

DEPARTMENT OF THE SENATE
PAPER No. 4231
DATE
PRESENTED
22 MAR 1994
Henry Evans

The Parliament of the Commonwealth of Australia

Joint Committee of Public Accounts



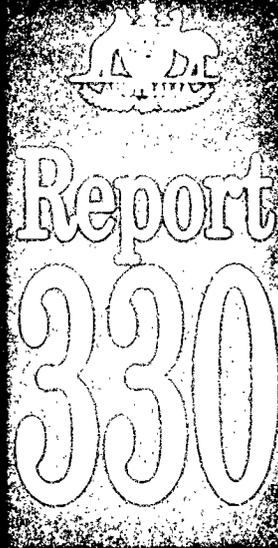
REPORT 330

Review of Auditor-General's Reports May 1991- September 1992

March 1994

Australian Government Publishing Service
Canberra

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA



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	Mr M A J Vaile, MP

Secretary: Mr G Harrison

-
1. Appointed 19 August 1993
 2. Discharged 19 August 1993
 3. Discharge 17 August 1993
 4. Discharged 18 November 1993
 5. Discharged 24 February 1994
 6. Appointed 19 August 1993
 7. Appointed 9 February 1994
 8. Appointed 30 September 1993
 9. Appointed 28 February 1994
 10. Discharged 17 August 1993
 11. Discharged 9 February 1994
 12. Appointed 5 July 1993, Discharged 19 August 1993
 13. Appointed 18 November 1993

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Mr C D Haviland, MP

Mrs J E Moylan, MP

Mr W L Taylor, MP

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14. Other departmental staff and secondees who assisted with the inquiry were:
Ms S Cardell; Ms S Casburn; Mr R Cavanagh; Mr S Chopra; and Ms V Walker.

DUTIES OF THE COMMITTEE

The Joint Committee of Public Accounts is a statutory committee of the Australian Parliament, established by the *Public Accounts Committee Act 1951*.

Section 8(1) of the Act describes the Committee's duties as being 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*;
- examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
- 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;
- 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;
- 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
- 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.

The Committee is also empowered to undertake such other duties as are assigned to it by Joint Standing Orders approved by both Houses of the Parliament.

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LIST OF ABBREVIATIONS

ACS	Australian Customs Service
ANAO	Australian National Audit Office
ANG	Australian National Gallery
ATSIC	Aboriginal and Torres Strait Islander Commission
AVO	Australian Valuation Office
CDEP	Community Development Employment Projects
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAS	Department of the Arts and Administrative Services
DEET	Department of Employment, Education and Training
DEST	Department of the Environment, Sport and Territories
DFAT	Department of Foreign Affairs and Trade
DIEA	Department of Immigration and Ethnic Affairs
DIR	Department of Industrial Relations
DITARD	Department of Industry, Technology and Regional Development
DPIE	Department of Primary Industries and Energy
DSS	Department of Social Security
DSTO	Defence Science and Technology Organisation

DTC	Department of Transport and Communications
DVA	Department of Veterans' Affairs
HIC	Health Insurance Commission
ISC	Insurance and Superannuation Commission
PBS	Pharmaceutical Benefits Scheme

CHAIRMAN'S FOREWORD

This report reviews 72 reports of the Auditor-General, most of which were tabled in the period between May 1991 and September 1992.

The report is prepared in accordance with section 8(1)(ab) of the *Public Accounts Committee Act 1951*, which requires the Joint Committee of Public Accounts to examine all reports of the Auditor-General.

As well as representing the fulfilment of a statutory obligation, the review on which this report is based has given the Committee an opportunity to re-visit a series of audits which had been conducted some years ago. With the perspective of time, the Committee has been able to identify issues which have not, in the intervening years, been properly addressed by the audited agency.

The Committee has not canvassed in detail all of the issues raised in the audit reports: to have done so would have gone over ground already well covered by the Auditor-General, and would have delayed considerably the tabling of this report.

Instead, the Committee has focused on the recommendations contained in the audit reports. We have surveyed and checked the responses given by each of the audited agencies.

In the vast majority of cases the audited agencies have agreed with the recommendations contained in the audit reports, and have taken appropriate, timely and effective remedial action. In these cases the Committee has made no comment.

The Committee has commented only in those cases where the agency response has been inappropriate, tardy or ineffective.

Although this report is necessarily brief in the consideration it gives to the audit reports, the process of checking agency responses has been valuable in itself. Many agencies have been required to report to the Committee, in some cases more than once, on their progress in implementing the Auditor-General's recommendations.

The reports of the Auditor-General make an essential contribution to parliamentary and public scrutiny of the Executive. This review has reminded agencies that the process of scrutiny continues beyond the tabling of an audit report.

On behalf of the Committee, I would like to thank the Australian National Audit Office for their assistance during this review, and for producing the audit reports in the first place.

Les Scott, MP
Chairman

RECOMMENDATIONS

Recommendation 1

Australian Estate Management and Department of Finance should expedite the revision and issuing of Accommodation Guidelines for Commonwealth offices. (paragraph 2.24)

Recommendation 2

The Department of Administrative Services should expedite its work on more clearly defining entitlements for Members of Parliament and introducing better systems for public reporting. (paragraph 2.30)

Recommendation 3

The Australian National Audit Office should monitor the implementation of the recommendations in *Audit Report No. 34, 1990-91*, concerning services to Members of Parliament and their staff and report its findings to Parliament. (paragraph 2.31)

Recommendation 4

ANUTECH Pty Ltd should reconsider its decision not to appoint the Auditor-General as its auditor and, if necessary, the ANU should exert its influence on the board of ANUTECH to appoint the Auditor-General as its auditor. (paragraph 5.36)

Recommendation 5

The Department of Human Services and Health should deploy sufficient resources to ensure the backlog in the validation of nursing home returns is overcome by the beginning of the 1995-96 financial year. (paragraph 9.15)

Recommendation 6

The Health Insurance Committee and the Department of Social Security should improve the systems of checking the eligibility of people claiming benefits under the Pharmaceutical Benefits Scheme. Improved systems should be operation by the end of calender year 1994. (paragraph 9.26)

Recommendation 7

Comcare should allocate sufficient resources to ensure that it completes its review of all long-term incapacity cases by the end of the 1993-94 financial year. (paragraph 11.14)

Recommendation 8

The Australian Customs Service should allocate sufficient resources to ensure that:

- (a) all of its manuals are revised by the end of the 1993-94 financial year; and
- (b) the working group considering the future direction of Customs Service manuals report by the end of the 1993-94 financial year. (paragraph 12.23)

Recommendation 9

The Australian Customs Service should allocate sufficient resources, to ensure that a national threat assessment is completed by the end of the first quarter of the 1994-95 financial year. (paragraph 12.29)

Recommendation 10

That AQIS allocate sufficient resources so it can complete its review of the feasibility of introducing on the spot fines by October 1994. (paragraph 14.25)

Recommendation 11

The Departments of Employment, Education and Training; the Environment, Sport and Territories; Human Services and Health; Immigration and Ethnic Affairs; and Veterans' Affairs should:

- (a) allocate sufficient resources to complete the revision of their internal audit manuals by the end of the 1993-94 financial year; and
- (b) ensure that the procedures in their departmental internal audit manuals conform to those outlined in *A Practical Guide to Public Sector Internal Audit* (paragraph 19.27)

Recommendation 12

The Department of Finance should take a broader and more active role in improving internal audit standards in Commonwealth agencies by developing better in-house knowledge and expertise in internal audit and related activities, as part of its responsibility to improve financial management and accountability in Commonwealth organisations. (paragraph 19.31)

INTRODUCTION

A Requirement to Review

1.1 Under section 8(1)(ab) of the *Public Accounts Committee Act 1951*, the Committee is required to examine all reports of the Auditor-General, including efficiency audit reports. The Committee regards this task as an important part of its work and intends to table the results of its examinations on a regular basis. On occasions this will result in compilation reports, like this report, which consider a number of reports at once. On other occasions the Committee will review and report on individual audit reports.¹

1.2 In addition to this statutory review process, the House of Representatives has, over the last decade, developed the practice of referring some audit reports to its standing committees and to certain joint committees.

1.3 The Committee acknowledges that the referral of some audit reports to other committees is appropriate in some circumstances - for example, where an audit report is relevant to a subject already being considered by another committee, or where an audit report deals with an issue in which another committee has developed a particular expertise.

1.4 However, the requirement to review described in the *Public Accounts Committee Act* is not satisfied by the referral of an audit report to another committee. It is the Committee's intention to examine all reports by the Auditor-General which are tabled in the Parliament. Although the Committee is conscious of the need to avoid unnecessary duplication, it will examine audit reports which have been referred to other

¹ For example, the Committee is currently preparing reports on Auditor-General, *Audit Report No. 22, 1992-93, Department of Defence - New Submarine Project*, and Auditor-General, *Audit Report No. 8, 1992-93, Department of Veterans' Affairs - Compensation pensions to veterans and war widows*, AGPS, Canberra, 1993. These audit reports canvass issues which warrant separate and immediate scrutiny.

committees. It is anticipated that, at times, this examination will show that another committee has reviewed or is reviewing the major issues identified in the audit report. At other times, the Committee may decide that further review is needed.

1.5 The Committee's aim will be to ensure that the reports of the Auditor-General are given appropriate and timely consideration by the Parliament.

Audit Reports Reviewed in this Report

1.6 The Committee's last major review of audit reports was in *Report 320, Review of Six Performance Audits*, which was tabled in November 1992. *Report 320* concluded with the Committee's consideration of *Audit Report No. 24, 1990-91, Department of Veterans' Affairs - Transport Services; Personnel and Pay Administration System*, which had been tabled in May 1991.

1.7 This report contains the Committee's comments on the series of audit reports tabled between May 1991 and 7 September 1992. The report also includes consideration of the six audit reports on ministerial portfolios and aggregate and departmental financial statements tabled between May 1990 and May 1991. These portfolio and financial statement audits were not considered in *Report 320* and had not been reviewed elsewhere by the Committee. In total 72 audit reports are considered in this report.²

1.8 Audit reports tabled after 7 September 1992 are currently being reviewed by the Committee and will be reported on separately.

² A complete list of the audit reports reviewed in this report is at Appendix I.

The Review Process

The Committee's Review

1.9 The purpose of the Committee's review is twofold: first, to assess whether audited agencies have responded appropriately to the audit findings; secondly, to determine whether the intentions expressed by agencies in their responses have been acted upon.

1.10 The Committee began its review by seeking written comments, from the agencies involved in each of the 72 audit reports. Specifically, the agencies were asked to:

- describe any actions taken, or proposed, in response to the findings of the audit report; and
- outline a timetable for the implementation of these actions.

1.11 After written submissions on these points were received, they were considered by the Committee and forwarded to the Australian National Audit Office (ANAO) for comment. It was by this process that the Committee was able to identify which responses were adequate and appropriate, and which were not. The vast majority of responses were adequate and appropriate, but in some cases it was apparent that there was a difference of opinion between the ANAO and the audited agency, or that the audited agency had been slow in implementing its initial response.

1.12 At this point the Committee sought additional information in writing from a number of agencies. In relation to the Health Insurance Commission and the Aboriginal and Torres Strait Islander Commission, the Committee sought additional information at a public hearing.

Review by Other Parliamentary Committees

1.13 As mentioned earlier, the House of Representatives occasionally refers audit reports to one or other of its standing committees, or to certain joint committees.

1.14 Of the audit reports reviewed in this report three were referred to the House of Representatives Standing Committee on Banking, Finance and Public Administration. These reports were:

- *Audit Report No. 25, 1990-91, Australian Federal Police - Efficiency and Effectiveness of Fraud Investigations;*
- *Audit Report No. 15, 1991-92, Department of Defence - Procedures for Dealing with Fraud on the Commonwealth; and*
- *Audit Report No. 40, 1991-92, Department of Social Security: Systems for the Detection of Overpayments and the Investigation of Fraud.*

The Structure of the Report

1.15 The Report's structure broadly reflects the structure of the Commonwealth's ministerial portfolios³ - commencing, in Chapter 2, with a review of the audit reports in the arts and administrative services portfolio, and ending, in Chapter 18, with the audit reports of the Treasury Portfolio.⁴

3 The portfolio structure which this report reflects was that current at the end of November 1993 - before the re-structuring announced by the Prime Minister in December 1993 and again in January 1994. Departmental responsibility for some of the matters considered in the report has changed since the report was drafted.

4 There is no chapter relating to the Department of Tourism. Although the department was created on 27 December 1991 and thus would fall within the time frame of this review, no findings concerning the department were reported by the Auditor-General in audit reports tabled between December 1991 and September 1992.

1.16 Each chapter begins with a brief description of the portfolio and a list of the audit reports being reviewed. The significant issues arising from each report are then described and tabulated. The tables show the response of each agency to the Committee's initial request for comments, and highlight any further review action taken by the Committee.

1.17 The chapters conclude with an analysis of the issues and statement of the Committee's view on the issues.

1.18 The penultimate chapter, Chapter 19, reviews a number of cross portfolio audits which were tabled in the period May 1991 to September 1992.

1.19 Finally, Chapter 20 discusses two reports of the Auditor-General which have a bearing on his role as government auditor and raise significant accountability issues.

ARTS AND ADMINISTRATIVE SERVICES PORTFOLIO

Introduction

2.1 The arts and administrative services portfolio includes the Department of the Arts and Administrative Services (DAS) and 34 other bodies - 14 of which are statutory authorities.¹

2.2 All agencies, including the department, fall within the program structure adopted for the portfolio, which currently consists of five programs, as follows:

- Program 1: Cultural Development;
- Program 2: Government Services;
- Program 3: Business Services;
- Program 4: Purchasing Australia; and
- Program 5: Corporate Management.²

2.3 In the period May 1991 to September 1992 the Auditor-General produced eight reports on aspects of the performance of portfolio agencies.

2.4 The Department of Administrative Services was the subject of all these audits, which were:

- *Audit Report No. 28, 1990-91, Department of Administrative Services: Estate Management;*
- *Audit Report No. 34, 1990-91, Department of Administrative Services: Services Provided to Members of Parliament and their Staff;*

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 1-9.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Arts and Administrative Services Portfolio*, Budget Related Paper No. 7.1, AGPS, Canberra, August 1993, pp. 11-12.

- *Audit Report No. 3, 1991-92, Department of Administrative Services: Purchasing Reforms;*
- *Audit Report No. 24, 1991-92, Department of Administrative Services: 1990-91 Financial Statements of Business Units;*
- *Audit Report No. 42, 1991-92, Department of Administrative Services: Debt Management;*
- *Audit Report No. 43, 1991-92, Department of Administrative Services: Conflict of Interest: A matter of principle;*
- *Audit Report No. 47, 1991-92, Department of Administrative Services: Energy Management of Commonwealth Buildings; and*
- *Audit Report No. 49 and 49a, 1991-92, Department of Administrative Services: Management of Sydney Central construction project.*

2.5 In addition, the Auditor-General reported on the financial statements of the portfolio agencies and provided details of his on-going audits in his reports on ministerial portfolios.

