

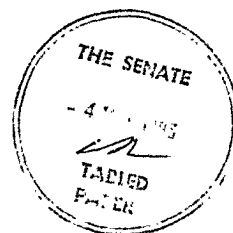


DEPARTMENT OF THE SENATE	
PAPER No.	59
DATE PRESENTED	4 MAY 1993
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**THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA**  
**JOINT COMMITTEE OF PUBLIC ACCOUNTS**

**REPORT 321**

**FINANCE MINUTES**



December 1992

The Parliament of the Commonwealth of Australia

Joint Committee of Public Accounts

**REPORT 321**

**FINANCE MINUTES**

December 1992

# JOINT COMMITTEE OF PUBLIC ACCOUNTS

## SEVENTEENTH COMMITTEE

Hon G F Punch, MP (Chairman)

Senator J O W Watson (Vice-Chairman)

Senator the Hon T Aulich<sup>1</sup>

Mr K J Aldred, MP

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Mr E J Fitzgibbon, MP

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Senator the Hon M Reynolds

Mr J V Langmore, MP

Mr G B Nehl, MP

Mr L J Scott, MP

Mr P D Shack, MP

Mr A M Somlyay, MP

Secretary: Mr T R Rowe

Secretariat Staff: Miss Y Campagna

- 
1. Appointed 6 March 1991
  2. Discharged 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.

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## Introduction

### The Finance Minute Process

1. Arrangements to ensure that appropriate action is taken in response to comments contained in each report of the Joint Committee of Public Accounts<sup>1</sup> 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 then publishes an annual volume of all the Finance Minutes received in the 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 four Finance Minutes received by the Committee during 1992:

- . Supplementary Finance Minute on Report 305 - Implementation of the Offsets Program;

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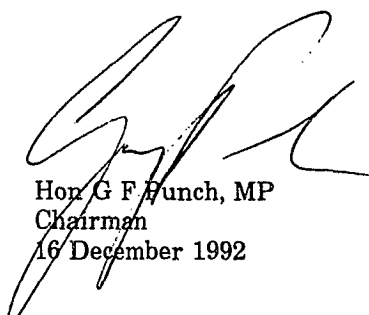
1. Formal responses to the Committee's reports are not prepared in the case of discussion papers, handbooks and the Committee's reports of activities.

- . Finance Minute on Report 310 - Business Migration Program;
- . Finance Minute on Report 313 - Control of Visitor Entry;
- . Finance Minute on Report 314 - Eight Performance Audits; and
- . Finance Minute on Report 315 - Social Responsibilities of Commonwealth Statutory Authorities and Government Business Enterprises

3. The Supplement to the Finance Minute on Report 305 and the Finance Minute on Report 310 were tabled on 5 March 1992, the Finance Minute on Report 313 was tabled on 17 September 1992, and the Finance Minute on Report 315 was tabled on 5 November 1992. The Finance Minute on Report 314 has not previously been tabled and is tabled for the first time in this Report. All these Finance Minutes have been 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 each Minute. The Committee reserves the prerogative of conducting detailed analysis of a particular Finance Minute at a later time.

For and on behalf of the Committee



Hon G F Funch, MP  
Chairman  
16 December 1992

**FINANCE MINUTE ON  
REPORT 305  
SUPPLEMENTARY FINANCE MINUTE ON  
IMPLEMENTATION OF THE OFFSETS PROGRAM**



## SUPPLEMENT TO DEPARTMENT OF FINANCE MINUTE

The Department of Finance Minute on JCPA Report No 305 noted that the Committee's recommendation 38 required consideration by the Government, and that the Committee would be notified following a decision by the Government.

2. Supplementary responses to recommendation 38 are provided below:

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

3. This recommendation is not accepted. The Ministerial Statements of 12 March 1991 (Industry Statement) included major reductions in the coverage of the Australian Civil Offsets Program. In particular, the aerospace and information technology industries have been significantly affected.

4. The changes include the abolition of offsets for information technology firms with sales to Government of less than \$10 million per annum and the establishment of new arrangements for purchases above this level. Firms with annual public sector sales of between \$10 million and \$40 million will be expected to enter Fixed Term Agreements with the Commonwealth Government. These agreements will combine elements of the Pre-Qualified Offsets and Partnerships programs.

5. Partnerships will become mandatory for all multinational firms with annual Government sales of over \$40 million.

6. The Industry Statement also indicated that offsets are no longer an appropriate mechanism to develop Australia's aero components industry. Therefore, negotiations are currently underway with firms to replace existing civil offsets arrangements with longer term strategic agreements.

7. In addition, as a result of the Industry Statement, the Government is to commence negotiations with State Governments with a view to exempting the motor vehicle industry from offsets obligations. Should this change be implemented, the coverage of the offsets program will be even further reduced.

8. Accordingly, in the light of the changes that have been announced by the Government, the Department considers a review of the operation of the modified and reduced offsets program is not appropriate at this stage.

#### Response by the Department of Defence

9. This recommendation is not accepted. The Committee indicated that it considered that recommendation 38 was its most important following receipt of a submission from the Department of Finance. Defence has examined this submission and found it to be based on information which was focused on an activity related to the Australian Civil Offsets Program and not directly relevant to the Australian Defence Offsets Program.

10. The aims and the detailed operation of the Defence and Civil programs, while conforming to the overall Offsets Policy, have been different, with the Defence program having narrower and more focused objectives.

11. Defence has always been and continues to be very supportive of the evaluation of programs. There has been an ongoing process of review of offsets for several years which has included the Australian Defence Offsets Program. The list of past and current reviews is as follows:

- (i) Report of the Committee of Review on Offsets (Inglis Committee) - 1984.
- (ii) Reports of the Auditor-General on Efficiency Audits
  - . Administration of the Offsets Policy - 1984.
  - . Administration of the Australian Industry Participation Program in Relation to Overseas Procurement - 1984.
- (iii) JCPA Report 270 - Implementation of the Offsets Program - 1989.
- (iv) JCPA Inquiry into Commonwealth Funded Research/ Development (included supplementary questions on offsets) - 1991.
- (v) Department of Defence, Inspector-General's examination of the Australian Industry Involvement Sub-Program (including offsets) - 1991.
- (vi) Department of Defence, Inspector-General's Management Audit of the JORN Project (including offsets) - 1991.

12. Defence has responded to these reviews and in October 1989 introduced the new Defence Offsets Program with its own set of published guidelines with a focus on offsets contributing to Defence self-reliance. Defence continues to involve the Department of Industry, Technology and Commerce in discussions on the operation of the new program and its impact on the wider Australian Industry Programs.

13. In 1989 Defence also initiated an Australia-wide survey to obtain details from industry of its perception of the operation of the Australian Industry Involvement Program (including the Defence Offsets Program).

14. It is Defence's view that, instead of a new "independent full scale assessment" of the Defence Offsets Program, the 1989 survey and the 1991 Inspector-General's evaluation of the wider Australian Industry Involvement Program should be properly examined and considered by the Minister for Defence. It is Defence's view also that it may be advisable to allow another year or two's experience of the new civilian industry arrangements before any new survey or evaluation of the Defence Offsets Program is conducted.



E R THORN  
ACTING SECRETARY  
Department of Finance  
10 December 1991

**FINANCE MINUTE ON  
REPORT 310  
BUSINESS MIGRATION PROGRAM**

**DEPARTMENT OF FINANCE MINUTE ON REPORT 310**

This minute has been prepared on the basis of responses received from the Departments of Immigration, Local Government and Ethnic Affairs and Foreign Affairs and Trade, the Australian Taxation Office and the Australian Federal Police.

