor-General's Report No 12 for 1990-91: Aboriginal and Torres Strait Islander Commission, Community Development Employment Projects

9.15 The Parliament resolved on 4 December 1990 that the Auditor-General's Report No 12 for 1990-91 be referred for consideration by the House of Representatives Standing Committee on Aboriginal Affairs. The Standing Committee's report was tabled in the Parliament on 30 May 1991.⁵

9.16 The Committee notes that the Standing Committee confirmed the validity of the audit findings and that the ANAO had taken a positive and forward looking approach to the problems identified in audit report No 12.

9.17 The Committee commends the Auditor-General on the constructive approach to the numerous problems identified with the Community Development Employment Projects. This Committee resolved that it would not make any comment on the Auditor-General's report in view of the report of the Standing Committee.

Auditor-General's Report No 13 for 1990-91: Australian International Development Assistance Bureau Aid to Papua New Guinea

9.18 The Parliament resolved on 4 December 1990 that the Auditor-General's Report No 13 for 1990-91 be referred for consideration by the Joint Committee of Foreign Affairs, Defence and Trade. The Joint Committee of Foreign Affairs, Defence and Trade's report, *Australia's Relations with Papua New Guinea* was tabled in the Parliament on 19 December 1991.⁶

9.19 In view of the Joint Committee of Foreign Affairs, Defence and Trade's comprehensive report on Australia's foreign aid to Papua New Guinea, the Committee resolved that it would not make any comment on the Auditor-General's Report No 13.

5. House of Representatives Standing Committee on Aboriginal Affairs. *Our Future, Our Selves: Aboriginal and Torres Strait Islander Community Control, Management and Resources*, AGPS, Canberra, August 1990.
6. Joint Committee on Foreign Affairs, Defence and Trade. *Australian's Relations with Papua New Guinea*, Canberra, December 1991.

Auditor-General's Report No 15 for 1990-91: Department of Foreign Affairs and Trade: Officers Entitlements and Other Staff Related Matters

9.20 This audit report was tabled on 20 December 1990. The key findings of the audit were:

- the prompt response by the Department to 77 allegations and statements of maladministration and impropriety, and set in train procedures for the Australian Federal Police or the Department to investigate them;
- the large number of long outstanding staff debts;
- inadequate control over disciplinary cases;
- the large number of outstanding advances; and
- the need for further work to implement fraud control arrangements.

9.21 The Committee notes that the Senate resolved on 19 June 1991 to refer for examination by the Senate Standing Committee on Finance and Public Administration various matters involving the Department's management systems and program evaluation, staff performance, accountability and other matters. The Senate Standing Committee's inquiry has taken evidence from the Department of Foreign Affairs and Trade and the ANAO concerning the financial administration of the Department and matters raised in the Auditor-General's Report No 15.

9.22 As the Senate Standing Committee on Finance and Public Administration report had not been presented to the Senate at the time of the preparation of this Report, this Committee resolved to defer further consideration of the matters raised in the Audit Report No 15, pending the tabling of the Senate Committee's report.

Auditor-General's Report No 18 for 1990-91: Specific Purpose Payments through and to the States and Northern Territory

9.23 The Parliament resolved on 20 December 1990 that the audit report be referred for consideration by the House of Representatives Standing Committee on Banking, Finance and Public Administration.

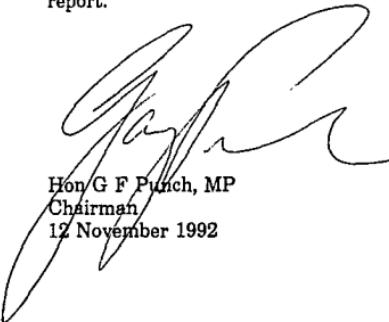
9.24

The key findings of the audit report were that:

- delays by the States and the Northern Territory in providing adequate assurance that funds were expended in accordance with the intended purposes of Commonwealth specific purpose payments indicated a failing in accountability by Commonwealth departments to the Parliament;
- 12% of programs did not have clear objectives; and
- 56% of the specific purpose payments lacked performance indicators, which brought into question the value of the reported performance review.

9.25

The Standing Committee on Banking, Finance and Public Administration's report had not been tabled in the Parliament at the time of this Report's preparation. The Committee resolved to defer further consideration of the matters raised in the audit report, pending the tabling of the Standing Committee's report.



Hon G F Punch, MP
Chairman
12 November 1992