S i g n i f i c a n t I s s u e s

2.6 The Committee's examination of the Auditor-General's reports on the arts and administrative services portfolio agencies revealed seven issues which required further review:

- the absence of a formal policy for the valuation of art collections in Commonwealth collecting institutions;
- the fact that responses to several ANAO recommendations relating to Australian Estate Management remained to be addressed;
- delays by DAS in responses to ANAO recommendations concerning services to MPs and their staff;
- the recommendation by the ANAO that the Australian Valuation Office develop valuation standards;
- the management of acquisitions of information technology by DAS;

- debt management by DAS; and
- potential conflict of interests in DAS' relationships with government.

2.7 Each of these issues is summarised in Table 2.1 below.

2.8 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

2.9 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

Table 2.1
Arts and Administrative Services Portfolio

Significant Matters	Initial Responses	Committee Review Action
<p>Works of art valuation:</p> <p>ANAO noted that the Australian National Gallery (ANG) was not required to bring to account certain categories of works of art.³</p> <p>Australian Estate Management (AEM):</p> <p>ANAO recommended that:</p> <ul style="list-style-type: none"> . AEM be established as a legal entity to enable it to enter legally binding agreements with its public sector tenants; . AEM develop a strategy and funding for investing in property, including fixing required rate of return on investments and other performance indicators; . AEM should assess the relevance of current accommodation guidelines to present needs, who should police them and whether such guidelines were needed at all.⁴ 	<p>ANG's submission drew attention to the absence of a formal policy for the valuation of collections in Commonwealth collecting institutions.⁵</p> <p>DAS advised that as at November 1991, recommendations relating to AEM were under consideration.⁶</p>	<p>Information was sought from DAS about the steps, if any, that have been taken to establish such a policy.</p> <p>AEM was requested to provide updated information on these points.</p>

3 Auditor-General, *Audit Report No. 20, 1990-91, Report on Ministerial Portfolios: Autumn Sitings 1991*, AGPS, Canberra, 1991.

4 Auditor-General, *Audit Report No. 28, 1990-91, Department of Administrative Services: Estate Management*, AGPS, Canberra, 1991.

5 Department of the Arts, Sport, the Environment and Territories, *Submission, p. S909 (Vol. 4 of Submissions)*.

6 Department of Administrative Services, *Submission, pp. S1584, S1587, S1590, S1599 (Vol. 7 of Submissions)*.

Table 2.1 (continued)

Significant Matters	Initial Responses	Committee Review Action
<p>Services provided to MPs and their staff by DAS:</p> <p>ANAO was concerned at delays in DAS responding to more substantial or policy-related issues.</p> <p>ANAO recommended that:</p> <ul style="list-style-type: none"> . legislation recognise MPs' unique circumstances; . there be clearer definition of entitlements allowed; . public reporting of expenses be enhanced; . more complete expenditure reports be provided to MPs.⁷ 	<p>DAS responded to procedural and minor mechanical matters but indicated that some outstanding ones would require a response by the Government.⁸</p>	<p>The Committee wrote to DAS and the Minister for the Arts and Administrative Services to press for early action on recommendations not yet responded to.</p>

7 Auditor-General, *Audit Report No. 34, 1990-91, Department of Administrative Services: Services provided to Members of Parliament and their Staff*, AGPS, Canberra, 1991.

8 DAS, *Submission*, pp. S1616-19 (Vol. 7 of Submissions).

Table 2.1 (continued)

Significant Matters	Initial Responses	Committee Review Action
<p>Australian Valuation Office (AVO):</p> <p>ANAO recommended that AVO develop valuation standards specifically for its use.⁹</p> <p>Managing acquisitions of information technology (IT):</p> <p>Several recommendations were made concerning handling acquisitions from multiple suppliers.¹⁰</p> <p>Debt management by DAS:</p> <p>An inter-departmental committee (IDC) on public sector constraints affecting the commercial operations of Government, formed in 1991 and covering debt management among other topics, had not yet reported.¹¹</p>	<p>AVO saw no need for standards other than those applying to the whole profession.¹²</p> <p>DAS provided advice to agencies purchasing IT valued at \$1m and more.¹³</p> <p>DAS's attempts to reactivate the IDC, which was chaired by the Department of Finance and the Attorney General's Department, were unsuccessful.¹⁴</p>	<p>AVO was asked for detailed reasons for rejecting the ANAO's suggestion.</p> <p>The Committee wrote requesting information about the advice which is provided for acquisitions valued at less than \$1m.</p> <p>The Committee has decided to inquire into the commercialisation of public sector operations. DAS is one of the agencies which will be the focus of the inquiry.</p>

9 Auditor-General, *Audit Report No. 7, 1991-92, Report on Ministerial Portfolios: Budget Settings 1991*, AGPS, Canberra, 1992.

10 Auditor-General, *Audit Report No. 12, 1991-92, Department of Employment, Education and Training: Absenteeism, Education and Training: Assistance for Isolated Children, Protective Security, AGPS, Canberra, 1992.*

11 Auditor-General, *Audit Report No. 42, 1991-92, Department of Administrative Services: Debt Management*, AGPS, Canberra, 1992.

12 DAS, *Submission*, p. S1803 (Vol. 7 of Submissions).

13 DAS, *Submission*, p. S1803 (Vol. 7 of Submissions).

14 DAS, *Submission*, p. S1700 (Vol. 7 of Submissions).

Table 2.1 (continued)

Significant Matters	Initial Responses	Committee Review Action
<p>Conflict of interest:</p> <p>Potential conflicts of interest arise when DAS simultaneously, as a commercial entity, supplies goods while, as an adviser to Government, advises on procurement - ANAO believed conflicting responsibilities should be performed by separate agencies.¹⁵</p>	<p>DAS had rejected the ANAO recommendation but had erected 'Chinese walls' by placing different functions in different divisions of the Department.¹⁶</p>	<p>This issue will be addressed in the Committee's Commercialisation Inquiry.</p>

¹⁵ Auditor-General, *Audit Report No. 43, 1991-92, Department of Administrative Services, Conflict of Interest: A matter of principle*, AGPS, Canberra, 1992.

¹⁶ DAS, *Submission*, p. S1708 (Vol. 7 of Submissions).

Responses to Review Action

Works of Art Valuation

2.10 *Audit Report No. 20, 1990-91* - a report on Ministerial Portfolios - had noted that an exemption had been granted to the Australian National Gallery (ANG) from bringing to account the value of works of art gifted prior to the 1987-88 financial year or acquired prior to July 1976. It was noted that the size and potential cost of any valuation exercise would be great since in the pre-July 1976 category alone there were some 29 000 works of art.

2.11 The Department of the Arts, Sport, the Environment and Territories advised the Committee, in a submission dated 22 October 1992, that the National Gallery did not believe it appropriate that the valuation of assets collected by national institutions should be considered in isolation. It was noted that a formal policy on the valuation of collections had yet to be established.

2.12 In response to the Committee's request for further information, DAS (which at the time had taken over responsibility for the arts), provided a submission which was received on 1 November 1993. The attached correspondence indicated that the costs of such valuations would be considerable and that it was not uncommon for state-owned collections to be exempt from evaluation requirements on cost/benefit grounds.¹⁷

2.13 A letter from the Department of Finance to the ANG, dated 27 March 1992, which was attached to the DAS submission, also indicated that an exemption applicable up to and including 1991-92 had been granted but that consideration of further exemptions would be 'set aside' until a Steering Committee on National Performance Indicators for Government Trading Enterprises had finalised development of guidelines for the valuation of assets.¹⁸

¹⁷ DAS, *Submission*, pp. S3502-8 (Vol. 12 of Submissions).

¹⁸ DAS, *Submission*, pp. S3507-8 (Vol. 12 of Submissions).

2.14 The Steering Committee was created at a Special Premiers' Conference in July 1991 and included representatives from treasuries or finance departments of each member government, and was expected to issue draft guidelines on the valuation of assets for comment by government trading enterprises in May 1992.¹⁹

2.15 The Committee understands that the draft guidelines were issued and, that following their receipt, the ANG sought and received a further extension from the Department of Finance for the 1992-93 Financial Year.²⁰

2.16 The Department of Finance has indicated that the draft guidelines are currently undergoing significant amendment and that the release of a final revised set of guidelines is imminent.²¹

2.17 It has been almost three years since the ANAO first reported on this matter. In this time the ANG Finance have repeatedly gone through the administratively laborious task of extending the ANG's exemption. The Committee hopes that once the final guidelines are in place, the completion of the valuation of the ANG's collection will be finalised.

Australian Estate Management

2.18 In response to the Committee's initial request for advice, DAS provided copies of its Quarterly Returns to the Minister for Finance.²² These indicated that the concerns of the ANAO had yet to be fully addressed. A subsequent submission from DAS indicated that progress remained slow.²³

19 DAS, *Submission*, pp. S3507-8 (Vol. 12 of Submissions).

20 Australian National Gallery, *Correspondence*, 14 January 1994.

21 Department of Finance, *Correspondence*, 1 March 1994.

22 This document referred to 17 audit reports and contained 323 pages of information. Although the document was indexed, the Committee considered that it was not in a form which was adequate for submission to a parliamentary committee. Subsequent submissions have been satisfactory.

23 DAS, *Submission*, p. S2747 (Vol. 10 of Submissions).

2.19 Australian Estate Management (AEM) responded to the Committee's request for an update on progress by advising that a joint review of AEM's role and functions would be undertaken by the Department of Finance and the Department of the Arts and Administrative Services. The review was required to report to the Government 'before the end of December 1993.'²⁴

2.20 Subsequent correspondence from AEM, contained advice that the review had been separated into two stages, with the first stage due to be completed by the end of January 1994. Recommendations from the part of the review which concerned 'existing constraints of AEM's competitiveness in comparison with conditions which are available to Departments in dealing with the private sector', would be submitted to government in February 1994 as part of the budget process. The second part of the review, concerning the property of the Commonwealth Estate and appropriate funding and reporting mechanisms, would be conducted in 1994.²⁵

2.21 The Committee is satisfied by the response from AEM and expects that the concerns raised by the Auditor-General will be addressed in the review.

2.22 In its original submission, AEM also advised that, despite its acceptance of the ANAO's recommendation concerning accommodation guidelines for Commonwealth offices and agreement with the Department of Finance to draft updated guidelines, nothing further had been accomplished due to lack of resources. The submission added, however, that it was hoped to address the matter during the current financial year.²⁶

2.23 The Committee notes that the report containing the Auditor-General's recommendation was tabled on 5 June 1991, and is concerned at the lack of action in the matter.

24 Australian Estate Management, *Submission*, p. S3442 (Vol. 12 of Submissions).

25 AEM, *Correspondence*, 19 January 1994.

26 AEM, *Submission*, p. S3443 (Vol. 12 of Submissions).

2.24 Recommendation 1

Australian Estate Management and Department of Finance should expedite the revision and issuing of Accommodation Guidelines.

Services Provided to MPs and their Staff

2.25 In a written submission to the Committee, DAS described the steps that had been taken to provide more complete expenditure reports to Members of Parliament.²⁷ The Department advised that the Ministerial and Parliamentary Services Division - the provider of support services - was restructured during 1992 'to give a clear customer focus to all its activities.'²⁸ The changes involved redefining the Division's business plan,²⁹ and upgrading its automatic systems to improve reliability and reduce the cost of capturing required data. DAS predicted that 'the Division will, in the current financial year, be in a position where members of the Parliament can be provided with reports which better meet their needs'.³⁰

2.26 The Committee is satisfied that this response satisfies the concerns raised in the audit report.

2.27 DAS's response that the other aspects of this issue - that is, the relevant legislation be amended, that there be clearer definition of entitlements and that public reporting of expenses be improved - has been less satisfactory.

27 DAS, *Submission*, p. S3510 (Vol. 12 of Submissions).

28 DAS, *Submission*, p. S3512 (Vol. 12 of Submissions).

29 A copy of the new business plan for 1993-94 is at pp. S3515-37 (Vol 12 of Submissions).

30 DAS, *Submission*, p. S3513 (Vol. 12 of Submissions).

2.28 The Committee was advised that the Minister for the Arts and Administrative Services 'has agreed that further work be undertaken to draft appropriate definitions',³¹ and that a new scheme of public reporting was being developed. DAS noted that such a scheme required 'significantly different' systems from those involved in management reporting and that new systems specifications are to be developed. It was acknowledged that such work was only at a preliminary stage and that implementation would need to follow extensive consultations with those involved including the ANAO.

2.29 The Committee is concerned that recommendations in an audit report tabled in June 1991, especially those involving public reporting, are now only at a preliminary stage of implementation. The Committee endorses the sentiments concerning accountability and disclosure, expressed by the Auditor-General in his report³² and hopes that any changes to the current public reporting arrangements will provide the desired enhancement of clarity and public accountability.

2.30 Recommendation 2

The Department of Arts and Administrative Services should expedite its work on more clearly defining entitlements for Members of Parliament and introducing better systems for public reporting.

2.31 Recommendation 3

The Australian National Audit Office should monitor the implementation of the recommendations in Audit Report No. 34, 1990-91 and report its findings to Parliament.

31 DAS, *Submission*, p. S3513 (Vol. 12 of Submissions).

32 Auditor-General, *Audit Report No. 34 of 1990-91*, p. 18.

Australian Valuation Office

2.32 In *Audit Report No. 17, 1991-92*, the ANAO noted that the use of specific professional valuation standards by the Australian Valuation Office (AVO) would codify the standards and practices developed within the AVO.

2.33 The ANAO therefore had recommended:

*... that the AVO develop professional standards which would provide appropriate benchmarks for the performance of valuations and against which the quality of work performed by individual valuers [could] be assessed.*³³

2.34 In its submission to the Committee, the AVO acknowledged that property valuation is an inexact science and that valuation standards evolve. The AVO added, however, that the Institute of Valuers and Land Economists has working parties or subcommittees which develop guidance notes to assist valuers. Moreover, the AVO endeavours to maintain a consistent approach and style in its evaluations by using 'national report formats' for various categories of valuations. These report formats contain prompts to issues requiring consideration by the valuer. In addition, the AVO advised that random quality checks are regularly conducted by all Regional Managers.³⁴

2.35 The Committee considers that the AVO's commitment to industry wide standards is appropriate and that quality control systems in place represent an adequate and sufficient response to the concerns raised in the audit report.

33 Auditor-General, *Audit Report No. 17, 1991-92*, p. 5.

34 Australian Valuation Office, *Submission*, pp. S3369-71 (Vol. 12 of Submissions).

Managing Acquisitions of Information Technology

2.36 DAS advised the Committee that its *IT Buyers Handbook* covered all information technology purchases, but that acquisitions greater than \$1m had to be directed through a Restricted Panel of Systems Integrators, except where an exemption was to be applied.³⁵

2.37 The Committee is satisfied that the department's response addresses the concerns raised in the audit report.

Debt Management and Conflict of Interest

2.38 *Audit Report No. 42, 1991-92* and *Audit Report No. 43, 1991-92* raised significant issues of concern about debt management practices within DAS, and the potential for conflicts of interest to arise in DAS's dual role as regulator and commercial service provider.