2. As many of the recommendations contained in the Report involve matters of policy, a separate Government response on those recommendations will be provided directly to the Chairman of the JCPA by the Minister for Immigration, Local Government and Ethnic Affairs.

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

Recommendation 1 (paragraph 6.71)

**The Accredited Agent Scheme be abolished.**

Response by the Department of Immigration, Local Government and Ethnic Affairs

4. This recommendation has been considered and accepted by the Government. The Minister for Immigration, Local Government and Ethnic Affairs announced on 25 July 1991 that the Accredited Agent Scheme was to be wound up immediately, with cessation of further re-accreditation of agents forthwith.

Recommendation 2 (paragraph 7.12)

As a matter of priority the Department of Immigration, Local Government and Ethnic Affairs investigate the circumstances surrounding the limited number of instances of individuals with criminal links entering Australia under the Business Migration Program with a view to remedying any deficiencies in its screening procedures identified during these investigations.

Response by the Department of Immigration, Local Government and Ethnic Affairs

5. Every allegation of fraud or malpractice against a Business Migration Program migrant, whether it be criminal in nature or not, is investigated by the Department of Immigration, Local Government and Ethnic Affairs (DILGEA). Certain aspects may also be passed to the Federal and State Police forces for investigation, depending on the nature of the allegation. Deficiencies in screening procedures are, and will continue to be, brought to the notice of relevant DILGEA policy and procedural areas and overseas posts for remedial action.

Recommendation 3 (paragraph 7.16)

The concerns expressed by the Australian Federal Police concerning the exchange of information between itself and the Department of Immigration, Local Government and Ethnic Affairs be examined by the liaison groups established following the meeting of law enforcement officials and officials from the Department of Immigration, Local Government and Ethnic Affairs and the Department of Foreign Affairs and Trade in May 1990.

Response by the Department of Immigration, Local Government and Ethnic Affairs

6. The concerns expressed by the Australian Federal Police (AFP) have already been raised in meetings of the state liaison groups. They will be raised again, at the next appropriate opportunity.

7. Liaison between DILGEA and law enforcement agencies including the AFP is already conducted at both formal and informal levels.

8. At the formal level, a DILGEA officer is located at the Australian Bureau of Criminal Intelligence to assist law enforcement agencies to gain access, within the confines of the law, to immigration information and to channel relevant law enforcement information to DILGEA. Liaison groups have been established in all states except Victoria where the Chief Commissioner of Police is satisfied with the existing liaison arrangements between the Victorian Police and DILGEA.

9. More informally, matters of mutual interest to DILGEA and law enforcement agencies are discussed daily at the working level.

Response by the Department of Foreign Affairs and Trade

10. The Department of Foreign Affairs and Trade supports the DILGEA response.

Response by the Australian Federal Police

11. The AFP notes that the state liaison groups have already discussed this recommendation and that further discussions are expected to take place.

12. The AFP also notes that discussions between officers of the AFP and DILGEA are moving beyond the 'exchange of information' concerns expressed in Recommendation 3. These discussions relate to matters such as AFP access to DILGEA data bases, legislative amendment necessary to give effect to such access and the development of a memorandum of understanding between the AFP and DILGEA.

Recommendation 4 (paragraph 7.23)

The Australian Taxation Office investigate the possibility for abuse of the withholding tax provisions by migrants, and review the adequacy of information provided to business migrants about their obligations in respect of all tax matters.

Response by the Australian Taxation Office

13. The possibility for abuse of the withholding tax provisions by migrants was an area looked at by the House of Representatives Standing Committee on Finance and Public Administration (HRSCFPA) in its March 1991 Report "Follow the Yellow Brick Road: The Final Report on an Efficiency Audit of the Australian Taxation Office: International Profit Shifting". As a result of the HRSCFPA's recommendations, the Australian Taxation Office (ATO) initiated a National Project to accurately determine the level of taxpayer compliance with all areas of the withholding tax legislation including overseas beneficiaries.

14. In addition, information provided to the ATO by DILGEA will enable it to identify business migrants that came to Australia with \$500,000 or more. This information is being used to check ATO records to ensure that migrants are lodging taxation returns. A project based audit program will also be conducted to determine the level of non-compliance (including the non-remittance of withholding tax) by this sector of the community. When the audit program is complete the results will be evaluated. If there is a problem with the level of compliance by this sector, strategies will be developed to provide a solution.

15. Although the ATO will review the adequacy of information provided to business migrants after the above evaluation has been completed, the ATO currently provides a variety of information to DILGEA specifically directed at business migrants. In particular:

the booklet "Tax in Australia" is a general reference guide and covers all major tax areas;

- . the "Tax Pack" is available to potential business migrants from all Australian Embassies; and
- . in October 1990, the ATO prepared a brochure explaining the current operation and requirements of the withholding tax legislation and sent copies to all Australian Embassies overseas and foreign embassies within Australia, as well as tax agents.

*E. R. Thorn*

E R THORN  
ACTING SECRETARY  
Department of Finance  
10 December 1991



**FINANCE MINUTE ON  
REPORT 313  
CONTROL OF VISITOR ENTRY**

DEPARTMENT OF FINANCE MINUTE ON REPORT 313

This minute has been prepared on the basis of responses received from the Department of Immigration, Local Government and Ethnic Affairs, the Australian Federal Police and the Australian Customs Service.

2. As some of the recommendations contained in the Report involve matters of policy, a separate Government response on those recommendations will be provided directly to the Chairman of the JCPA by the Minister for Immigration, Local Government and Ethnic Affairs.

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

Recommendation 1 (paragraph 4.35)

The Department of Immigration, Local Government and Ethnic Affairs maintain in real terms the resource levels allocated to compliance activity with a view to reducing even further the number of overstayers in Australia.

Response by the Department of Immigration, Local Government and Ethnic Affairs

4. The Department of Immigration, Local Government and Ethnic Affairs (DILGEA) agrees. The resource levels allocated to compliance activity have increased considerably over the past financial years:

	\$M	ASL
	(Actual)	
1988/89	11.5	116
1989/90	16.1	146
1990/91	22.2	208
1991/92	35.0	227

5. Moreover, in connection with the recent review of the refugee determination system, the Government has approved the provision of an additional resource allocation of up to \$8.8M and 59.5 ASL in 1992/93 (subject to resource agreements) for compliance activity in relation to refused refugee applicants.

Recommendation 2 (paragraph 4.51)

**The Migration Act 1958 be amended to require persons who hold Australian passports to use these passports when entering or leaving Australia.**

Response by the Department of Immigration, Local Government and Ethnic Affairs

6. This matter will be considered by the Government and the Minister for Immigration, Local Government and Ethnic Affairs will respond directly to the Chairman of the JCPA.

Recommendation 3 (paragraph 4.55)

- (a) In the preparation of a passport forfeiture brief, MAL and PASS be checked to ascertain if a person holds any other passport, and
- (b) the receipt of a request for information in relation to a passport forfeiture brief should trigger an emergency alert on MAL and PASS to prevent the departure from Australia of the holder of a surrendered Australian passport leaving on any other passport.

Response by the Department of Immigration, Local Government and Ethnic Affairs, the Australian Customs Service and the Australian Federal Police.

7. The Migration Alert List (MAL) and the Passenger Automated Selection System (PASS) are exit and entry alert systems. They are not passport information systems and do not necessarily indicate if the person named is the holder of one or more passports.

8. There is currently no reliable means of checking whether a person holds a second passport. It would not be possible to maintain up-to-date information on this matter because the Commonwealth has no control over, and receives no information on, passports issued by foreign embassies.