2.39 These issues are of concern not only in relation to DAS, but also in relation to a number of other Commonwealth agencies which are developing a commercial orientation to the way they do business.

2.40 Specifically, these are:

- can the combination within a single department of the roles of adviser to the government and commercially oriented service deliverer give rise to a potential conflict of interest, or appear to do so?
- as DAS ceases its previous regulatory role, is it satisfactory for this role to be assumed by individual client agencies, or to cease altogether?
- should DAS in its role as commercially oriented service deliverer advise the government if it becomes aware that a customer is breaking the law or engaged in activities which are not in the public interest?

³⁵ DAS, *Submission*, p. S3538 (Vol. 12 of *Submissions*).

- can the regulatory responsibilities relinquished by an agency as a result of commercialisation be compensated adequately by alternative accountability and control mechanisms?
- is it reasonable to expect business units to maintain high standards of integrity and ethical behaviour while at the same time having to meet the pressures of competition?
- what should be the basis of the competition between commercial units in the public sector and the private sector - should only the surplus capacity be used for commercial activities or should units stimulate demand and expand to meet it?

2.41 In view of the significance of these matters, and the number of Commonwealth agencies operating in a commercial environment, the Committee, in early 1993, began an inquiry into the commercialisation of public sector operations. The terms of reference make specific mention of DAS, the Civil Aviation Authority and the Federal Airports Corporation as case studies. The Committee will report separately on this inquiry.

ATTORNEY-GENERAL'S PORTFOLIO

Introduction

3.1 The Attorney-General's portfolio includes the Attorney-General's Department and 56 other bodies - 35 of which are statutory authorities.¹

3.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of six programs, as follows:

- Program 1: Legal Services to the Commonwealth;
- Program 2: Business and Consumer Affairs;
- Program 3: Community Affairs;
- Program 4: Administration of Justice;
- Program 5: High Court of Australia; and
- Program 6: Maintenance of Law, Order and Security.²

3.3 In the period May 1991 to September 1992 the Auditor-General produced one report on aspects of the performance of portfolio agencies. The subject of this audit was the Australian Federal Police, and the report was:

- *Audit Report No. 25, 1990-91, Australian Federal Police - Efficiency and Effectiveness of Fraud Investigations.*

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 13-31.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Attorney-General's Portfolio*, Budget Related Paper No. 7.2, AGPS, Canberra, August 1993, pp. 6-7.

3.4 In addition, the Auditor-General reported on the financial statements of the portfolio agencies and provided details of his on-going audits in his reports on ministerial portfolios.

Audit Reports Referred to Other Parliamentary Committees

3.5 On 7 May 1991 *Audit Report No. 25, 1990-91* was referred to the House of Representatives Standing Committee on Banking, Finance and Public Administration.³ The committee's findings were published in the report, *Focusing on Fraud, Report of the Inquiry into Fraud on the Commonwealth*, which was tabled on 25 November 1993.

Significant Issues

3.6 The Committee's examination of the Auditor-General's reports on Attorney-General's portfolio agencies revealed one issue which required further review:

- the need to rectify problems relating to the recording of assets by the Australian Federal Police.

3.7 The Committee became aware that matters raised by the Auditor-General in earlier reports on the management and administration of the AFP had not been adequately addressed. The matters are described in Table 3.1 below.

3.8 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

3 House of Representatives, *Votes and Proceedings*, 1990-93, AGPS, Canberra, 1991, p. 707.

Table 3.1
Attorney-General's Department - Australian Federal Police

Significant Matters	Initial Responses	Suggested Committee Review Action
<p>Administration:</p> <p>Problems relating to recording assets, processing salary payments and reconciling accounts, which were identified by the ANAO in 1989-90⁴ and 1990-91,⁵ had not been rectified by the time of the audit in 1991-92,⁶ despite the AFP's acceptance of the ANAO's recommendations.⁷</p>	<p>Actions were in hand, or had been completed, to rectify the identified problems.⁸</p>	<p>The Committee wrote to the AFP requesting advice on progress in implementing the ANAO's recommendations.</p>

⁴ Auditor-General, *Audit Report No. 32, 1989-90, Aggregate and Departmental Financial Statements 1988-89* AGPS, Canberra, 1990.

⁵ Auditor-General, *Audit Report No. 22, 1990-91, Aggregate and Departmental Financial Statements 1990* AGPS, Canberra, 1991.

⁶ Auditor-General, *Audit Report No. 29, 1992-93, Aggregate and Departmental Financial Statements 1991-92* AGPS, Canberra, 1993.

⁷ ANAO, *Correspondence*, 22 March 1993.

⁸ Attorney-General's Department, *Submission*, pp. SB12, SB17 (Vol. 4 of Submissions).

Responses to Review Action

The Committee's Review

3.9 In its submission to the Committee, the Australian Federal Police advised that, following the engagement of a consultant, it had adopted a revised policy on the recognition of assets and transferred its asset register to an improved computerised system.⁹ Steps had also been taken to address issues concerning the processing of salary payments, and systems to regularly reconcile its accounts had been introduced. Attached to the submission was a memorandum from the ANAO confirming and endorsing these improvements.¹⁰

3.10 The Committee is satisfied with the response from the Australian Federal Police.

The Banking, Finance and Public Administration Committee's Review

3.11 The Banking, Finance and Public Administration Committee considered *Audit Report No. 25, 1990-91* as part of its broader inquiry into *Fraud on the Commonwealth*. On 25 November 1993 the Banking Committee tabled its report *Focusing on Fraud, Report of the Inquiry into Fraud on the Commonwealth*. The Committee is of the view that the Banking Committee's report gives appropriate consideration to the matters raised in *Audit Report No. 25, 1990-91*. The Committee does not propose at this time to further review the matters.

9 Australian Federal Police, *Submission*, pp. S3758-63 (Vol. 12 of Submissions).

10 AFP, *Submission*, p. S3761 (Vol. 12 of Submissions).

DEFENCE PORTFOLIO

Introduction

4.1 The defence portfolio comprises the Department of Defence and 30 other bodies - 17 of which are statutory authorities.¹

4.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of eight programs, as follows:

- Program 1: Forces Executive;
- Program 2: Navy;
- Program 3: Army;
- Program 4: Air Force;
- Program 5: Strategy and Intelligence;
- Program 6: Acquisition and Logistics;
- Program 7: Budget and Management; and
- Program 8: Science and Technology.²

4.3 In the period May 1991 to September 1992 the Auditor-General produced four reports on aspects of the performance of portfolio agencies.

4.4 The Department of Defence was the subject of all of these audits, which were:

- *Audit Report No. 15, 1991-92, Department of Defence: Procedures for Dealing with Fraud on the Commonwealth;*

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 33-43.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Defence Portfolio*, Budget Related Paper No. 7.3, AGPS, Canberra, August 1993, p 26.

- *Audit Report No. 18, 1991-92, Department of Defence: Management of Australian Purchases under the United States Foreign Military Sales Program (FMS);*
- *Audit Report No. 20, 1991-92, Department of Defence: Project Audits; and*
- *Audit Report No. 38 of 1991-92, Department of Defence: Management of Army Training Areas.*

4.5 In addition, the Auditor-General reported on the financial statements of the portfolio agencies and provided details of his on-going audits in his reports on ministerial portfolios.

Audit Reports Referred to Other Parliamentary Committees

4.6 On 21 April 1992 *Audit Report No. 15, 1991-92* was referred by the Parliamentary Secretary to the Prime Minister to the House of Representatives Standing Committee on Banking, Finance and Public Administration.

Significant Issues

4.7 The Committee's examination of the Auditor-General's reports on defence portfolio agencies revealed two issues which required further review:

- the qualification of the financial statements of the Commercial Activities Trust Account of the Defence Science and Technology Organisation (DSTO); and
- persistent problems with the Department of Defence's departmental accounts and records.

4.8 Each of these issues is summarised in Table 4.1 below.

4.9 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

4.10 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

Table 4.1
Defence Portfolio

Significant Matters	Initial Responses	Committee Review Action
<p>Defence Science and Technology Organisation (DSTO):</p> <p>Qualified audit reports were issued for the 1990-91 and 1991-92 financial statements of the Commercial Activities Trust Account.³</p> <p>Departmental accounts and records:</p> <p>ANAO commented that on the surface the Department appeared to be addressing the concerns raised, but it had found that many areas of difficulty regarding legislative compliance and control had persisted. This was highlighted in its audit of the 1991-92 Financial Statements,⁴ which reported that remedial action taken in response to problems identified in 1989-90 and 1990-91 with respect to ten matters were inadequate.</p> <p>ANAO concluded that the Department was not satisfying its accountability responsibilities to Parliament.⁵</p>	<p>Measures were in hand or planned to rectify identified weaknesses.⁶</p>	<p>The Committee wrote expressing concern and informing DSTO that it will continue to monitor its progress in improving its performance.</p> <p>The Committee wrote requesting advice as to how the problems were being addressed.</p>

3 Auditor-General, *Audit Report No. 1, 1991-92, Industry, Technology and Commerce Portfolio: Australian Customs Service*, AGPS, Canberra, 1992; *Audit Report No. 28, 1992-93, Report on Ministerial Portfolios: Autumn Sitings 1993*, AGPS, Canberra, 1993.

4 Auditor-General, *Audit Report No. 29, 1992-93, Aggregate and Departmental Financial Statements 1991-92*, AGPS, Canberra, 1993, pp. 52-9.

5 Auditor-General, *Audit Report No. 29, 1992-93*, p. 47.

6 Department of Defence, *Submission*, p. S3086 (Vol. 11 of Submissions).

Responses to Review Action

Defence Science and Technology Organisation

4.11 The Committee has written to DSTO expressing concern at the qualifications to its Commercial Activities Trust Account, and advising that it will monitor DSTO's future financial statements.

Departmental Accounts and Records

4.12 The ANAO identified a number of persistent problems in its report on the Department of Defence's financial statements for 1991-92, and concluded that the problems were such that Defence was not satisfying its accountability requirements to Parliament.

4.13 In their submission to the Committee, the department indicated a positive attitude towards rectifying the problems identified by the ANAO.⁷ The ANAO has subsequently commented to the Committee that the submission 'accurately reflects the measures proposed or taken by the Department in relation to the audit findings as reported.'⁸

4.14 Although Defence appears to have taken steps to address the problems identified by the ANAO, the Committee views with great seriousness the comment made by the ANAO that the department was not fulfilling its accountability requirements. It is imperative that agencies treat seriously their obligations to account properly to the Parliament for their actions and expenditure. To disregard this obligation is to hold the community in contempt.

4.15 This is a matter to which the ANAO should pay continuing attention.

7 Department of Defence, *Submission*, pp. S3102-13 (Vol. 11 of Submissions).

8 ANAO, *Correspondence*, 18 October 1993.

The Banking, Finance and Public Administration Committee's Review

4.16 The Banking, Finance and Public Administration Committee considered *Audit Report No. 15, 1991-92* as part of its broader inquiry into *Fraud on the Commonwealth*. On 25 November 1993 the Banking Committee tabled its report *Focusing on Fraud, Report of the Inquiry into Fraud on the Commonwealth*. The Committee is of the view that the Banking Committee's report gives appropriate consideration to the matters raised in *Audit Report No. 15, 1991-92*. The Committee does not propose at this time to further review the matters.

EMPLOYMENT, EDUCATION AND TRAINING PORTFOLIO

Introduction

5.1 The employment, education and training portfolio comprises the Department of Employment, Education and Training (DEET), and 45 other bodies - 14 of which are statutory authorities.¹

5.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of six programs, as follows:

- Program 1: Schools;
- Program 2: Higher Education;
- Program 3: Vocational Education and Training;
- Program 4: Employment;
- Program 5: Education Assistance and Income Support; and
- Program 6: Corporate Services, Portfolio Advising and International Participation.²

5.3 In the period May 1991 to September 1992 the Auditor-General produced six reports on aspects of the performance of portfolio agencies.

5.4 The agencies which were the subject of these audits were:

- DEET; and
- the Australian National University.

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 47-58.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Employment Education and Training Portfolio*, Budget Related Paper No. 7.4, AGPS, Canberra, August 1993, pp. 6-7.

5.5 The performance audits produced by the Auditor-General were:

- *Audit Report No. 29, 1990-91, Department of Employment, Education and Training: JOBTRAIN;*
- *Audit Report No. 2, 1991-92, Australian National University - Housing Operations;*
- *Audit Report No. 12, 1991-92, Department of Employment, Education and Training: Management of Information Technology;*
- *Audit Report No. 14, 1991-92, Department of Employment, Education and Training: Abstudy, Assistance for Isolated Children, Protective Security;*
- *Audit Report No. 21, 1991-92, Department of Employment, Education and Training: National Accounting and Financial Management System; and*
- *Audit Report No. 39, 1991-92, Department of Employment, Education and Training: New Enterprise Incentive Scheme (NEIS), Technical and Further Education (TAFE) - Recurrent Grants, Skillshare.*

5.6 In addition, the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of his on-going audits in his reports on ministerial portfolios.

S i g n i f i c a n t I s s u e s

General Matters

5.7 In the Committee's view, there are a number of aspects of the operation of DEET which mark it as an organisation worthy of close and continuing parliamentary attention.

5.8 First, the programs delivered by DEET do not have a legislative basis, but rather are policy based.³ Although policy based programs allow governments considerable flexibility in responding to community needs, this very flexibility can give rise to difficulties for staff of the administering agency and for the program's clients. For example:

- it is possible that the scope, nature and operational detail of a program is not as clearly and tightly defined as it would be if the program were described in legislation; and
- the potential for policy to be changed or re-interpreted is greater than the potential attaching to legislation.

5.9 Secondly, DEET operates in a highly decentralised and devolved manner.⁴ Although this type of structure has its advantages (it can for example, put decision makers in touch with clients), it also carries with it a potential for administrative overlap and duplication.

5.10 Thirdly, DEET's recent history has seen frequent changes to the nature and scope of its programs, increases in the number of clients, and increases in its budget allocation.

5.11 In the last few years the ANAO has produced a substantial number of reports on the operation of DEET. These reports, have indicated considerable concerns with the way DEET has managed its business. This tends to confirm the Committee's assessment of DEET as a high risk organisation.

3 This contrasts with, for example, the programs run by the Department of Social Security, which have their basis in the *Social Security Act 1991*.

4 DEET has five administrative levels (i.e central office - state - regional - area - local) compared to three within the Department of Social Security.

Specific Issues

5.12 The Committee's examination of the Auditor-General's reports on employment, education and training portfolio agencies revealed four other issues which required further review:

- the housing operations provided by the Australian National University;
- training for Commonwealth Employment Agency staff administering the Work Test for Unemployment Benefit;
- the system of checking payments in respect of assistance for isolated children; and
- the appointment by ANUTECH of an external auditor.

5.13 Each of these issues is summarised in Table 5.1 below.

5.14 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

5.15 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

Table 5.1
Employment, Education and Training Portfolio

Significant Matters	Initial Responses	Committee Review Action
<p>Australian National University (ANU):</p> <p>ANAO recommended that the ANU should make use of private property managers or government housing administration agencies to manage its housing operations;</p> <p>Clarification was needed of the legality under its Act for its provision of housing at below market rates.⁵</p> <p>Work Test for Unemployment Benefit:</p> <p>ANAO questioned the appropriateness of the training provided for CES staff administering the Work Test for Unemployment Benefit - the training was required to encourage attitudinal change and develop skills.⁶</p>	<p>DEET's submission did not address these issues.⁷</p> <p>Attitudes were addressed in the first phase of the Newstart training.⁸</p>	<p>The Committee wrote to the ANU requesting information on these two issues.</p> <p>The Committee wrote requesting information on the reasons for preferring one-off training to ongoing performance monitoring and retraining, which would be more effective, particularly in changing attitudes.</p>

5 Auditor-General, *Audit Report No. 2, 1991-92, Australian National University: Housing Operations*, AGPS, Canberra, 1992.

6 Auditor-General, *Audit Report No. 10, 1991-92, Department of Social Security and Employment, Education and Training: Administration of the Work Test for Unemployment Benefit; Department of Social Security: Computer system for Unemployment and Sickness Benefit*, AGPS, Canberra, 1992.

7 Department of Employment, Education and Training, *Submission*, pp. S1875, S1877 (Vol. 8 of Submissions).

8 DEET, *Submission*, p. S1884 (Vol. 8 of Submissions).

Table 5.1 (continued)

Significant Matters	Initial Responses	Committee Review Action
<p>Assistance for Isolated Children:</p> <p>ANAO advised there needed to be checks to ensure that applicants are not receiving assistance from more than one source.⁹</p> <p>Auditor for ANUTECH (a wholly owned subsidiary of the ANU):</p> <p>The Auditor-General had approached ANUTECH with a view to having him appointed as sole auditor in keeping with Government policy.¹⁰</p>	<p>Data matching is being applied to information received from the Australian Taxation Office and the Departments of Social Security, Veterans' Affairs and Health, Housing and Community Services. Access to other databases was desirable.¹¹</p> <p>The board of ANUTECH did not appoint the Auditor-General, arguing that the request lacked legislative authority.¹²</p>	<p>The Committee wrote to establish what other checks were being carried out and to obtain more detailed information about privacy concerns.</p> <p>The Committee's comment is found below.</p>

9 Auditor-General, *Audit Report No. 14, 1991-92, Department of Employment, Education and Training, Abstudy, Assistance for Isolated Children, Protective Security, AGPS, Canberra, 1992.*

10 Auditor-General, *Audit Report No. 1, 1992-93, Report on Ministerial Portfolios Budget Sitings 1992, AGPS, Canberra, 1993; Audit Report No. 7, 1992-93, Saving Time and Money with Common-Use Contracts, AGPS, Canberra, 1993.*

11 DEET, *Submission*, p. S3284 (Vol. 12 of Submissions).

12 DEET, *Submission*, p. S1882 (Vol. 8 of Submissions).

Responses to Review Action

General Matters

5.16 On 1 September 1993 the then recently appointed Secretary to DEET, Mr Derek Volker, briefed the Committee on the process of structural change envisaged for his department. At that meeting, a report of the Structures Review Taskforce titled: *Improving DEET Services and Structures - A Strategic Overview*, was presented to the Committee. The document indicated that, following the formulating of strategic directions and implementation plans, changes would be made to the way the DEET operates. These changes were scheduled to commence in November 1993 and would take between 12 to 18 months to be fully implemented.¹³

5.17 DEET's internal review program indicates a willingness to seriously address the general and specific issues of concern which have been reported in recent times.

5.18 The Committee is hopeful that improvements will be forthcoming and will examine developments within DEET, and future audit reports on the department, with interest.

Australian National University

5.19 The ANU responded to the Committee's request for further information about its property management practices by providing a written submission, dated 6 October 1993. The ANU advised that, following a review of housing policy conducted by a management consulting firm, it was found that the operating costs of the University's Housing Office 'were significantly less than the fees payable to a firm of real estate agents; the wage cost/rental income percentage was lower, and the number of properties managed per staff member were much higher'. The ANU added that the range of services to its

¹³ DEET, Structure Review Taskforce, *Improving DEET Services and Structures - A Strategic Overview*, July 1993, p. 1.

tenants offered by its Housing Office was greater than those offered by a real estate agency.¹⁴

5.20 In the Committee's view the ANU's response adequately addresses the concerns raised by the ANAO.

5.21 In relation to the method used to determine rental rates for its housing properties, the ANU advised that its rents are set following an annual assessment by a professional valuer. The rental rate is based on rents payable in the private rental market. However, the ANU acknowledged that there had been a minor departure from this policy during the late 1980s when rent increases in the private rental market were in the range of 20-30 percent per annum.

5.22 After lengthy negotiations with its tenants, the University had decided to depart from its policy, and instead charge rents based on the ACT Rental Housing Index which reflected the average rents paid. The ANU advised that once the rental market supply improved this policy ceased. The University added that, although it was no longer required to charge market rents under its revised Act, it still charged market rents.¹⁵

5.23 The Committee accepts that in changing its policy the ANU was endeavouring to reduce the potential hardship for its student tenants. Although the ANU's submission stated that 'some' rents were set by the alternative method, the Committee trusts that only those in need received the benefit of this change and that salaried staff who were renting from the university were not also advantaged.

5.24 The Committee notes that the submission from the ANU did not advise whether the variation of the method by which it set rents contravened its Act as it then stood. In the event, the ANU's Act was amended so that the charging of market rents was no longer required.

14 Australian National University, *Submission*, p. S3267 (Vol. 12 of Submissions).

15 ANU, *Submission*, p. S3268 (Vol. 12 of Submissions).

5.25 The Committee is satisfied that the ANU's response adequately addresses the concerns raised in the audit report.

Work Test for Unemployment Benefit

5.26 DEET's initial response to the audit report had indicated that the attitudes of CES staff to activity testing had been recognised as a possible impediment to the implementation of the 'Newstart' strategy and were addressed in the first phase of training. The Committee was concerned at the apparent reliance on one-off training to encourage attitudinal change.

5.27 DEET's later submission, dated 12 October 1993, advised that training on attitudinal change has been ongoing since the initial training modules were delivered. According to DEET, senior officers in the regions have been charged with 'an important role in identifying activity testing issues, either attitudinal or procedural, and taking action to address them through training or recommending a change in procedures.' DEET also advised that a 'major change in the structure' of the Commonwealth Employment Service was being developed and that the new training approach would pay more attention to staff development needs.¹⁶

5.28 The Committee is satisfied that the information provided by DEET adequately addresses its concerns on this matter.

Assistance for Isolated Children

5.29 DEET has advised that apart from its co-operation with the Departments of Social Security, Veterans' Affairs, Health, Housing and Community Services, and the Australian Taxation Office,¹⁷ under the *Data-Matching Program (Assistance and Tax) Act 1990*, 'no attempt [had] been made to link data bases maintained by different Commonwealth agencies.

¹⁶ DEET, *Submission*, p. S3284 (Vol. 12 of Submissions).

¹⁷ DEET, *Submission*, p. S1953 (Vol. 8 of Submissions).

Compliance with the Privacy legislation [was] a barrier to this sort of cross-agency linking.¹⁸

5.30 DEET is, however, investigating the possibility of checking student assistance records with information held on its Jobstart database. One element of this investigation has been to discuss the proposal with the Privacy Commissioner's Office in an attempt to obviate any problems under the existing data-matching guidelines.¹⁹

5.31 The Committee considers that these steps represent an adequate response to the concerns raised by the ANAO.

Auditor for ANUTECH

5.32 ANUTECH Pty Ltd is a wholly owned subsidiary company of the ANU, principally involved in marketing the work of the university. The Auditor-General noted in *Audit Report No. 7, 1991-92* that he had approached the university to ask the board of the company to appoint the Auditor-General as its auditor. He further noted despite his lack of success, he would be making a further approach in the light of the government announcement in December 1990 that the Auditor-General should be the sole external auditor for all Commonwealth owned or controlled entities, including government business enterprises.²⁰

5.33 DEET advised the Committee, in its submission dated 5 November 1992, that ANUTECH Pty Ltd operated under the corporate law of the ACT and that the appointment of its auditor had followed the prescribed procedure. DEET added that the request from the Auditor-General lacked legislative authority but that officers of the company, the university and the ANAO were discussing the manner by which the wishes of the government could be accommodated.²¹

18 DEET, *Submission*, p. S3285 (Vol. 12 of Submissions).

19 DEET, *Submission*, pp. S3286-7 (Vol. 12 of Submissions).

20 Auditor-General, *Audit Report No. 7, 1991-92*, p. 47.

21 DEET, *Submission*, p. S1882 (Vol. 8 of Submissions).

5.34 In *Audit Report No. 1, 1992-93*, the Auditor-General reported that his efforts had been unsuccessful and noted his disappointment in lack of support from the Minister for Higher Education and Employment Services. The reason that was given was that legislation was pending to address the situation.²² The Auditor-General added that full public accountability to the Parliament of ANUTECH was not assured under the current auditing arrangements.

5.35 The Committee endorses the view of the Auditor-General and is concerned at the lack of accountability to the Parliament of public money provided to the ANU and subsequently passed to its wholly owned subsidiary ANUTECH. Only through the vigorous auditing standards applied by the ANAO can the public be assured that ANUTECH is conducting itself in a fiscally responsible and efficient manner. The Committee considers that the board of the company should reconsider its position in the light of the Government's stated policy.

5.36 Recommendation 4

ANUTECH Pty Ltd should reconsider its decision not to appoint the Auditor-General as its auditor and, if necessary, the ANU should exert its influence on the board of ANUTECH to appoint the Auditor-General as its auditor.

5.37 The Committee's discussion of public sector accountability in Chapter 20 is relevant to this matter. It is an issue to which the Committee will pay continuing attention.

22 Auditor-General, *Audit Report No. 1, 1992-93*, p. 103.

ENVIRONMENT, SPORT AND TERRITORIES PORTFOLIO

Introduction

6.1 The environment, sport and territories portfolio comprises the Department of Environment, Sport and Territories (DEST) and 40 other bodies - 13 of which are statutory authorities.¹

6.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of six programs, as follows:

- Program 1: Environment;
- Program 2: Antarctic;
- Program 3: Meteorology;
- Program 4: Sport and Recreation;
- Program 5: Territories; and
- Program 6: Corporate Services and Portfolio Coordination.²

6.3 In the period May 1991 to September 1992 the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of his on-going audits in his reports on ministerial portfolios, but produced no reports on aspects of the performance of portfolio agencies.

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 77-87.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Environment, Sport and Territories Portfolio*, Budget Related Paper No. 7.5, AGPS, Canberra, August 1993, pp. 8-9.

C o m m e n t s

6.4 The Committee's view is that the responses of the agencies to the issues raised in the financial statement and ministerial portfolio audit reports for this portfolio were satisfactory.

FINANCE PORTFOLIO

Introduction

7.1 The finance portfolio comprises the Department of Finance and six other bodies - all of which are statutory authorities.¹

7.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of eight programs, as follows:

- Program 1: Budget Development and Management;
- Program 2: Resource Management and Framework;
- Program 3: Government Financial Administration and Services;
- Program 4: Retirement Benefits;
- Program 5: Specific Payments and Receipts Activities;
- Program 6: Asset Sales;
- Program 7: Corporate Services; and
- Program 8: Australian National Audit Office.²

7.3 In the period May 1991 to September 1992 the Auditor-General produced two reports on aspects of the performance of portfolio agencies.

7.4 The agencies which were the subject of these audits were:

- the Department of Finance; and
- the Retirements Benefits Office.

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 89-90.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Finance Portfolio*, Budget Related Paper No. 7.6, AGPS, Canberra, August 1993, p. 7.

7.5 The performance audits produced by the Auditor-General were:

- *Audit Report No. 27, 1991-92, Retirement Benefits Office - the CSS/PSS Choice; and*
- *Audit Report No. 34, 1991-92, Accounting for and reporting of departmental assets and liabilities.*

7.6 In addition, the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of his on-going audits in his reports on ministerial portfolios.

S i g n i f i c a n t I s s u e s

7.7 The Committee's examination of the Auditor-General's reports on finance portfolio agencies revealed four issues which required further review:

- the application of a late fee or penalty interest to government agencies who are late in remitting principal or interest payments;
- the need to record substantial previously unreported assets;
- proposed amendments to the Finance Regulations to provide for debt management options; and
- internal audit provisions.

7.8 Each of these issues is summarised in Table 7.1 below.

7.9 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

7.10 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

Table 7.1
Finance Portfolio

Significant Matters	Initial Responses	Committee Review Action
<p>Late Fee or Penalty Interest to Debtors:</p> <p>Finance does not apply a late fee or penalty interest to Government agencies or other debtors who are late in paying principal and/or interest owing to the Commonwealth.³</p> <p>Departmental Assets and Liabilities:</p> <p>The Commonwealth holds substantial unreported assets and liabilities (e.g. non rent-producing land and buildings, moneys owing from the States; and superannuation estimated at \$38.4b in 1988, annual and long service leave entitlements). These should be reported.</p> <p>Some of these issues were also raised in a recently tabled Audit Report.⁴</p>	<p>A clause requiring late fees or penalty interest could be inserted in future agreements.⁵</p> <p>Superannuation liabilities are reported by public sector super funds and could be reported in Whole of Government Accounts.</p> <p>Finance will recommend that Financial Statement Guidelines will require reporting for employee entitlements from 1993-94.</p> <p>Guidance in estimating employment entitlement liabilities will be produced.⁶</p>	<p>The Committee wrote to establish whether such a clause is now routinely used in standard agreements.</p> <p>The Committee noted that the Department's submission was written in November 1992 and requested advice on subsequent progress.</p>

3 Auditor-General, *Audit Report No. 22, 1990-91, Aggregate and Departmental Financial Statements 1990*, AGPS, Canberra, 1991.