9. However, if the person's name was placed on PASS, they would not be able to leave the country without triggering an alert, unless they held a passport in another name.

10. Agencies which initiate MAL and PASS entries are required to include full and accurate information, when preparing additions to the MAL and PASS entries.

11. Accordingly, the onus should be upon agencies preparing a forfeiture brief to investigate if the subject may be the holder of more than one passport or eligible (through birth or nationality) for another passport. The Australian Customs Service (ACS) will take this matter up with all State and Federal agencies. A copy of the relevant correspondence will be sent to the Committee in due course.

Recommendation 4 (paragraph 4.47)

- (a) **The Department of Immigration, Local Government and Ethnic Affairs, the Australian Federal Police and State police forces form a working party to establish procedures to measure the extent of criminal activity of persons entering Australia on visitor and temporary entry visas, and**
- (b) **this working party should examine:**
- **the extent of policing problems associated with persons entering on temporary entry and visitor visas and engaging in criminal activities;**
  - **the types of criminal activities being undertaken;**
  - **any geographical concentrations of such activity; and**
  - **any multi-agency action which should be taken to deal with these activities.**

**Response by the Department of Immigration, Local Government and Ethnic Affairs, the Australian Customs Service and the Australian Federal Police**

12. Considerable benefit would be derivable from closer liaison with the Australian Federal Police (AFP) and State police forces in order to monitor the criminal activity of persons on visitor and other temporary entry permits. It is envisaged that this information could be used to determine the bona fides of persons of a similar background who apply for visas for Australia.

13. There are regular liaison meetings between DILGEA and police forces to discuss criminal activity conducted by foreign nationals in Australia. However, arrangements are currently being made to bring together representatives from DILGEA, the AFP and State police to create a working party to determine the appropriate means for measuring the extent of criminal activity by holders of visitor and other temporary entry permits and to address other issues raised by the Committee. This work will commence in the latter half of 1992.

Recommendation 5 (paragraph 3.19)

**IRIS be installed in all overseas posts as soon as possible.**

Response by the Department of Immigration, Local Government and Ethnic Affairs

14. DILGEA agrees and has made a decision to implement the Immigration Records and Information System (IRIS) in all overseas posts. The current IRIS implementation schedule means that IRIS will be operational at all posts where DILGEA is represented by August 1992. At the completion of this installation, there will be 57 posts using the system which will account for 97.2% of all visas issued.

15. Discussions have commenced with the Department of Foreign Affairs and Trade (DFAT) regarding a timetable for the installation of the system at other posts. The current hardware, software and installation procedures were reviewed and found to be appropriate for DFAT posts. The expected completion date is early 1993 subject to responses from the individual DFAT posts and the 1992/93 DILGEA Budget allocation.

Recommendation 6 (paragraph 3.45)

**Passenger cards should be maintained.**

Response by the Department of Immigration, Local Government and Ethnic Affairs, the Australian Customs Service and the Australian Federal Police

16. DILGEA, the ACS and the AFP agree that a form of passenger card is necessary to serve certain functions as identified in the 313th Report of the JCPA. The precise form and usage of the passenger card is currently under review. DILGEA will ensure that the revised passenger card continues to satisfy the functions outlined in the 313th Report of the JCPA (para 3.43).

Recommendation 7 (paragraph 4.12)

**A two way communication link with overseas posts for MAL updates be established as soon as possible.**

Response by the Department of Immigration, Local Government and Ethnic Affairs

17. DILGEA agrees that a two way communication link is a desirable goal. However, its establishment at this time would involve the expenditure of a significant level of resources for limited identifiable benefit in the area of entry control, because existing controls would prevent entry of non-bona fide persons. Nonetheless, the feasibility and possible additional uses of a two way communication link will be the subject of a review to be undertaken within the framework of DILGEA's Corporate Information Technology Plan.

18. In the meantime, however, all passengers are checked against the on-line version of MAL on arrival. If a person obtained a visa overseas in the period between their record appearing on MAL and the overseas post's MAL being updated, they would be quickly identified on arrival and refused entry.

Recommendation 8 (paragraph 5.24)

The Working Group of representatives of the Department of Employment, Education and Training, the Department of Foreign Affairs and Trade and the Department of Immigration, Local Government and Ethnic Affairs reviewing Pre-Visa Assessment criteria for short, non-formal studies application, examine the retention of the prepayment of fees, introduction of bonds or bank guarantees as a financial viability test in the Pre-Visa Assessment.

Response by the Department of Immigration, Local Government and Ethnic Affairs

19. An Inter-Departmental-Committee (IDC) was established by the Government to examine the recommendations of the Industry Commission (IC) in its report on the Export of Education Services and the report of the Pre-Visa Assessment Working Group (PVAWG).

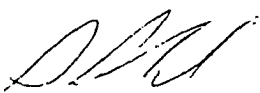
20. The issues raised by the JCPA have been canvassed by the IC and considered further by the PVAWG and the IDC. The Government is considering the IDC's report and the Minister for Immigration, Local Government and Ethnic Affairs will respond directly to the Chairman of the JCPA.

Recommendation 9 (paragraph 5.35)

The Department of Immigration, Local Government and Ethnic Affairs, when preparing statistics on persons seeking asylum in Australia, include an analysis of categories under which asylum seekers gain entry into Australia.

Response by the Department of Immigration, Local Government and Ethnic Affairs

21. DILGEA accepts this recommendation. The Department's refugee status computer system now includes fields identifying the entry category of a refugee status applicant.

  
S.T. Sedgwick  
SECRETARY  
Department of Finance  
15 May 1992

**FINANCE MINUTE ON  
REPORT 314  
EIGHT PERFORMANCE AUDITS**

## DEPARTMENT OF FINANCE MINUTE ON REPORT 314

This minute has been prepared on the basis of responses received from the Departments of Employment, Education and Training, and Finance - in respect of which recommendations were made in the report; and a response from the Department of Foreign Affairs and Trade. (Of the agencies referred to in the report but whose operations were not subject to a recommendation, only the Department of Foreign Affairs and Trade offered a response.)

2. In this Minute the Committee's recommendations are reproduced and followed by the responses.

3. Recommendation for the Department of Employment, Education and Training (paragraph 4.11 of the Report)

**The Department of Employment, Education and Training ensure it has an adequately resourced internal audit unit to undertake the Department's audit program.**

Response by the Department of Employment, Education and Training

4. Since its initial response, published in JCPA Report 314, the Department has continued to strengthen its national audit function and has improved its planning and increased its resources accordingly. In May 1991, the Corporate Audit Committee was reconstituted as the Corporate Audit and Accounting Committee to strengthen and better integrate control over the Department's internal audit and financial management systems.

5. The Department undertook a major exercise to develop a Strategic Audit Plan in 1991. This Plan was ratified by the Department's Corporate Audit and Accounting Committee in December 1991. The Plan identified 1500 auditable priorities over a 5 year cycle. Control of the audit function was centralised from November 1991. The audit function now has the following dedicated positions:

. 6 EDP auditors and 38 project auditors with administrative support staff.

Of these, 6 positions are located in New South Wales, 5 positions are located in Victoria, 3 in each of Queensland, South Australia and Western Australia, 2 in the Northern Territory and 1.5 in Tasmania. The remaining positions are located in Central Office. These positions also assist in the conduct of audits in the State and Territory offices.



6. Recruitment action to upgrade the leadership of these units is now complete with the central Internal Audit unit headed by a Senior Officer Grade (SOG) A and units in State and Territory Offices directed by either a SOGB or SOGC.

7. To supplement DEET's own staffing resources, significant extra resources have also been allocated to engage outside audit expertise to assist with the audit program. In 1991-92 \$580,000 was allocated to the audit function for this purpose, an increase of 45 per cent on 1990-91.

8. To summarise, since its last report to the JCPA in July 1991, the Department has continued to strengthen its audit function. It has increased resources, centralised management responsibility, and developed a detailed 5 year Strategic Audit Plan. The Department sees the audit function as an integral part of financial and program management and the activities and resources of Internal Audit will continue to be monitored accordingly.

9. Recommendation for the Department of Finance (paragraph 5.21 of the Report)

**The new financial administration legislation require that all Commonwealth organisations establish an effective internal audit function.**

Response by the Department of Finance

10. The Secretary of the Department of Finance wrote to the Secretary of the Committee on 22 June 1992 outlining the Government's legislative intentions. While the legislation has not yet been introduced, and nothing substantive can be added to that advice, at this stage, the Department has established arrangements for on-going co-operation with the Institute of Internal Auditors for purposes that include developing appropriate provisions on internal audit in the Commonwealth's regulatory framework; and setting up targetted training through Finance Regional Offices to be conducted in co-operation with the Institute.

11. Department of Foreign Affairs and Trade (chapter 6 of the Report)

(While no specific recommendation was made by the Committee, the Department of Foreign Affairs and Trade provided the following response in relation to passport issue and control.)

12. On the issue of diplomatic and official passports, the question of charging for these passports was considered by the Government which agreed that a fee equivalent to the charge for ordinary Australian passports be introduced from 1 October 1992 for:

- (a) diplomatic and official passports; and
- (b) ordinary passports now issued without charge to spouses and dependents of diplomatic and official passport holders.



S T SEDGWICK  
SECRETARY  
Department of Finance  
30 September 1992

**FINANCE MINUTE ON**  
**REPORT 315**  
**SOCIAL RESPONSIBILITIES OF COMMONWEALTH STATUTORY**  
**AUTHORITIES AND GOVERNMENT BUSINESS ENTERPRISES**

## DEPARTMENT OF FINANCE MINUTE ON REPORT 315

This Minute has been prepared on the basis of responses received from the Departments of Arts, Sport, the Environment and Territories, Industrial Relations, Finance, Prime Minister and Cabinet, Transport and Communications and Primary Industries and Energy.

### General comment

2. Most departments indicated that the recommendations in the Report clarify the issues surrounding social responsibilities and objectives in the operations of Statutory Authorities (SAs) and Government Business Enterprises (GBEs). The recommendations are also concerned with proposals to make SAs and GBEs more accountable and as such would bring their activities more into line with existing monitoring and reporting mechanisms for Commonwealth departments.

3. Some concerns were raised by departments about generalising the issues by grouping all SAs and GBEs together without making adequate allowance for the different nature and size of operations of particular entities. Statutory authorities such as marketing authorities operate quite differently, in terms of their social and other responsibilities, to less commercially oriented authorities. A GBE such as ANL, which operates in competition with other shipping companies, may be regarded as somewhat different to the monopoly GBEs such as the Civil Aviation Authority. In those cases where accountability arrangements have been settled, they generally reflect those differences.

4. Furthermore, while there is general agreement with the JCPA that there are benefits in these entities accepting certain social responsibilities and being accountable for them, it will be necessary for the resource implications to be fully addressed and for sufficient time to be allowed for the implementation of the relevant recommendations. The smaller portfolio entities may find difficulty in implementing some of the recommendations in view of their limited resources and lean administrative structures.

5. There is also the possibility that some of the recommendations could conflict with the central objectives of the more commercial SAs and GBEs. While expecting these bodies to accept the highest standards of corporate citizenship, some departments expressed concern about requiring them to accept responsibilities that are not faced by private competitors or which may blur the commercial focus of these enterprises.

6. A further concern expressed by some departments was that the recommendations did not appear to take into full account existing accountability requirements, both statutory and other, that apply to SAs and GBEs.

## Response to Recommendations

7. This Minute does not address Recommendation 1 in the Report as it involves matters of policy. A separate Government response has been provided directly to the Chairman of the Committee. In the following paragraphs each of the Committee's recommendations 2 to 32 is reproduced in turn and followed by the relevant responses.

### Recommendation 2 (paragraph 3.47 of the Report)

The information provided by statutory authorities and government business enterprises to the Parliament and the public about the performance of their social responsibilities:

- emphasise outcomes against set targets, with several indicators for each program;
- include quantitative or qualitative data that is:
  - expressed statistically or in narrative form; and
  - collected in the same form by the same methods as long as the program continues so that long term trends can be followed; and
- consist of material suited to the needs of the users and chosen in consultation with those involved with the operation of the organisation.

Response by the Department of the Prime Minister and Cabinet (PM&C)

8. The Committee's recommendation will be taken into account when revising the annual reporting requirements for SAs. At present, in addition to requiring SAs to comply with the 1982 "Guidelines for the Content, Preparation and Presentation of Annual Reports by Statutory Authorities", the Government encourages SAs to comply with the Departmental Annual Reporting Requirements, which include requirements dealing with the measurement of performance against Government-defined social objectives.

9. Recent Government decisions require the Boards of GBEs to keep responsible Ministers fully informed of their organisations' ongoing performance against Government requirements. In particular, GBE boards are required to report regularly to Ministers about ongoing performance against Government-defined social and economic objectives, including Community Service Obligations.

10. GBE boards are also required to produce an annual report that is tabled in Parliament.

Response by the Department of Finance

11. The new GBE accountability guidelines require GBEs to have targets (financial and non-financial) and to use performance indicators to measure outcomes against targets for all objectives in their charters. GBEs will be required to report on their performance in annual reports, which are tabled in the Parliament, and in their corporate plans, which are provided to the responsible Minister.

12. In relation to SAs, this recommendation would best be considered in the context of the current review of annual report guidelines.

Response by the Department of Transport and Communications (DTC)

13. DTC notes that a crucial element of the GBE reforms has been the refinement of performance information and the requirement for GBEs to report against targets.

14. Among GBEs, AOTC has been involved in substantial discussions with AUSTEL and has jointly developed a draft document setting out an approach to implementing strategies and policies which reflect the intent of the Telecommunications Act 1991, by specifying the manner in which AOTC should pursue its obligations. AUSTEL fulfils a monitoring function regarding AOTC's Community Service Obligations (CSOs).

15. Among statutory authorities social responsibilities are implicit in the charters of both the ABC and the SBS. Annual reporting obligations in the SBS Act for SBS, and those proposed for the ABC, provide for Parliament to be advised how programming activities during the year have related to charter obligations.

16. The ABC, SBS and Australian Broadcasting Tribunal (ABT) also provide extensive information for Senate Estimates Committees and explicitly address social justice measures in their Program Performance Statements. The Australian Broadcasting Authority (ABA) is expected to do the same following its establishment on 1 October 1992.

Response by the Department of the Arts, Sport, the Environment and Territories (DASET)

17. DASET supports any proposal designed to strengthen and extend the Government's social justice strategy. In terms of its practices, these recommendations are already part of the Portfolio's modus vivendi. All of the Portfolio statutory authorities are included in the Portfolio access and equity plan. Social justice is included in the program objectives and some reporting is

provided in annual reports as well as in the performance information for the Portfolio Program Performance Statements.

Response by the Department of Primary Industries and Energy (DPIE)

18. The requirement to produce annual plans outlining social objectives and targets and how they are to be met, and then to report achievements against those targets, would be a difficult undertaking. It must be recognised that some SAs have numerous and diverse clients. Producing plans and targets for social objectives to satisfy often competing interests of these clients could be quite impossible. This recommendation should be considered on a case by case basis.