4 Auditor-General, *Audit Report No. 34, 1992-93, The National Bankcard: Who Will Pay the Piper?*, AGPS, Canberra, 1993.

5 Department of Finance, *Submission*, p. S1820 (Vol. 8 of Submissions).

6 Finance, *Submission*, p. S1849-50 (Vol. 8 of Submissions).

Table 7.1 (continued)

Significant Matters	Initial Responses	Committee Review Action
<p>Departmental Assets and Liabilities (cont.)</p> <p>A requirement for the production and audit of an aggregated statement of assets and liabilities should be included in the proposed Financial Management and Accountability Act.⁷</p> <p>Debt Management by DAS Business Units:</p> <p>Progress has been hindered by:</p> <ul style="list-style-type: none"> . Finance's decision to delay promulgation of Finance Regulations pending the passage of the new Financial Management and Accountability legislation; and . the inactivity of the Interdepartmental Committee on Public Sector Constraints.⁸ 	<p>Legislation should await decision on departmental accrual accounting and the issue of standards.⁹</p> <p>Finance was considering revisions to the Finance Regulations and Directions in the context of the proposal to introduce legislation to replace the <i>Audit Act</i> 1901.¹⁰</p>	<p>The Committee wrote requesting an update (as above).</p> <p>The Committee expects that the Financial Management and Accountability legislation will shortly be introduced to the Parliament.</p> <p>The Committee notes that a discussion paper was produced by the Department of Finance in August 1993.¹¹</p>

7 Auditor-General, *Audit Report No. 34, 1991-92, Accounting for and reporting of departmental assets and liabilities*, AGPS Canberra, 1992.

8 Auditor-General, *Audit Report No. 42, 1991-92, Department of Administrative Services: Debt Management*, AGPS, Canberra, 1992.

9 Finance, *Submission*, p. S1851 (Vol. 8 of Submissions).

10 Finance, *Submission*, p. S1852 (Vol. 8 of Submissions).

11 Finance, Draft Discussion Paper, *A policy framework for commercialisation - Issues for Discussion*, August 1993.

Responses to Review Action

Late Fee or Penalty Interest to Debtors

7.11 In response to the Committee's request for further information on whether a late fee or penalty clause is routinely included in agreements, the Department of Finance advised that it was proposed 'to issue a finance circular to agencies advising that agreements between Commonwealth and government agencies or other debtors, should include a clause imposing penalty interest or a late fee'.¹²

7.12 The Committee welcomes Finance's proposal to advise all agencies on this matter, but notes with some concern that it has taken the department a year to move from acknowledging that such a clause could be inserted in all agreements to proposing that a finance circular be issued.

7.13 On 18 January 1994, the Committee was advised by the department that a draft finance circular had been provided to Treasury and the Attorney-General's Department for comment. This was because the proposed policy had 'Premiers' Conference/Loan Council implications and implications for advice on agreements provided by A-G's.' Finance expected to be able to release the proposed finance circular 'within the next month or so'.¹³

The Recording of Previously Unreported Assets

7.14 Finance advised that, following the completion of the move to financial reporting on an accrual basis (which includes statements of assets and liabilities), the information obtained from agencies would provide the basis for the preparation of whole of government accounts. The department added, 'There are, however, a range of conceptual, presentational and practical issues to be resolved', and advised that the Australian

¹² Finance, *Submission*, p. S3770 (Vol. 12 of Submissions).

¹³ Finance, *Correspondence*, 18 January 1994.

Accounting Research Foundation was currently developing a discussion paper on these issues and that the Standing Treasuries Liaison Committee was due to consider whole of government reporting in late 1993. Finance predicted that there would be considerable progress 'in the next year or two.'¹⁴

7.15 The Committee will await these developments with interest.

7.16 Finance advised the Committee that all departments will report liabilities arising from employee entitlements from 30 June 1994.¹⁵

7.17 The department's submission also advised that two Guidance Releases had been issued in June 1993 - one dealing with 'the measurement and reporting of employee entitlements other than superannuation and the other [dealing] with the calculation of superannuation expense.'¹⁶

7.18 The Committee is satisfied with Finance's response to these issues.

Provision for Debt Management Options

7.19 In *Audit Report No. 42, 1991-92*, the Auditor-General commented adversely in relation to Finance's performance in two aspects. First, that the department had delayed the making of certain revisions to the Finance Regulations pending the introduction and passage of legislation to replace the *Audit Act 1901*. Secondly, that Finance has done little to re-activate the inter-departmental committee on constraints affecting the commercialisation of government operations.

14 Finance, *Submission*, p. S3772 (Vol. 12 of Submissions).

15 Finance, *Submission*, p. S3772 (Vol. 12 of Submissions).

16 Finance, *Submission*, p. S3772 (Vol. 12 of Submissions).

7.20 On the first point, the government's new financial management and administration legislation is scheduled for introduction in the first period of sittings in 1994. It is likely that the Committee will take close and active interest in the provisions of the relevant Bills.

7.21 On the second point, the Committee notes that in August 1993, Finance published a draft discussion paper which, among other matters, identified a number of constraints on the commercial activities of government.¹⁷

7.22 As mentioned in Chapter 2, the Committee is currently conducting an inquiry into aspects of the commercialisation of government operations. The broad policy framework for commercialisation will be considered as part of the inquiry.

¹⁷ Finance, Draft Discussion Paper, *A policy framework for commercialisation - Issues for Discussion*, August 1993.

FOREIGN AFFAIRS AND TRADE PORTFOLIO

Introduction

8.1 The foreign affairs and trade portfolio comprises the Department of Foreign Affairs and Trade (DFAT) and 52 other bodies - four of which are statutory authorities.¹

8.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of eight programs, as follows:

- Program 1: International Relations, Trade and Business Liaison;
- Program 2: Passport and Consular Services;
- Program 3: Services for Other Agencies;
- Program 4: Secure Government Communications and Security Services;
- Program 5: Executive and DFAT Corporate Services;
- Program 6: Development Co-operation;
- Program 7: Austrade; and
- Program 8: Australian Secret Intelligence Service.²

8.3 In the period May 1991 to September 1992 the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of his on-going audits in his reports on ministerial portfolios.

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 103-112.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Foreign Affairs and Trade Portfolio*, Budget Related Paper No. 7.7, AGPS, Canberra, August 1993, pp. 9-10.

C o m m e n t

8.4 The Committee's view is that the responses of the agencies to the issues raised in the financial statement and ministerial portfolio audit reports for this portfolio were satisfactory.

HEALTH, HOUSING, LOCAL GOVERNMENT AND COMMUNITY SERVICES PORTFOLIO

Introduction

9.1 The health, housing, local government and community services portfolio comprises the Department of Health, Housing, Local Government and Community Services, the Department of Veterans' Affairs and 102 other bodies - 45 of which are statutory authorities.¹

9.2 All organisations, including the departments, fall within the program structure adopted for the portfolio, which currently consists of 14 programs divided between the two departments, as follows:

Department of Health, Housing, Local Government and Community Services

- Program 1: Health Advancement;
- Program 2: Health Care Access;
- Program 3: Family and Children's Services;
- Program 4: Aged Care;
- Program 5: Disability Programs;
- Program 6: Housing and Urban Development;
- Program 7: National Capital Planning;
- Program 8: Local Government; and
- Program 9: Corporate Direction and Support.²

1. Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 113-139.

2. For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Health, Housing, Local government and Community Services Portfolio*, Budget Related Paper No. 7.8A, AGPS, Canberra, August 1993, p. 8.

Department of Veterans' Affairs

- Program 1: Benefits;
- Program 2: Health;
- Program 3: War Graves;
- Program 4: Corporate Services; and
- Program 5: War Memorial.³

9.3 In the period May 1991 to September 1992 the Auditor-General produced three reports on aspects of the performance of portfolio agencies.

9.4 The Department of Health, Housing, Local Government and Community Services, and its predecessor, the Department of Community Services and Health, were the subject of these audits, which were:

- *Audit Report No. 31, 1990-91, Nursing Homes Payment Scheme;*
- *Audit Report No. 32, 1990-91, Administration of the Medicare Benefits Schedule; and*
- *Audit Report No. 41, 1991-92, Assistance for People with Disabilities - Employment Grants, Community Participation Grants; Protective Security.*

9.5 In addition, the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of his on-going audits in his reports on ministerial portfolios.

Significant Issues

9.6 The Committee's examination of the Auditor-General's reports on the Department of Health, Housing, Local Government and Community Services (and its predecessor) revealed two issues which required further review:

³ For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Health, Housing, Local Government and Community Services Portfolio (Department of Veterans' Affairs)*, Budget Related Paper No. 7.8B, AGPS, Canberra, August 1993, pp. 12-13.

- the certification of nursing home payments; and
- the qualification of the financial statements of the Health Insurance Commission (HIC).

9.7 Each of these issues is summarised in Table 9.1 below.

9.8 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

9.9 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

Table 9.1
Health, Housing, Local Government and Community Services Portfolio

Significant Matters	Initial Responses	Committee Review Action
<p>Nursing Homes Payment Scheme: Having identified inadequate controls, ANAO recommended the daily certification of nursing home payments before release.</p> <p>ANAO noted delays in the validation of nursing home returns. Validation operates as a fraud deterrent.⁴</p> <p>Qualification of Financial Statements: The Health Insurance Commission's (HIC) financial statements were qualified due to a material number of invalid pharmaceutical benefits payments to pharmacists.⁵</p>	<p>The Department considered that a daily manual certification would result in 'such an unwieldy process that it would cause unacceptable delays to payments to nursing homes'.⁶</p> <p>This was being addressed with increased staffing, however the backlog was not expected to be cleared until 1994-95.⁷</p> <p>HIC has been progressively implementing more rigid procedures for checking entitlements for free or concessional medication.⁸</p>	<p>The Committee wrote to the Department seeking further information.</p> <p>The Committee wrote requesting updated information about progress in clearing backlog and other measures employed as fraud deterrents.</p> <p>Officers of the HIC were called to a public hearing to report on progress in reducing the number of invalid payments.</p>

4 Auditor-General, *Audit Report No. 31, 1990-91, Department of Community Services and Health: Nursing Homes Payment System*, AGPS, Canberra, 1991.

5 Auditor-General, *Audit Report No. 32, 1989-90, Aggregate and Departmental Financial Statements 1988-89*, AGPS, Canberra, 1990; *Audit Report No. 14, 1990-91, Aggregate Financial Statement prepared by the Minister for Finance for the year ended 30 June 1990*, *Audit Report No. 20, 1990-91, Report on Ministerial Portfolios: Autumn Sitings 1991*, AGPS, Canberra, 1991; *Audit Report No. 28 of 1992-93, Report on Ministerial Portfolios: Autumn sittings 1993*, AGPS, Canberra, 1993.

6 Department of Community Services and Health, *Submission*, p. S1019 (Vol. 5 of Submissions).

7 DCSH, *Submission*, p. S375 (Vol. 2 of Submissions)

8 Department of Health, Housing and Community Services, *Submission*, pp. 1000-1 (Vol. 5 of Submissions).

Responses to Review Action

Nursing Homes Payment Scheme

9.10 In *Audit Report No. 31, 1990-91*, the Auditor-General had recommended the daily certification of nursing home payments before release. The Department of Health, Housing and Community Services responded, in its original submission to the Committee, that daily certification would be an unwieldy process. The department added, however, that steps were being taken to include certification in the electronic authorisation of payments in State offices. The Department commented that this would achieve an earlier certification than ultimately envisaged with the redevelopment of the Nursing Homes Payment System due to be completed in July 1994.⁹

9.11 However, the subsequent submission indicated that this aim was not realised. The submission, dated 22 October 1993, detailed the technical reasons preventing the earlier implementation of electronic certification. The Committee was advised that such certification would be included when the redeveloped payment system was introduced early in 1995.¹⁰

9.12 Although the Committee is concerned about the slippage in the date of implementation of the redeveloped payments system, it accepts the explanations provided by the Department. The notification system proposed for introduction appears to adequately address the concerns raised by the ANAO.

9.13 In relation to the validation of nursing home returns, the Department of Health, Housing, Local Government and Community Services (DHHLGCS) (recently renamed Department of Human Services and Health) advised the Committee, that it was still endeavouring to clear the backlog. The submission reported that the priority was to complete validation of 1986-87 records by 30 June 1994, which was necessary

9 DHHCS, *Submission*, p. S1019 (Vol. 5 of Submissions).

10 Department of Health, Housing, Local Government and Community Services, *Submission*, pp. 3366-7 (Vol. 12 of Submissions).

as that year provided the base for a new funding system and full validation was necessary 'as misclaims could result in substantial amounts being overadvanced.' The submission also claimed that the backlog of later financial years would 'be cleared by 1995-96.'¹¹

9.14 It is unclear to the Committee whether the backlogs, identified above, will be cleared by the dates nominated by the department. Considering that the records under review date back some eight years, the Committee considers that validations should be completed by the beginning of the 1995-96 financial year.

9.15 Recommendation 5

The Department of Human Services and Health should deploy sufficient resources to ensure the backlog in the validation of nursing home returns is overcome by the beginning of the 1995-96 financial year.

Health Insurance Commission - Qualification of Financial Statements

9.16 The Committee called officers from the Health Insurance Commission (HIC) to give evidence before it on 25 October 1993. The Committee was concerned that the financial statements of the agency had since 1989-90 been repeatedly subject to qualification by the ANAO - particularly in respect of the Pharmaceutical Benefits Scheme (PBS).

9.17 The problems had persisted into 1992-93. In *Audit Report No. 28, 1992-93*, the Auditor-General commented that although the accounting systems and procedures of the HIC could generally be relied upon to produce accurate financial information, the PBS statements had again been qualified.¹²

11 DHHLGCS, *Submission*, p. S3365, (Vol. 12 of Submissions)

12 Auditor-General, *Audit Report No. 28, 1992-93*, p. 146.

9.18 The following issues were identified as being of importance:

- in the PBS program, between \$8.8m and \$13.3m was identified as constituting invalid payments for pensioner entitlements to prescriptions; and
- expenditure by the HIC of \$94m in excess of its original 1991-92 PBS estimates of expenditure.¹³

9.19 Representatives of the HIC appeared before the Committee at a public hearing on 25 October 1993 to address these issues. In his opening statement to the Committee, Mr Kenneth Hazell, HIC's Acting Managing Director, stated that 'the Commission has been involved in a lengthy process of cooperation with pharmacists which had resulted in a reduction in the incidence of invalid entitlement numbers.'¹⁴ Subsequent correspondence from the HIC shows that, in the concessional category of benefit, the incidence of invalid entitlement numbers reduced from 4.47% in October of 1992, to 0.59% in September of 1993.¹⁵

9.20 The process of cooperation with pharmacists included such measures as promotional campaigns and the correction of pharmacy software both designed to identify invalid entitlement numbers; advising patients of their obligation to present a valid entitlement card; and introducing a procedure through Medicare offices to enable patients without a valid entitlement card to claim a refund where the pharmacist charged the full patient contribution, and the patient was eligible for the benefit.¹⁶

9.21 The ANAO advised the Committee by correspondence on 25 January 1994 that a review in 1992-93 of PBS payments made to pharmacists disclosed a number of invalid payments. During the year, the Commission continued to improve its

13 Auditor-General, *Audit Report No. 28, 1992-93*, p. 147.

14 Health Insurance Commission, *Transcript*, p. 43 (Canberra, 25 October 1993).

15 HIC, *Submission*, p. S3305, (Vol. 12 of Submissions).

16 HIC, *Submission*, p. S3304 (Vol. 12 of Submissions).

eligibility checking, and improved its communications with the Department of Social Security. The level of invalid payments has been estimated by the ANAO to be greater than that which resulted in the qualification of the financial statements in 1991-92, at between \$9.2m and \$13.8m. However, since the estimated maximum level of invalid payments made was less than 1% of the total benefits paid during the year (\$1 476m), the breach was considered to be one of a minor and technical nature, and did not warrant the qualification of the 1992-93 financial statements.¹⁷

9.22 Thus, while the HIC has reduced the proportion of invalid payments in relation to total benefits, the Committee understands that the reduction can be accounted for, in large part, by an increase in total benefits paid.