Recommendation 3 (paragraph 3.47 of the Report)

Statutory authorities and government business enterprises examine new developments in performance measurement and reporting and adopt any that they consider appropriate.

Response by PM&C and Finance

19. The Government recognises the importance of a variety of social objectives in the operations of SAs and GBEs as discussed above. While supporting the presentation to Parliament of relevant and useful information, it should be noted that more onerous reporting requirements will represent a greater cost burden on GBEs. These added costs are inevitably passed on to the consumers of the services, or reflected in lower dividends to the Government.

Recommendation 4 (paragraph 3.53 of the Report)

Statutory authorities and government business enterprises develop in their staff expertise in the development and use of performance information relating to those bodies' social responsibilities.

and

Recommendation 5 (paragraph 3.53 of the Report)

The Department of Finance assist statutory authorities and government business enterprises to develop expertise in the use of performance information.

Response by the Department of Finance

20. The GBE reforms since 1987 have put pressure on GBEs to improve the standard of their performance measurement and reporting. The Department of Finance has assisted agencies to develop expertise as these reforms have been implemented. The expertise developed in using

performance information should be readily transferable to any social objectives on which the GBE might be required to report.

21. The Department of Finance is responsible for the broader GBE financial policy framework and is prepared to continue to assist agencies as appropriate. Nevertheless it should be recognised that GBEs and SAs generally have the freedom to select their preferred sources of expertise.

Response by DTC

22. DTC's view is that in regard to the use of performance indicators, GBEs and Commercial Statutory Authorities (CSAs) should be free to seek any assistance the Department of Finance can offer.

Response by DPIE

23. DPIE believes that the development of staff expertise in the development and use of performance information in general is useful.

Recommendation 6 (paragraph 4.24 of the Report)

All statutory authorities and government business enterprises, including statutory marketing authorities, report in their annual reports on their equal employment opportunity programs, following the guidelines for annual reporting set out by the Public Service Commission.

and

Recommendation 7 (paragraph 4.26 of the Report)

The Ministers responsible for statutory marketing authorities and government business enterprises covered by the Equal Employment Opportunity (Commonwealth Authorities) Act 1987, ensure that the equal employment opportunity programs of these bodies are scrutinised to the highest standard.

Responses by Finance, PM&C, DASET, DPIE and the Department of Industrial Relations (DIR)

24. Section 22B(1) of the Public Service Act 1922 (the Act) requires all SAs employing staff under the Act to ensure that appropriate action is taken to eliminate unjustified discrimination against women and persons in designated groups in relation to employment matters. Section 22B(3) requires the heads of agencies exercising the powers of a Secretary to develop an EEO program for the agency, and to give a copy of the statement to the Public Service Board (now the Public Service Commission).



25. Section 22B(13) of the Act provides for the making of regulations to extend the requirements of section 22B to Commonwealth authorities not covered by section 22B(1).

26. Section 3(1) of the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 extends EEO requirements to Commonwealth authorities not covered by section 22B of the Public Service Act 1922, but excluding a number of statutory marketing authorities which are covered by similar provisions contained in their enabling legislation. Section 5(1) requires relevant authorities to develop and implement appropriate EEO programs, and section 8(1) requires authorities to lodge reports on EEO programs with either the responsible Minister or the Public Service Board (now the Public Service Commission).

27. The Affirmative Action (Equal Employment Opportunity for Women) Act 1986 does not cover statutory authorities or business enterprises other than the Australian National University and the University of Canberra.

28. The Committee's recommendations will be taken into account when revising the annual reporting requirements for SAs. At present, the Government encourages SAs to comply with the Departmental Annual Reporting Requirements, which include requirements to report on social objectives such as EEO.

Further response by the Department of Industrial Relations (DIR)

29. DIR supports the objective of further standardising the measuring and reporting of the performance of EEO programs and, consistent with its role in administering the Government's industrial relations co-ordination arrangements, proposes to undertake, in consultations with responsible Ministers, an examination of methods to achieve this outcome.

30. In this regard, the Department notes that this report reiterates the recommendations in Report 309 (recommendation 15).

31. It is also noted that in response to the House of Representatives Standing Committee on Legal and Constitutional Affairs Inquiry into Equal Opportunity and Equal Status for Australian Women (the Halfway to Equal Report), the Department has undertaken to arrange for an evaluative analysis to be conducted to assess the extent to which SAs are adopting effective Affirmative Action programs.

Recommendation 8 (paragraph 4.34 of the Report)

**Statutory authorities and government business enterprises document in their annual reports:**

- . whether they have provided the minimum amount of training required under the Training Guarantee (Administration) Act 1990; and
- . the nature of the training provided - where appropriate this should be reported as specified in the Guidelines for the Preparation of Departmental Annual Reports.

Response by PM&C

32. The Committee's recommendations will be taken into account when revising the annual reporting requirements for SAs. At present, the Government encourages SAs to comply with the comprehensive Departmental Annual Reporting Requirements, which include requirements to report on staff development, training, work experience and the Training Guarantee (Administration) Act 1990.

Recommendation 9 (paragraph 4.44 of the Report)

**Budget-dependent statutory authorities that have not yet incorporated social justice concerns within their program management and budgeting frameworks expedite its introduction.**

and

Recommendation 10 (paragraph 4.44 of the Report)

**The Department of the Prime Minister and Cabinet consider extending the requirement for access and equity plans and their associated reporting regimes to statutory authorities and the community service obligations of government business enterprises.**

Response by PM&C

33. An evaluation of the Government's Access and Equity (A&E) Strategy has just been completed by a taskforce within PM&C working to an interdepartmental Steering Committee. Some issues raised by the Joint Committee in its report were also raised by the A&E Strategy Evaluation. Although the A&E Evaluation Report does not address the issue in detail, it brings to the Government's attention the need for the Commonwealth to consider the possibility of formally extending its A&E Strategy to SAs and GBEs. The Government, however, has yet to consider the A&E Evaluation Report's Recommendations and decide upon its position.

#### Response by Finance

34. Finance agrees that this issue requires close consideration, especially in respect of the services of budget funded SAs and the budget funded CSOs of GBES which are not subject to competition or regulatory safeguards.

#### Response by DASET

35. The Department supports these recommendations and notes that recommendation 10 is presently being implemented by most departments as part of the revised requirements of the Access and Equity Strategy.

#### Response by the Department of Primary Industries and Energy (DPIE)

36. The nature of the activities of some statutory authorities, eg Research and Development Corporations, render the requirements of these recommendations inappropriate. Such social justice concerns should be incorporated into the broader objectives of the Corporations. If these objectives are being contributed to by the projects invested in that it is as much as can be expected from the nature of the corporations' activities.

#### Recommendation 11 (paragraph 4.49 of the Report)

Statutory authorities and government business enterprises establish consultative councils where none at present exist.

#### Response by PM&C

37. PM&C supports, in principle, the extension of consultative councils to those organisations which do not already have them but does not believe this should be mandatory. The consultative process is a generally useful development and one which would provide benefits to the organisation as well as the client. However, PM&C notes that the consultative arrangements may differ between GBES because of the varied nature of the businesses they operate. For example, a consultative council will have many benefits to an organisation like AOTC, but could be very different in structure and purpose for businesses such as Qantas or Australian National Line (ANL).

#### Response by Finance and DPIE

38. Finance and DPIE consider that consultative councils might be appropriate in the case of monopoly services and notes that a number of Transport and Communications GBES already have consultative councils. However, it believes the application of this recommendation should be considered on a case by case basis.

Response by DTC

39. DTC notes that the ABC and SBS currently use consultative councils as required by their enabling legislation. Under the Broadcasting Services Act, passed by the Parliament on 26 June 1992, the Australian Broadcasting Authority (ABA) may form consultative councils at its discretion. The ABA will be established on 1 October 1992.

40. GBEs also consult extensively with industry users and the community. For example, both the FAC and CAA consult extensively with their client organisations and relevant community bodies. This is carried out in recognition of their social responsibilities. Additional consultation beyond normal business practice would not be appropriate for organisations which provide commercial services.

Response by DASET

41. While in some cases it would be valuable to establish such consultative councils there are many instances where this would not be appropriate (eg the Australian Film Finance Corporation). A number of agencies such as Film Australia Pty Ltd already provide for public consultation in relation to projects undertaken under the National Interest Program.

42. DASET proposes that the establishment of Consultative Councils be considered on a case by case basis taking account of the functions, responsibilities and existing consultative mechanisms of statutory authorities. DASET believes that the current arrangements of boards or committees overlooking the authorities' operations is the most effective mechanism for obtaining the appropriate mix of representation. Consultative Councils would place an unnecessary layer on the operation of many authorities.

Recommendation 12 (paragraph 4.51 of the Report)

The Department of the Prime Minister and Cabinet:

- . oversee the establishment of mechanisms by which statutory authorities and government business enterprises can consult with their clients; and
- . monitor the effectiveness with which these consultative groups function.

Response by PM&C

43. As the consultative process is largely an issue about the day-to-day operations of the business concerned, PM&C believes it is something that should be left to the judgement of the management and board of the organisation.

44. It would not be appropriate for PM&C (through the Social Justice Secretariat) to oversee and monitor this process. To have PM&C involved would impose "split reporting" responsibilities on the organisations.

45. An alternative approach would be for the relevant portfolio Minister to address this issue through the Corporate Plan and the Annual Reports. It would be more appropriate for the line Minister to act as conduit between the Parliament and the organisation in reporting on the GBEs performance and responsibilities.

**Response by Finance**

46. The overseeing and monitoring of public consultation arrangements might be appropriate for the budget funded SAs in some circumstances (eg as a component of the broad regulation of a monopoly), but this should be a matter for the responsible portfolio rather than the Department of the Prime Minister and Cabinet.

**Response by DTC**

47. It is DTC's view that to attempt to formalise, codify and extend the reporting of client consultation arrangements in Annual Reports, with monitoring by an outside body (PM&C), would diminish the independence of the GBEs, create additional impediments to efficient operation and be likely to result in little community benefit.

**Response by DASET**

48. DASET is opposed to a wider role for the Department of Prime Minister and Cabinet in respect of these matters.

**Recommendation 13 (paragraph 4.53 of the Report)**

**The annual reports of statutory authorities and government business enterprises include information about the matters raised during the year by their consultative or advisory councils and any actions taken as a result.**

**Response by PM&C**

49. The Committee's recommendations will be taken into account when revising the annual reporting requirements for SAs. At present, the Government encourages SAs to comply with the comprehensive Departmental Annual Reporting Requirements, which include requirements to report on social objectives such as:

- . the consultative processes undertaken by statutory and non-statutory bodies serviced by Departments; and
- . measures for monitoring and handling client comments.

**Response by Finance**

50. The Department of Finance's comments on SAs under Recommendation 2 apply.

51. Finance agrees that it could be appropriate for monopoly GBEs to include reference to their consultative mechanisms in their annual reports.

**Response by DTC**

52. Matters raised by the consultative councils of the ABC and SBS and any resulting action taken during the year are included in Annual Reports. There are no objections to similar mechanisms being set up for the proposed ABA.

**Response by DPIE**

53. Activities involving consultative bodies are reported as a matter of course. In some SAs there is a statutory requirement to make such report.

**Recommendation 14 (paragraph 4.59 of the Report)**

**Statutory marketing authorities include information in their annual reports about:**

- . meetings held with their levy payers and their levy payers' representatives; and
- . the more significant issues raised at these meetings.

**Response by DPIE**

54. Statutory Marketing Authorities are required to operate in a commercial environment and with due regard to efficient and effective expenditure of resources available to the authorities and accountability to both levy payers, clients, Ministers and the Parliament. It would be inappropriate to impose on those authorities reporting requirements which carry a significant resource burden which is not in proportion to the benefit gained from the increased reporting requirements. This recommendation should be taken into account when the annual reporting requirements for statutory authorities are revised to ensure that the benefits of this additional requirement can be properly evaluated in the context of the imposition of other reporting requirements recommended in this report. These will also need to be considered in the light of the commercial operations of statutory authorities and the need to protect the commercial position of those bodies.

Recommendation 15 (paragraph 4.73 of the Report)

Statutory authorities and government business enterprises include in their annual reports a statement about the measures taken to comply with their environment responsibilities.

Recommendation 16 (paragraph 4.73 of the Report)

This environment statement include indications of whether best practice has been used.

Recommendation 17 (paragraph 4.73 of the Report)

Where activities with a major environmental impact have been monitored, the nature of the monitoring and the results achieved be reported.

Recommendation 18 (paragraph 4.73 of the Report)

Any violations of accepted standards and steps taken to rectify the problem be reported.

and

Recommendation 20 (paragraph 4.77 of the Report)

Statutory authorities and government business enterprises:

- . incorporate environmental concerns into the planning processes of statutory authorities; and
- . within this framework, establish suitable systems for monitoring, auditing and reporting on major environmental impacts.

Response by PM&C

55. The Committee's recommendations will be taken into account when revising the annual reporting requirements for SAs. At present, the Government encourages SAs to comply with the comprehensive Departmental Annual Reporting Requirements, which include requirements to report on environmental matters.

56. These are matters that are being considered in the context of developing a National Strategy for Ecologically Sustainable Development in consultation with the States and Territories. A response will be provided to the Committee shortly.

Recommendation 19 (paragraph 4.75 of the Report)

The Department of the Arts, Sport, the Environment and Territories develop measures of environmental health that might be used by statutory authorities and government business enterprises, the activities of which have a continuing, significant impact on the environment.

Response by DASET

57. The Recommendation is being met. The Commonwealth Environment Protection Agency (CEPA) of the DASET is developing a set of environmental indicators for state of the environment reporting (see response on recommendation 21) which would among other things, measure environmental health. The development of environmental indicators by CEPA will also assist with the assessment of individual proposals under the Environment Protection (Impact of Proposals) Act 1974.

58. In addition, other government initiatives will assist in implementing this recommendation. Schedule 4 of the 1992 InterGovernmental Agreement on the Environment outlines the nature in which national environment protection standards, guidelines and goals will be developed by the National Environmental Protection Authority (NEPA) (Legislation is currently being developed in connection with NEPA's establishment). National measures in relation to air, water, noise and site contamination will be developed. The Ecologically Sustainable Development (ESD) consultative process will lead to a national strategy to guide future conservation and help develop decision-making mechanisms by governments and the community, thereby ensuring that Commonwealth agencies have a responsibility to meet the national environment protection measures and the national ESD objectives.

Response by DTC

59. If additional standards are to be imposed, then they should also apply to private entities.

Recommendation 21 (paragraph 4.79 of the Report)

The Department of the Arts, Sport, the Environment and Territories produce state of the Australian environment reports on a biennial basis.

Response by DASET

60. The recommendation is being met. A high priority task of the CEPA, an organisation within DASET, is the preparation of regular state of the environment reports.