9.23 While the Committee recognises the efforts of HIC in reducing the level of invalid payments made, it would encourage the Commission to strive for a greater reduction in the absolute level of invalid payments made.

9.24 A separate but very important issue arising from the administration of the PBS, is the need to improve the current systems of confirming that a person claiming a PBS is actually entitled to the benefit. This matter was raised by the HIC in their submission.

9.25 Resolution of this matter calls for close co-operation between the HIC and the Department of Social Security. The HIC has advised that the difficulties in this area will be resolved once a computer system designed to integrate client records is operational, 'sometime in 1994'.¹⁸

17 ANAO: *Correspondence*, 25 January 1994.

18 HIC, *Submission*, p. 3305a, (Vol. 12 of Submissions).

9.26 Recommendation 6

The Health Insurance Commission and the Department of Social Security should improve the systems of checking the eligibility of people claiming benefits under the Pharmaceutical Benefits Scheme. Improved systems should be operational by the end of calendar year 1994.

Health Insurance Commission - Estimates of Expenditure

9.27 The Committee was surprised that the HIC made no specific reference in their earlier submissions to the fact that the Commission had overspent its 1991-92 estimates by \$94m. Moreover, the Commission appeared to be unprepared for questions about its unapproved expenditure at the hearing and took questions about the matter on notice.

9.28 The advice eventually provided indicated that 'the estimate was exceeded as a result of a failure to include the repatriation benefits estimated for the year in the figures approved by the Minister.' The Commission wrote that they first became aware of the situation only after it was advised by the ANAO on 1 September 1992. The Commission took the view that, as it was an omission that could not be rectified, it was inappropriate for it to advise the minister of a potential qualification, before the ANAO reported the matter to the Minister. The ANAO duly informed the minister on 1 February 1993.¹⁹

9.29 The HIC includes expenditure on repatriation benefits as an item under PBS, while DHHLGCS treats the two items separately. The response stated when the Commission requested PBS expenditure levels from the DHHLGCS, the Department's response excluded any amounts related to repatriation benefits, which resulted in the understatement.²⁰

19 HIC, *Submission*, p. S3917 (Vol. 13 of Submissions).

20 HIC, *Submission*, p. S3906 (Vol. 13 of Submissions).

9.30 The Committee notes the practice now exists for the HIC to detail the various types of benefits covered by the estimates. The Committee shares the Commission's confidence that this will provide the necessary assurance that all types of benefits are included in estimates submitted for ministerial approval.²¹

9.31 Although the \$94m over-expenditure did not result in any disadvantage to beneficiaries or the public purse,²² the Committee is concerned that there was at least some potential for this to occur.

9.32 The Committee's follow up inquiries have revealed that on 25-27 January and 26 February 1993, difficulties in communication between the DHHLGCS and HIC resulted in it breaching the terms of relevant legislation. In these two instances, the benefits bank accounts had been overdrawn by \$16.5m and \$3.3m respectively.

9.33 Furthermore, the Committee is concerned that both the over-expenditure and the overdrawn bank accounts appear to have a single cause, that being an apparent lack of communication between HIC and its oversight department.

9.34 It is apparent to the Committee, from the explanations provided in HIC's most recent submission, that both parties are able to solve these problems as they arise, but these are simply band-aid measures - fixing the problem after it has arisen.²³ Submissions from the Commission did not indicate a proactive stance to potential communications problems. Consequently the Committee considers it appropriate for the Department and the Commission to ensure their communication protocols reduce the re-occurrence of 'communications breakdowns'.

21 HIC, *Submission*, p. S3918 (Vol. 13 of Submissions).

22 HIC, *Submission*, p. S3917 (Vol. 13 of Submissions).

23 HIC, *Submission*, pp. S3916-8 (Vol. 13 of Submissions).

IMMIGRATION AND ETHNIC AFFAIRS PORTFOLIO

Introduction

10.1 The immigration and ethnic affairs portfolio comprises the Department of Immigration and Ethnic Affairs (DIEA) and eight other bodies - two of which are statutory authorities.¹

10.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of six programs, as follows:

- Program 1: Population and Immigration Research;
- Program 2: Entry;
- Program 3: Citizenship;
- Program 4: Determination of Refugee Status;
- Program 5: Settlement and Ethnic Affairs; and
- Program 6: Corporate Services.²

10.3 In the period May 1991 to September 1992 the Auditor-General produced three reports on aspects of the performance of portfolio agencies.

10.4 The Department of Immigration and Ethnic Affairs was the subject of all of these audits, which were:

- *Audit Report No. 11, 1991-92, Department of Immigration and Ethnic Affairs: The Migration Program - Concessional Family and Independent Entrant Migration;*

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 143-145.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Immigration and Ethnic Affairs Portfolio*, Budget Related Paper No. 7.9, AGPS, Canberra, August 1993, p. 5.

- *Audit Report No. 46, 1991-92, Department of Immigration and Ethnic Affairs: Language Services; and*
- *Audit Report No. 52, 1991-92, Department of Immigration and Ethnic Affairs: Information Technology Management.*

10.5 In addition, the Auditor-General reported on the financial statements of the portfolio agencies and summarised the results of his performance audits in his reports on Ministerial Portfolios.

S i g n i f i c a n t I s s u e s

10.6 The Committee's examination of the Auditor-General's reports on the immigration and ethnic affairs portfolio revealed one issue which required further review:

- deficiencies in procedures relating to the use of the government credit card.

10.7 This issue was reported in *Audit Report No. 23, 1991-92, Aggregate and Departmental Financial Statement 1990-92*. The issue is summarised in Table 10.1 below.

10.8 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

10.9 Detailed comments on the agency responses, and the Committee's findings in relation to the issue, are contained in the sections after the table.

Table 10.1
Department of Immigration and Ethnic Affairs

Significant Matters	Initial Responses	Committee Review Action
<p>Australian Government Credit Card:</p> <p>Deficiencies with the use of credit cards (regular reconciliations, supporting documentation, number of unused cards on issue) were found in 1990-91 and 1991-92.³</p>	<p>Improved procedures were introduced.⁴</p>	<p>The Committee wrote to the Department asking for a report on progress in dealing with the problem.</p>

³ Auditor-General, *Audit Report No. 23, 1991-92, Aggregate and Departmental Financial Statements 1990-92*, AGPS, Canberra, 1992.

⁴ Department of Immigration and Ethnic Affairs, *Submission*, p. S2368 (Vol. 9 of Submissions).

Responses to Review Action

Australian Government Credit Card

10.10 In *Audit Report No. 23, 1991-92*, the Auditor-General drew attention to deficiencies in DIEA's procedures for the use of credit cards. In its initial submission to the Committee the department advised that improved procedures had been introduced and that a review of credit card use had been undertaken.⁵

10.11 Following the Committee's request for further information, DIEA advised that the review into credit card usage in the department had been completed in March 1993. The review had resulted in:

- a reduction in the number of credit card holders;
- recommendations to tighten the use of credit cards; and
- a reconciliation of the credit card accounts to avoid recurring overdraft balances.

10.12 The Department also advised that new guidelines for the use of departmental credit cards were issued on 30 September 1993. These required the training of prospective card holders, provided distinct lines of responsibility and accountability, and required program managers to monitor card usage and ensure approved acquittal procedures were followed.⁶

10.13 The Committee considers that DIEA's response adequately addresses the concerns raised in the audit report.

5 Department of Immigration, Local Government and Ethnic Affairs, *Submission*, p. S2388 (Vol. 9 of Submissions).

6 Department of Immigration and Ethnic Affairs, *Submission*, p. 4 of Sub 163 (Vol. 13 of Submissions).

10.14 The Committee notes that the Auditor-General has raised serious concerns about the operation of the Australian Government Credit Card system in a report tabled in December 1993.⁷ The Committee will give further and more detailed consideration to these issues in a later report.

⁷ Auditor-General, *Audit Report No. 21, 1993-94, Department of Finance - Australian Government Credit Card - its debits and credits*, AGPS, Canberra, 1993.

INDUSTRIAL RELATIONS PORTFOLIO

Introduction

11.1 The industrial relations portfolio comprises the Department of Industrial Relations (DIR) and 32 other bodies - 30 of which are statutory authorities.¹

11.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of three programs, as follows:

- Program 1: Industrial Relations Policy Development, Workplace Reform and Best Practice;
- Program 2: Public Sector Workplace Development and Services; and
- Program 3: Corporate Direction and Support.²

11.3 In the period May 1991 to September 1992 the Auditor-General produced one report on aspects of the performance of portfolio agencies.

11.4 The agency which was the subject of this report was Comcare and the report was:

- *Audit Report No. 4, 1991-92, COMCARE: Compensation Payments Operations; 1989-90 Financial Statement Audit; 1989-90 Annual Report Presentation.*

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 147-160.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Industrial Relations Portfolio*, Budget Related Paper No. 7.10, AGPS, Canberra, August 1993, pp. 10-11.

11.5 In addition, the Auditor-General reported on the financial statements of the portfolio agencies and summarised the results of his performance audits in his reports on Ministerial Portfolios.

S i g n i f i c a n t I s s u e s

11.6 The Committee's examination of the Auditor-General's reports on industrial relations portfolio agencies revealed two issues which required further review:

- the need to improve the management of long-term permanent incapacity cases; and
- the need to identify apparent over-servicing.

11.7 Each of these issues is summarised in Table 11.1 below.

11.8 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

11.9 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

Table 11.1
Industrial Relations Portfolio

Significant Matters	Initial Responses	Committee Review Action
<p>Comcare - Case Management:</p> <p>ANAO recommended that a system be implemented whereby all long-term permanent incapacity cases are reviewed on a cyclical basis to improve case management and to ensure that the level of documentation supporting ongoing determinations is more consistent.³</p>	<p>A strategy for the ongoing management of long term incapacity cases was being developed as part of a national project and a consultant's report on this was expected in early 1993.⁵</p>	<p>The Committee wrote asking for a report on progress in developing and implementing a strategy.</p>
<p>Comcare - Overservicing:</p> <p>ANAO recommended that formal controls be established to identify instances of apparent over-servicing.⁴</p>	<p>Comcare was examining cases of apparent overservicing and determining their causes and strategies for dealing with them.⁶</p>	<p>The Committee sought advice on progress in this matter.</p>

3 Auditor-General, *Audit Report No. 4, 1991-92, COMCARE: Compensation payment operations, 1989-90 Financial statement audit, 1989-90 Annual Report presentation*, AGPS, Canberra, 1992.

4 Auditor-General, *Audit Report No. 4, 1991-92*.

5 Department of Industrial Relations, *Submission*, p. S1350 (Vol. 6 of Submissions).

6 DIR, *Submission*, p. S1352 (Vol. 6 of Submissions).

Responses to Review Action

Comcare - Management of Long-Term Cases

11.10 In its initial submission DIR advised that:

*... a national project [was] currently being undertaken to review the strategy for the ongoing management of all long term cases. A consultant [had] been approached to assist [and was expected to report] by early 1993.*⁷

11.11 This advice was subsequently contradicted by Comcare. In a submission dated 22 October 1993, Comcare explained that a consultant had not been employed, but that a project team had been established to develop, test and evaluate methodologies for the review. The project ran from '1 April 1993 through 30 June 1993,' and Comcare intended to use the results of the project to conduct a 'thorough review of all its long-term incapacity recipients' during the 1993-94 financial year.⁸

11.12 Whilst having no qualms about the variation with the strategy employed by Comcare, or the fact that DIR appears to have provided misleading information, the Committee is concerned at the timeliness of a tangible response to the Auditor-General's recommendation. *Audit Report No. 4, 1991-92* was tabled on 15 August 1991, the initial response from DIR was over a year later, and Comcare's trial of strategies was commenced on 1 April 1993, more than 19 months after the report's tabling.

11.13 Although the actions outlined in the submission from Comcare constitute an adequate and satisfactory response to the concern raised in the audit report, steps should be taken to finalise the review quickly.

7 DIR, *Submission*, p. S1350 (Vol. 6 of Submissions).

8 Comcare, *Submission*, p. S3354 (Vol. 12 of Submissions).

11.14 Recommendation 7

Comcare should allocate sufficient resources to ensure that it completes its review of all long-term incapacity cases by the end of the 1993-94 financial year.

Comcare - Over-Servicing

11.15 Regarding the examination of apparent cases of overservicing, Comcare provided the Committee with details of the checks it is able to carry out on its PRACSYS computer system, which was installed in May 1993. The Committee was also advised of various liaison arrangements with other compensation schemes designed to identify patterns and practices requiring specific management strategies, and the training provided to staff under Comcare Australia's Fraud Control Strategy.⁹

11.16 The Committee considers that the systems and strategies developed by Comcare as outlined in its submission satisfy the concerns, raised by the ANAO.

⁹ Comcare, *Submission*, pp. S3356-7 (Vol. 12 of Submissions).

INDUSTRY, TECHNOLOGY AND REGIONAL DEVELOPMENT PORTFOLIO

Introduction

12.1 The industry, technology and regional development portfolio comprises the Department of Industry, Technology and Regional Development (DITARD) and 43 other bodies - 22 of which are statutory authorities.¹

12.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of 12 programs, as follows:

- Program 1: Department of Industry, Technology and Regional Development;
- Program 2: Industrial Property;
- Program 3: Australian Manufacturing Council;
- Program 4: National Standards;
- Program 5: Textiles, Clothing and Footwear;
- Program 6: Automotive Industry;
- Program 7: Anti-Dumping;
- Program 8: Marine Science;
- Program 9: Customs;
- Program 10: Nuclear Science and Technology;
- Program 11: Scientific and Industrial Research; and
- Program 12: Office of Northern Development.²

12.3 In the period May 1991 to September 1992 the Auditor-General produced five reports on aspects of the performance of portfolio agencies.

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 161-172.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Industry, Technology and Regional Development Portfolio*, Budget Related Paper No. 7.11, AGPS, Canberra, August 1993, pp. 8-10.

12.4 The agencies which were the subject of these audits were:

- Australian Customs Service;
- Commonwealth Scientific and Industrial Research Organisation; and
- Australian Institute of Marine Science.

12.5 The performance audits produced by the Auditor-General were:

- *Audit Report No. 27, 1990-91, Australian Customs Service - Diesel Fuel Rebate Scheme;*
- *Audit Report No. 1, 1991-92, Industry, Technology and Commerce Portfolio: Australian Customs Service;*
- *Audit Report No. 8, 1991-92, Commonwealth Scientific and Industrial Research Organisation: External Funds Generation;*
- *Audit Report No. 48, 1991-92, Australian Institute of Marine Science: External Funds Generation; and*
- *Audit Report No. 51, 1991-92, Industry, Technology and Commerce Portfolio: Australian Customs Service.*

12.6 In addition, the Auditor-General reported on the financial statements of the portfolio agencies and summarised the results of his performance audits in his reports on Ministerial Portfolios.

S i g n i f i c a n t I s s u e s

12.7 The Committee's examination of the Auditor-General's reports on industry, technology and regional development portfolio agencies revealed four issues which required further review:

- the qualification of the Financial Statements of the Australian Customs Service (ACS);

- delays by the ACS in implementing agreed recommendations relating to finalising cargo checks, introducing a training plan, updating manuals and preparing a national threat assessment;
- the rewriting of guidelines by the ACS relating to the Diesel Fuel Rebate Scheme; and
- the adequacy of DITARD's submission about the Commonwealth Scientific and Industrial Research Organisation's (CSIRO) generation of external funds.

12.8 Each of these issues is summarised in Tables 12.1 and 12.2 below.

12.9 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

12.10 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the tables.

Table 12.1
Industry, Technology and Regional Development Portfolio -
Australian Customs Service

Significant Matters	Initial Responses	Committee Review Action
<p>Qualification of Financial Statement:</p> <p>1989-90 and 1990-91 Financial Statements were qualified because ACS could not certify that all revenue due to it was received.³</p> <p>Other issues</p> <p>The slow pace with which the ACS was implementing ANAO recommendations in relation to:</p> <ul style="list-style-type: none"> . reducing delays in finalising cargo checks;⁴ . introducing a structured training plan, reviewing and updating ACS manuals;⁵ and . preparing a national threat assessment.⁶ 	<p>This resulted from the system of self-assessment used to calculate the revenue due. ACS believed the revenue leakage was not material.⁷</p>	<p>The Committee requested that ACS justify the statement that little revenue is lost through the self-assessment system.</p> <p>The Committee wrote expressing concern at the delay and requested a timetable for finalisation of action in response to recommendations.</p>

3 Auditor-General, *Audit Report No. 14, 1990-91 Aggregate Financial Statement, prepared by the Minister for Finance for the year ended 30 June 1990*, AGPS, Canberra, 1991; *Audit Report No. 23, 1991-92, Aggregate and Departmental Financial Statements 1990-91*, AGPS, Canberra, 1991.

4 Auditor-General, *Audit Report No. 32, 1989-90, Aggregate and Departmental Financial Statements 1988-89*, AGPS, Canberra, 1990.

5 Auditor-General, *Audit Report No. 1, 1991-92, Industry, Technology and Commerce: Australian Customs Service*, AGPS, Canberra, 1992.

6 Auditor-General, *Audit Report No. 51 of 1991-92, Industry Technology and Commerce Portfolio: Australian Customs Service*, AGPS, Canberra, 1992.

7 Australian Customs Service, *Submission*, p. S736 (Vol. 4 of Submissions).

Table 12.1 (continued)

Significant Matters	Initial Responses	Committee Review Action
<p>Diesel Fuel Rebate Scheme (DFRS):</p> <p>ANAO recommended that the eligibility guidelines be rewritten to provide more useful guidance to relevant officers.⁸</p> <p>New Customs Legislation</p> <p>Implementation of some of ANAO's recommendations concerning the DFRS, especially those relating to penalties, required amendments to legislation.⁹</p>	<p>The submission from ACS did not respond to this recommendation.¹⁰</p> <p>The legislation was being reviewed by the Australian Law Reform Commission.¹¹</p>	<p>The committee wrote, requesting a response.</p> <p>The Committee wrote, requesting information about progress with the review.</p>

8 Auditor-General, *Audit Report No. 27, 1990-91, Australian Customs Service: Diesel Fuel Rebate Scheme*, AGPS, Canberra, 1991.

9 Auditor-General, *Audit Report No. 27, 1990-91*.

10 ACS, *Submission*, pp. S749; S759-73 (Vol. 4 of Submissions).

11 ACS, *Submission*, p. S769 (Vol. 4 of Submissions).

Table 12.2
 Industry, Technology and Regional Development Portfolio -
 Commonwealth Scientific and Industrial Research Organisation

Significant Matters	Initial Responses	Committee Review Action
<p>External funds generation:</p> <p>ANAO made a large number of recommendations to improve CSIRO's ability to raise funds from external sources.¹²</p>	<p>The submission from DITARD providing an updated response to the matters raised by the Auditor-General did not address the ANAO recommendations and contained only general comment.¹³</p>	<p>The Committee wrote to CSIRO seeking information about specific actions taken in response to each ANAO recommendation.</p>

¹² Auditor-General, *Audit Report No. 8, 1991-92, The Commonwealth Scientific and Industrial Research Organisation: External Funds Generation*, AGPS, Canberra, 1992.

¹³ Department of Industry, Technology and Commerce, *Submission*, pp. S790-1 (Vol. 4 of Submissions).

Responses to Review Action

Australian Customs Service - Qualification of Financial Statement

12.11 The Australian National Audit Office (ANAO) qualified the ACS financial statements for 1989-90 and 1990-91 because it was unable to certify that the ACS had collected all of the customs duty owing to the Commonwealth. This situation arose as a result of the self-assessment procedures in place for the determination of liability for customs duty.

12.12 While the ACS accepted the audit qualification, it had argued that the leakage of revenue was not 'material'.¹⁴ In their submission to the Committee the ACS advised that they were within the standard for materiality established by the ANAO, which was 3% of revenue due.¹⁵

12.13 The ACS also described the control checks that were carried out to estimate the level of revenue leakage. This involved checks to ensure the accuracy of entries, as well as post entry audits. ACS concluded that the revenue leakage for 1991/92 was estimated to be between 0% and 0.5% of the nett customs duty collected, with a confidence limit of 90%.¹⁶

12.14 The Committee was also advised that the ACS self assessment system was supported by a 'stringent administrative penalty regime ... to deter non compliance'.¹⁷

12.15 The Committee is satisfied that the procedures described by ACS adequately address this issue.

14 ACS, *Submission*, p. S736 (Vol. 4 of Submissions).

15 ACS, *Submission*, pp. S3327, S3329 (Vol. 12 of Submissions).

16 ACS, *Submission*, p. S3329 (Vol. 12 of Submission).

17 ACS, *Submission*, p. S3328 (Vol. 12 of Submissions).

Australian Customs Service - Cargo Checks

12.16 Regarding the Committee's request for advice for a progress report in reducing delays in finalising cargo checks, the ACS submitted that there were 'now no substantial delays in finalising cargo checks.' A new national risk management scheme had recently been introduced which had 'expanded the number and scope of "real time" and immediate post event checks. ... greater emphasis [was] now placed on contemporaneous checking activities'.¹⁸

12.17 The Committee considers that the new procedures as outlined by the ACS have adequately addressed this issue.

Australian Customs Service - Introduction of a Training Plan

12.18 The ACS advised the Committee, in its submission dated 22 October 1993, that it had introduced a 'comprehensive training plan' for Contraband Enforcement Teams - the subject of the recommendation of the ANAO. The training consisted of formal class room courses, followed by supervised on-the-job training.¹⁹

12.19 The Committee is satisfied that this issue has been adequately addressed by the ACS.

Australian Customs Service - Manuals

12.20 In its audit report dated 13 August 1991, the ANAO had observed that an ACS manual had not been amended to reflect changed operating procedures following a joint ACS/Australia Post review of mail procedures.²⁰

18 ACS, *Submission*, p. S3323 (Vol. 12 of Submissions).

19 ACS, *Submission*, p. S3323 (Vol. 12 of Submissions).

20 Auditor-General, *Audit Report No. 1 of 1991-92*, p. 6.

12.21 The ACS advised in its submission of 22 October 1993, that the manual had now been updated and the revised manual was reprinted and distributed on 1 April 1993.²¹ The Committee notes the delay in responding in a tangible manner to the ANAO's observation.

12.22 ACS added that all but three of its 20 current manuals had been revised and reissued and that revision of the remainder was proceeding as a matter of priority. A working group had been set up to 'co-ordinate the overall structure of the ACS Manual Set and its future direction.'²²

12.23 Recommendation 8

The Australian Customs Service should allocate sufficient resources to ensure that:

- (a) the revision of its manuals is completed by the end of the 1993-94 Financial Year; and
- (b) the working group created by the Australian Customs Service complete its task and report by the end of the 1993-94 Financial Year.

Australian Customs Service - National Threat Assessment

12.24 In *Audit Report No. 51, 1991-92*, the ANAO referred to a recommendation made in a 1988 audit of the ACS' protective security procedures, that the ACS should prepare a national threat assessment. The ANAO noted that some four years later this assessment had still not been prepared.²³

12.25 Despite accepting the ANAO recommendation that a threat assessment be prepared, the ACS has shown little commitment to the task, as the following responses show:

21 ACS, *Submission*, p. S3323 (Vol. 12 of Submissions).

22 ACS, *Submission*, p. S3323 (Vol. 12 of Submissions).

23 Auditor-General, *Audit Report No. 51 of 1991-92*, pp. 16-7.

- the ACS response to the second audit report was that 'the development of a plan [to conduct a threat assessment] had commenced';²⁴
- the original submission to the Committee by DITARD on behalf of the ACS, stated that a national threat assessment commenced in early 1992 and would be completed in March 1993;²⁵ and
- the submission from the ACS, dated 22 October 1993, revealed that little of substance had been done on the assessment and that progress had been impeded 'initially by a lack of qualified staff and subsequently by the serious illness of the staff member tasked with the project.'²⁶

12.26 The latest advice to the Committee is that a protective security risk review, including a threat assessment would be completed in the 'near future.' ACS has suggested that 'some form of consultancy' might be necessary to accelerate the process. That option was to have been presented to the December 1993 meeting of the ACS Security Policy Committee.²⁷

12.27 The response by the ACS to the audit findings has not been adequate. It has been six years since the initial finding and ACS is still considering what steps should be taken to complete a national threat assessment.

12.28 If the ACS disagrees with the audit recommendation it should say so and be prepared to publicly defend its position. If the ACS agrees with the recommendation, as it has indicated, it should immediately assign a far greater priority to the matter than they have so far.

24 Auditor-General, *Audit Report No. 51 of 1991-92* p. 18.

25 DITAC, *Submission*, p. S753 (Vol. 4 of Submissions).

26 ACS, *Submission*, p. S3324 (Vol. 12 of Submissions).

27 ACS, *Submission*, p. S3324 (Vol. 12 of Submissions).

12.29 Recommendation 9

The ACS should devote sufficient resources to the task of conducting a national threat assessment to enable it to be completed by the end of calendar year 1994.

Australian Customs Service - Diesel Fuel Rebate Scheme

12.30 In *Audit Report No. 27, 1990-91*, the ANAO recommended that the eligibility guidelines for the Diesel Fuel Rebate Scheme should be rewritten.

12.31 The ACS advised the Committee that eligibility guidelines were constantly updated to reflect the results of Administrative Appeals Tribunal and Federal Court cases and that feedback from users had been positive. To complement the guidelines, training courses had been conducted in all regional offices during the second quarter of 1993 and that further training would be conducted as required.²⁸

12.32 The Committee considers that these practices adequately address the concerns raised by the ANAO.

Australian Customs Service - New Legislation

12.33 The review of legislation pertaining to the ACS was completed in April 1992 with additional comments being provided in July 1992.²⁹ The ACS has advised the Committee that a draft Cabinet submission proposing the passage of new customs legislation has been forwarded to the minister for his approval and circulation to Commonwealth departments. The ACS anticipated that a Bill would be presented to the Parliament late in 1994.³⁰

28 ACS, *Submission*, pp. S3325-6 (Vol. 12 of Submissions).

29 Australian Law Reform Commission, Report No. 60, *Customs and Excise* (3 vols); Report No. 61, *Administrative Penalties in Customs and Excise*

30 ACS, *Correspondence*, 21 January 1994.

12.34 The Committee will await the introduction of the new legislation with interest.

Commonwealth Scientific and Industrial Research Organisation

12.35 *Audit Report No.8, 1991-92* contained 31 recommendations concerning external funds generation by CSIRO. As part of its review of the audit, the Committee sought a submission from the relevant portfolio department, DITARD. DITARD's submission, dated 15 October 1992, was in the Committee's view, inadequate. The submission did not specifically address the audit recommendations and only contained general comments.³¹

12.36 The Committee subsequently sought and received a submission on the matter from CSIRO.³² The Committee is satisfied with CSIRO's positive response to the Auditor-General's recommendations.

31 When seeking submissions the Committee clearly requests that the submission should specifically address the recommendations within the audit report and includes with its correspondence guidelines for those making submissions.

32 See Commonwealth Scientific and Industrial Research Organisation, *Submission*, p. S3830 (Vol. 13 of Submissions).

PARLIAMENTARY DEPARTMENTS PORTFOLIO

Introduction

13.1 The parliamentary departments portfolio comprises the Departments of the Senate, the House of Representatives, the Parliamentary Reporting Staff, the Parliamentary Library and the Joint House Department.

13.2 In the period May 1991 to September 1992 the Auditor-General produced one report relevant to this portfolio:

- *Audit Report No. 6, 1991-92, Department of the Parliamentary Library: Review of Management.*

13.3 In addition, the Auditor-General reported on the financial statements of the portfolio agencies and provided details of his on-going audits in his reports on ministerial portfolios.

Comment

13.4 The Committee's examination of the audit reports on the parliamentary departments revealed no issues requiring further examination.

PRIMARY INDUSTRIES AND ENERGY PORTFOLIO

Introduction

14.1 The primary industries and energy portfolio comprises the Department of Primary Industries and Energy (DPIE) and 111 other bodies - 58 of which are statutory authorities.¹

14.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of four programs, as follows:

- Program 1: Industries Development;
- Program 2: Industry and Community Services;
- Program 3: Research and Assessment; and
- Program 4: Corporate Management and Policy.²

14.3 In the period May 1991 to September 1992 the Auditor-General produced three reports on aspects of the performance of portfolio agencies.

14.4 The Department of Primary Industries and Energy was the subject of all of these audits, which were:

- *Audit Report No. 26, 1991-92, Program Evaluation in the Departments of Social Security and Primary Industries and Energy;*
- *Audit Report No. 35, 1991-92, Department of Primary Industries and Energy: Australian Quarantine Inspection Service Quarantine Division; and*
- *Audit Report No. 47, 1991-92, Energy Management of Commonwealth Buildings.*

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 77-87.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Primary Industries and Energy Portfolio*, Budget Related Paper No. 7.12, AGPS, Canberra, August 1993, pp. 6-7.