The reports will cover terrestrial, atmospheric, marine and urban environments and encompass issues such as pollution, conservation, natural resources management and the socioeconomic aspects of the natural and built environment. The first background report by CEPA is scheduled for release in late 1992. The CEPA is currently establishing a reporting system based on monitoring a number of environment indicators, which will form the basis of future environmental reports.

**Recommendation 22 (paragraph 4.85 of the Report)**

**Statutory authorities and government business enterprises include in their annual reports information about the nature of complaints received, and indicate any changes over time and the actions taken to remedy the problems identified.**

**Response by PM&C**

61. The Committee's recommendations will be taken into account when revising the annual reporting requirements for SAs. At present, the Government encourages SAs to comply with the comprehensive Departmental Annual Reporting Requirements, which include requirements to report on measures introduced for the monitoring and handling of client comments.

**Response by Finance**

62. The recent GBE policy initiatives require GBEs to report in their corporate plans on service quality controls for monopoly services. Beyond that the Government has given GBEs flexibility to develop their own management strategies and that principle applies to managing the quality of their service delivery. Any reporting of complaints in annual reports and its format would normally be a matter for the discretion of the GBE, as is the case with private businesses. However, in respect of monopoly services of GBEs there may be a case for including information on complaints in annual reports.

**Response by DTC**

63. Transport and Communications GBEs are expected to provide data on complaints under the heading of 'Quality of Service' in their three yearly Corporate Plans. The final form of reporting complaints and follow-up action in GBEs is best left to the individual GBE in view of commercial obligations.

64. As an example, AOTC is required to provide indicative performance indicators of service quality to AUSTEL under s.38(2) of the Telecommunications Act 1991. In addition AOTC's general carrier licence includes conditions which require it to develop, publish and enforce guidelines for use by its personnel when handling inquiries and complaints from customers. Any failure to comply with AUSTEL directions concerning a breach of

licence conditions could result in the Federal Court ordering the carrier to pay the Commonwealth a penalty of up to ten million dollars per contravention.

65. The ABC and SBS voluntarily provide information reporting on the nature of complaints and the action taken in response, though this is not required by their Acts. However, the ABC is required by Section 82 of the ABC Act 1983 to report in its annual report on the activities of its Community Affairs Officers in reviewing complaints regarding errors of fact and invasions of privacy.

66. Complaints received by the ABA in relation to the ABC, SBS and other parties over which it has jurisdiction are subject to specific reporting provisions contained in the Broadcasting Services Act 1992.

67. The compulsory reporting of all complaints in annual reports in addition to current legislative requirements and voluntary measures is not supported, because of the volatile market circumstances in which some GBES operate. For example, airports and aviation do not operate in a neutral environment but are subject, from time to time, to campaigns of complaints organised by local groups or industry associations. If the recommendation was to be adopted, it would be likely that such campaigns would proliferate because of the added publicity and possible attention.

68. The inclusion of all complaints in annual reports would tend to give them credibility, whether or not this was justified. Additional problems could arise in the area of commercial confidentiality, for instance when complaints were related to disputed tenders.

#### Response by DPIE

69. The nature of complaints received by R&D corporations almost exclusively arises from dissatisfied applicants for investment, or vested interest groups dissatisfied with perceived research investment levels in their industry or sector. It would be inappropriate to include these as social or environmental objective reporting requirements. The scope and type of complaints which could or should be reported needs to be closely defined.

#### Response by DASET

70. The recommendation is supported.

Recommendation 23 (paragraph 4.88 of the Report)

The Department of the Prime Minister and Cabinet and the Department of Finance develop a format for a social responsibility summary for the use of government bodies.

### Response by PM&C and Finance

71. The program management and budgeting arrangements introduced by the Government provide a general format for reporting on social responsibility, particularly through Program Performance Statements. However, PM&C and Finance recognise that a general format may not be relevant for all GBEs because of the varied nature of the businesses they operate. PM&C and Finance can provide guidance and advice on such matters if asked. However, given the fact that GBEs' day to day operations have been freed from Government control, PM&C and Finance consider that the development of a format for a social responsibility summary is one for each GBE to decide.

### Response by DTC

72. DTC is concerned as to the potential for such summaries to increase workloads for GBEs while diverting attention away from the achievement of commercial objectives. On balance, DTC does not support the formalisation of social responsibilities to the extent recommended, particularly if the role recommended for the Departments of Finance and Prime Minister and Cabinet leads ultimately to a reporting regime where GBEs have to report to multiple Ministers.

73. The establishment of social responsibilities summaries should be a matter for consultation between individual GBEs and their portfolio Minister (along the lines of recent work between Australia Post and DTC on CSO strategies and policies).

### Response by DASET

74. DASET supports the recommendation in principle. Other agencies should participate with the central agencies in developing an appropriate format.

### Recommendation 24 (paragraph 5.28 of the Report)

The Department of Finance examine the advisability of extending program management and budgeting to the community service obligations of government business enterprises.

### Response by Finance

75. CSOs can be funded by either the Budget or by cross-subsidisation. For budget funded CSOs, Parliament's scrutiny of such appropriations would be no different to that required for other appropriations. This would include the existing Program Management and Budget framework which places the responsibility on portfolio Ministers to ensure appropriations are properly accounted for to the Parliament. In this sense GBEs are treated similarly to other businesses which receive Budget subventions.

76. Finance considers that it would not be practicable to extend PMB to CSOs funded by cross subsidisation.

Response by DASET

77. Support in principle. Again relevant agencies should be involved in the development and monitoring of community service obligations.

Recommendation 25 (paragraph 5.42 of the Report)

**The Bureau of Transport and Communications Economics monitor the costing of community service obligations by government business enterprises, with a view to:**

- . clearly defining the extent to which such costing is valid; and
- . recommending how the system of costing might be improved.

Response by Finance

78. Finance supports independent monitoring of CSO costing with a view to ensuring that the service level determined by the Government is delivered at least possible cost.

79. Under current arrangements, responsibility for monitoring the cost of both budget funded CSOs and CSOs funded through cross subsidies rests with the portfolio overseeing the GBE. The Bureau of Transport and Communications Economics (BTCE) has expertise in this area but only in relation to Transport and Communications GBES.

Response by DTC

80. DTC agrees that the community should be assured that tax-payer funds are spent properly and efficiently and do not become a subsidy for non-profitable commercial activities.

81. The BTCE is willing to undertake the monitoring and review task set out in recommendation 25, subject to availability of resources. The BTCE's role would be confined to costing methodology matters.

82. The BTCE notes that AUSTEL already carries out a similar responsibility in relation to AOTC. The BTCE has been liaising with AUSTEL and assisting with this task, and will ensure that duplication will be avoided, while promoting consistency of treatment across all GBES. This consistency is of particular importance to DTC due to the diversity of functions carried out by each GBE and CSA.

83. AOTC has a Universal Service Obligation (USO) model based on Government-specified methodology which is used to estimate the costs in supplying USO services. The Company is required, in its Corporate Plans, to include an estimate of the cost of carrying out the Company's USOs using the specified methodology; and include an estimate of the cost of other obligations not in accordance with normal commercial practice. AOTC's approach provides one model for assessing the cost of CSOs.

84. The JCPA view that CSO costs should be monitored using the Least Avoidable Cost Method and improvements sought was generally supported.

85. Transparently defined CSOs are to be included in the mandates proposed for GBEs. For this to occur it is essential that all GBEs and CSAs follow the same definition of what constitutes a CSO, and that this definition is equally applicable to diverse organisations.

86. The Special Premiers' Conference is currently working on definition and other issues associated with CSOs.

Recommendation 26 (paragraph 5.50 of the Report)

The Department of the Prime Minister and Cabinet, the Department of Finance and the responsible portfolio departments consider introducing proceedings for assessing both the costs and the benefits of social responsibilities which may be non financial and difficult to quantify.

Recommendation 27 (paragraph 5.50 of the Report)

When the performance of these social responsibilities is evaluated the widest possible implications of their performance be considered.

Recommendation 28 (paragraph 5.50 of the Report)

Particular emphasis be placed on such analyses being carried out before major changes to the operations of statutory authority and government business enterprises are introduced.

and

Recommendation 29 (paragraph 5.50 of the Report)

The results of such analyses be made public and referred to in the annual reports of these organisations.

#### Response by PM&C

87. How the performance of social responsibilities is to be assessed is a very complicated issue. PM&C recognises that it is important for GBEs to know the cost and benefits of the activities that they are undertaking. At the same time, there are limitations to what information such studies could yield and to what uses the information can be put.

88. See also the responses to recommendations 1 and 2, which indicate that there are other existing processes which meet some of the Joint Committee's concerns. PM&C does not consider that it would be appropriate to duplicate any such processes.

#### Response by Finance

89. Budget-funded SAs are subject to the Government's evaluation strategy, which entails program evaluation and review on a regular basis, and the publication of major reviews.

90. Under the GBE guidelines, any specific social objectives which the Government has directed GBEs to include among their corporate objectives will be defined as CSOs in their corporate plans. These will be required to be met at minimum cost and detailed in the corporate plan. However, the benefits of CSOs could possibly be difficult and costly to quantify. In accordance with the increased responsibility given the Minister for Finance in the new guidelines, the Department of Finance will have a role in any monitoring of these CSOs.

91. This monitoring role should be addressed on a case by case basis.

#### Response by DTC

92. It is DTC's view that these recommendations, while clearly at a preliminary stage of development, foreshadow measures which could create requirements contrary to the Government's current policies on GBE responsibilities and efficiency.

93. Social responsibilities should be addressed on a case by case basis, as they vary greatly between organisations making it difficult to develop a workable uniform approach. Performance evaluation is thus best addressed by the GBE and relevant portfolio Minister.

94. Further, the cost and benefits of social responsibilities could be difficult to quantify.

Response by DPIE

95. In relation to R&D corporations, the time and therefore administrative cost which could be involved in both setting social responsibility performance measures and evaluating them could far outweigh any benefits which might be quantifiable.

Response by DASET

96. The recommendations are supported.

Recommendation 30 (paragraph 6.10 of the Report)

Statutory authorities and government business enterprises act on suggestions for improving their annual reports that they receive from the Senate standing committees, and inform the relevant committee of the reasons for not accepting any suggestions that they find inappropriate.

Response by PM&C

97. PM&C believes that existing arrangements for the formulation, clarification, amendment and approval of annual reporting requirements are appropriate. At present, SAs act on suggestions for improving or clarifying their annual reports received from parliamentary committees, and inform the relevant committee of the reasons for not accepting any suggestions that they find inappropriate. However, where a committee's recommendations are such that changes to the guidelines are required, the recommendations will be taken into account by the Prime Minister when revising the guidelines, which are subject to consideration by the Joint Committee of Public Accounts.

Response by Finance

98. Finance sees no difficulty in SAs responding to comments which relate to particular annual reports, but more frequent reviews of annual report guidelines should provide a more consistent general framework in the longer term.

99. Careful consideration would need to be given to changes to GBE accountability in annual reports to ensure that they paralleled the accountability requirements which apply to private sector competitors. There may be a case for GBE monopolies to be subject to more detailed reporting requirements to the extent that there are gaps in the regulatory framework.

Response by DTC

100. DTC notes that efficiency and reporting requirements are set by existing Government policy.

101. Continued monitoring of accountability measures in the commercial sector is warranted to ensure GBE reforms are parallel to the regime applying to the commercial sector. However, an increase in measures of accountability for GBEs in addition to recent measures is not supported by DTC.

Response by DASET

102. DASET endorses the emphasis on accountability but believes that not all the information the JCPA proposes should be monitored in this context is appropriate for inclusion in annual reports. It is DASET's view that the resources required to produce this information will place an unnecessary burden on some smaller agencies.

Recommendation 31 (paragraph 6.19 of the Report)

The Cabinet Handbook guidelines for the appointment of board members and senior executives of statutory authorities and government business enterprises draw attention to the need for candidates to have a character of high repute and qualities appropriate to the appointment in every case.

Response by PM&C

103. The Cabinet Handbook, last published in June 1991, requires Ministers to:

- . consult with the governing body of an organisation in respect of an appointment to an executive position responsible to that body (para. 7.13);
- . take into account the Government's policy of actively seeking more equitable representation of women, young people and people of different ethnic backgrounds on the governing boards of authorities and instrumentalities (para. 7.16); and
- . obtain assurances from prospective nominees, particularly in respect of potential conflicts of interest and personal financial affairs (para. 7.18).

104. Recent Government decisions have re-affirmed these requirements in respect of GBE appointments. Responsible Ministers are required to ensure that:

- . GBE boards contain an appropriate balance of people with relevant expertise and sound business acumen;
- . proposed appointees be selected having regard to whether their skills and experience in the commercial, financial, accounting, legal, marketing, industrial relations or management fields would ensure that the Board has an appropriate balance of such skills; and



board members have their fiduciary and other duties drawn to their attention in correspondence offering employment, and are to accept fully the individual responsibility this places on them.

105. The Access and Equity (A&E) Evaluation Report (see response to recommendation 10) recommends a range of measures to be taken by Commonwealth departments and agencies to increase participation. This includes targeting a proportion of vacancies on bodies responsible for policy development, service design and delivery and review of decisions to members of A&E target groups. It also includes recommendations on using data management systems relating to appointments and on seeking advice on potential appointees from ATSIC, DILGEA, OMA and other relevant bodies.

#### Response by Finance

106. Finance supports the principle underpinning this recommendation.

107. The recent GBE reforms have addressed the issue of appointments to boards and the conduct of board members. The new GBE policy is that board members are to be appointed on the basis of their individual capacity to contribute to achieving GBE objectives. Boards are fully responsible and accountable to their portfolio Ministers.

#### Response by DTC

108. Stringent guidelines have always been in operation regarding the selection of high quality Boards, and the process covering Board appointments has been further refined in recent Cabinet decisions.

#### Response by DASET

109. The recommendation is supported. It should also take account of the Government's requirements under the EEO and Access and Equity strategies.

#### Recommendation 32 (paragraph 6.26 of the Report)

Government business enterprises and statutory authorities not covered by the Public Service Act 1922 develop codes of conduct for their organisations.

#### Response by PM&C

110. The Government recognises the desirability of setting clear standards of conduct for the staff of SAs and GBEs but a fundamental element of the Government's reform process for its GBEs and statutory authorities has been to remove day-to-day Government controls and to

leave the management of the business to the Board. The detailed contents of any code should therefore be a matter for determination by the management of individual SAs and GBEs, subject to Government approval.

#### Response by Finance

111. Accountability arrangements impose many controls on the conduct of GBEs and SAs. Furthermore the more commercially oriented GBEs are subject to the same controls on commercial behaviour as private firms. However, the Government has implicitly given GBEs the flexibility to develop their own approaches for regulating their conduct.

#### Response by DTC

112. DTC notes that the amendments proposed in the Broadcasting Services (Transitional Provisions and Consequential Amendments) Act require the ABC and SBS to develop and publicise codes of practice.

113. The ABC has already developed the editorial and program policies document which is used extensively by staff in relation to their program-making activities. The SBS is in the process of providing a similar document.

#### Response by DASET

114. The recommendation is supported.



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19 October 1992