14.5 In addition, the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of his on-going audits in his reports on ministerial portfolios.

Significant Issues

14.6 The Committee's examination of the Auditor-General's reports on primary industries and energy portfolio agencies revealed three issues which required further review:

- tardiness in rectifying deficiencies identified in the 1990-91 financial audit of DPIE;
- the use of risk analysis, performance reporting, and progressive billing by the Australian Quarantine and Inspection Service (AQIS); and
- the energy management of Commonwealth buildings.

14.7 Each of these issues is summarised in Table 14.1 below.

14.8 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

14.9 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

Table 14.1
Primary Industries and Energy Portfolio

Significant Matters	Initial Responses	Committee Review Action
<p>Financial Statement Deficiencies:</p> <p>The deficiencies identified in the 1990-91 financial audit of DPIE, had not been rectified a year later.³</p> <p>AQIS - Quarantine Division:</p> <p>ANAO recommended the use of risk analysis to guide resource allocation for inspections, with reports on the effectiveness of detection procedures being prepared to guide State operations and provide performance information to Parliament.</p> <p>It was possible that substantial losses through bad debts would be incurred unless a direct billing system was introduced for export inspection and quarantines services.⁴</p>	<p>Recommendations were accepted and remedial action was undertaken.⁵</p> <p>Risk analysis would be used increasingly to target quarantine operations. AQIS experts would be examining issues identified in recent reviews.</p> <p>Performance indicators were still to be settled pending allocation of activities to government business.</p> <p>Direct billing was under consideration.⁶</p>	<p>The Committee wrote to the department expressing concern and requested advice on progress in resolving the problems.</p> <p>The Committee wrote to AQIS expressing concern and seeking a progress report.</p>

3 Auditor-General, *Audit Report No. 23, 1991-92, Aggregates and Departmental Financial Statements 1990-91*, AGPS, Canberra, 1992; *Audit Report No. 29, 1992-93, Aggregate and Departmental Financial Statements 1991-92*, AGPS, Canberra, 1993.

4 Auditor-General, *Audit Report No. 35, 1991-92, Department of Primary Industries and Energy Australian Quarantine Inspection Service Quarantine Division*, AGPS, Canberra, 1992.

5 Department of Primary Industries and Energy, *Submission*, pp. S887-9 (Vol. 4 of Submissions).

6 Australian Quarantine Inspection Service, *Submission*, pp. S842, S846, S847A (Vol. 4 of Submissions).

Table 14.1 (continued)

Significant Matters	Initial Responses	Committee Review Action
<p>Energy management of Commonwealth buildings:</p> <p>ANAO recommended there be departmental energy management plans with:</p> <ul style="list-style-type: none"> . DPIE assisting departments to develop them and approving and monitoring them. 	<p>Recommendation agreed by Government, except for the need for DPIE to approve plans. However the department would analyse annual reporting on this issue to assess overall progress.</p>	<p>The Committee noted the Government response.</p>
<ul style="list-style-type: none"> . DPIE proposing to Government that departments should spend a fixed percentage of their energy budgets on efficiency improvement. 	<p>Recommendation rejected by Government.⁸</p>	<p>The Committee noted the response.</p>
<p>ANAO recommended more specific guidelines for annual reporting by departments on energy related issues.</p>	<p>Guidelines for annual reporting was being reviewed to reduce the overlap with program performance statements. In the interim, DPIE's short version guidelines for reporting energy issues had been distributed to agencies.⁹</p>	<p>The Committee intends to monitor this issue as part of its involvement in the development of annual reporting guidelines.</p>

7 Auditor-General, *Audit Report No. 47 of 1991-92, Energy Management of Commonwealth Buildings*, AGPS, Canberra, 1992.

8 DPIE, *December 1992 Quarterly Return to the Minister for Finance*, p. 12.

9 DPIE, *Submission*, p. S833A (Vol. 4 of Submissions).

Responses to Review Action

Financial Statement Deficiencies

14.10 On 25 October 1993, the Committee received advice from DPIE which detailed the reasons for the deficiencies and the steps that had been taken to rectify them. The Committee is satisfied with the Department's response, which indicated that problems with loan waivers, loan guarantees and administration of the War Service Land Settlement Scheme had been solved.¹⁰

AQIS - Quarantine Division, Risk Analysis

14.11 In *Audit Report No. 35, 1991-92*, the Auditor-General advocated greater emphasis on risk analysis to determine resource allocation and recommended that this information be made available to state agency managers and the Parliament. Whilst the submission from DPIE of 19 October 1992 had indicated that this issue was still under examination,¹¹ a later submission from AQIS, dated 18 October 1993, advised that both recommendations had been implemented. In their submission AQIS described several initiatives that had been taken. The Committee was also advised that information on AQIS's risk analysis and resource allocation had been included in the *DPIE Annual Report 1992-93* and the *AQIS Report to Clients, 1992-93*.¹²

14.12 The Committee is satisfied with the response from AQIS on this issue.

10 DPIE, *Submission*, pp. S3407-11 (Vol. 12 of Submissions).

11 DPIE, *Submission*, pp. S842-3 (Vol 4 of Submissions).

12 AQIS, *Submission*, p. S3384 (Vol. 12 of Submissions).

AQIS - Quarantine Division, Performance Indicators

14.13 In *Audit Report No. 35, 1991-92*, the Auditor-General also recommended that AQIS should develop performance measures and indicators to demonstrate that effective management and value for money was being achieved. The initial response from DPIE was that 'when the allocation of activities to government business has been agreed ... performance indicators for those activities will be settled.'¹³

14.14 One year later the response from AQIS was essentially the same, although it added that 'in the meantime the development of performance indicators for activities which may be described as government business is being addressed in the AQIS Business Plan for 1993/94.' AQIS stated that the audit recommendation was 'substantially implemented.'¹⁴

14.15 AQIS has subsequently advised the Committee that its Operational Program Statements incorporate objectives and performance indicators for each program. AQIS also provided a draft business plan to the Committee, which identified government business as an item for each AQIS activity. AQIS added that work on the draft business plan would resume when the restructuring package announced in the 1993-94 Budget had been completed.¹⁵

14.16 The Committee is satisfied with the response from AQIS' on this issue.

AQIS - Quarantine Division, Direct Billing

14.17 The response from DPIE in October 1992 was that direct billing for export inspection and quarantine was being considered in the development of a billing policy for AQIS

13 DPIE, *Submission*, p. S846 (Vol. 4 of Submissions).

14 AQIS, *Submission*, p. S3393 (Vol. 12 of Submissions).

15 AQIS, *Correspondence*, 23 February 1994.

which had also been subject to ANAO recommendations.¹⁶ The department advised that a final policy 'is nearing completion.'¹⁷

14.18 In October 1993, AQIS advised that direct billing procedures for export inspection and quarantine were expected to be introduced in conjunction with a new billing policy. A draft policy had been circulated to AQIS and state management for comment, but it was not expected that the revised policy would be in place before January 1994.¹⁸

14.19 AQIS has subsequently advised the Committee that in December 1993 it introduced a 'new debt management policy and associated procedures designed specifically to minimise outstanding debt and to ensure prompt collection of monies due.' The agency was also trialing the use of electronic funds transfer arrangements for payment of some fees.¹⁹

14.20 The Committee considers that this issue has been adequately addressed by AQIS.

AQIS - Quarantine Division, Other Issues

14.21 The Committee commends the positive response by AQIS to the 69 recommendations made by the Auditor-General but notes that four require legislative amendment. The submission from AQIS dated 18 October 1993 contained advice that legislation in respect of three of the recommendations 'had drafting priority for introduction in [the] Budget 93 sittings.'²⁰

16 Recommendation 45 advocated a detailed examination of debt management policies, recommendation 46 advocated the expediting of the search for a new debt management system to be established nationally, and recommendation 52 advocated direct billing for export inspection and quarantine services. All recommendations had been agreed to.

17 DPIE, *Submission*, pp. S846A, S847A (Vol. 4 of Submissions).

18 AQIS, *Submission*, pp. S3393, S3397 (Vol. 12 of Submissions).

19 AQIS, *Correspondence*, 23 February 1994.

20 AQIS, *Submission*, p. S3373 (Vol. 12 of Submissions).

14.22 The Committee has received further advice from AQIS on this matter which indicated that issues referred to in two of the recommendations had been included in one of the two Bills proposed to replace the *Quarantine Act 1908*. Unfortunately, when it became clear in 1993 that this new legislation would require additional drafting resources, particularly for subordinate legislation, the then Minister agreed in October 1993 to defer indefinitely further work on the Bills.

14.23 AQIS added however, that amendments to the Quarantine Act which were expected to be introduced to the 1993-94 Budget Session of Parliament would accommodate three of the four audit report recommendations. The fourth recommendation, concerning on the spot fines, raised 'a number of complex policy and operational issues' which required attention. AQIS advised that resolution of these issues would be pursued as soon as resources allowed.²¹

14.24 The Committee appreciates that the issues may be complex, but notes that the audit report was tabled in May 1992. This delay is excessive and the Committee considers that AQIS should commit itself to finalising this outstanding issue. In drawing its conclusion the Committee is mindful of the restructuring of AQIS which is presently occurring.

14.25 Recommendation 10

AQIS should allocate sufficient resources to ensure that its review of the feasibility of introducing on the spot fines is completed by October 1994.

21 AQIS, *Correspondence*, 23 February 1994.

PRIME MINISTER AND CABINET PORTFOLIO

Introduction

15.1 The Prime Minister and Cabinet portfolio comprises the Department of the Prime Minister and Cabinet and 32 other bodies - 22 of which are statutory authorities.¹

15.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of eight programs, as follows:

- Program 1: Departmental Policy Co-ordination;
- Program 2: Government Support Services;
- Program 3: Special Policy & Program Functions;
- Program 4: Corporate Services;
- Program 5: Governor-General;
- Program 6: Portfolio Policy Advising Agencies;
- Program 7: Public Administration & Accountability;
- Program 8: Aboriginal & Torres Strait Islander Affairs²

15.3 In the period May 1991 to September 1992 the Auditor-General produced one report on aspects of the performance of portfolio agencies. This agency was the Aboriginal and Torres Strait Islander Commission (ATSIC).

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 217-228.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Prime Minister and Cabinet Portfolio*, Budget Related Paper No. 7.13A, AGPS, Canberra, August 1993, p. 7.

15.4 The performance audit produced by the Auditor-General was:

- *Audit Report No. 12, 1990-91, Aboriginal and Torres Strait Islander Commission - Community Development Employment Projects.*

15.5 In addition, the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of on-going audits in his reports on ministerial portfolios.

Audit Reports Reviewed by Other Parliamentary Committees

15.6 On 4 December 1990 the House of Representatives resolved to refer *Audit Report No. 12, 1990-91* to the House of Representatives Standing Committee on Aboriginal Affairs.³ The Committee tabled its findings on 13 May 1991.⁴

Significant Issues

15.7 The Committee's examination of the Auditor-General's reports on Prime Minister and Cabinet portfolio agencies revealed two issues which required further review:

- the qualification for several years of the Community Development Employment Projects (CDEP) Scheme administered by ATSIC; and
- the failure to follow ATSIC rules in the administration of grants.

15.8 Each of these issues is summarised in Table 15.1 below.

3 House of Representatives, *Votes and Proceedings*, 1990-93, AGPS, Canberra, 1990, p. 393.

4 House of Representatives Standing Committee on Aboriginal, *Review of Audit Report No. 12, 1990-91 on Community Development Employment Projects*, AGPS, Canberra, 1991.

15.9 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

15.10 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

Table 15.1
Prime Minister and Cabinet Portfolio

Significant Matters	Initial Responses	Committee Review Action
<p>Aboriginal and Torres Strait Islander Commission (ATSIC)</p> <p>Community Development Employment Projects Scheme:</p> <p>Audits have been qualified for the 1988-89, 1989-90, 1990-91 financial years because payments had been made without adequate verification.⁵</p> <p>Grants administration:</p> <p>Failure to follow Commission rules and procedures were noted by the Auditor-General.⁶</p>	<p>New procedures were introduced and continuing changes were being made, including the introduction of new information technology systems.⁷</p> <p>New procedures were introduced, staff appointed and trained, and internal audit enhanced.⁸</p>	<p>The Committee called officers of ATSIC to a public hearing to explore the problems being experienced and the progress being made to resolve them.</p>

5 Auditor-General, *Audit Report No. 32 1989-90, Aggregate and Departmental Financial Statements 1988-89* AGPS, Canberra, 1990; *Audit Report No. 20, 1990-91, Report on Ministerial Portfolio: Autumn Sitings 1991*, AGPS, Canberra, 1991; *Audit Report No. 7, 1991-92, Report on Ministerial Portfolios: Budget Sitings 1991*, AGPS, Canberra, 1992; *Audit Report No. 1, 1992-93, Report on Ministerial Portfolios: Budget Sitings 1992*, AGPS, Canberra, 1993.

6 Auditor-General, *Audit Report No. 7, 1991-92, Audit Report No. 1, 1992-93*.

7 Aboriginal and Torres Strait Islander Commission, *Submission*, pp. S2066-7; S2072 (Vol. 8 of Submissions).

8 ATSIC, *Submission*, pp. S2075-6 (Vol. 8 of Submissions).

Responses to Review Action

Review Action - Introduction

15.11 The Auditor-General has made many adverse findings in relation to the performance of ATSIC. The administration of the CDEP scheme, the veracity of ATSIC's financial statements, internal lines of responsibility for other grants programs, and ATSIC's supervision of subsidiary companies have all been questioned in recent audit reports.

15.12 In view of these findings, and the fact that ATSIC spends a significant amount of public money (in 1992-93 ATSIC's total outlays were \$823m⁹), the Committee called officers from ATSIC to a public hearing on 25 October 1993.

15.13 ATSIC's financial statements have been qualified for two reasons. First, because the Auditor-General found that there was not a reasonable assurance that all CDEP grants had been made to eligible participants. Secondly, because of the absence, or partial nature, of financial returns from some of ATSIC's subsidiary companies.¹⁰

Review Action - Community Development Employment Projects

15.14 The CDEP scheme was designed as an alternative to unemployment benefits. Under the scheme Aboriginal people or specific interest groups, within rural and remote communities where there are no alternative employment prospects, can receive a benefit in return for participating in community development activities. The CDEP Project and Program Guide

9 ATSIC, *Program Performance Statements 1993-94*, p. 23.

10 Auditor-General, *Audit Report No. 1, 1992-93*, pp. 104-5.

makes it mandatory that CDEP recipients provide and certify a participant schedule to ATSIIC within four weeks prior to the commencement of each quarter.¹¹

15.15 The Committee noted that the Auditor-General had qualified the CDEP scheme every financial year since 1987-88.¹² The qualifications were due to inadequate controls over the completeness of CDEP documentation and resulting payments.¹³ In its annual report ATSIIC had acknowledged that it was unable to verify that all payments to communities were based on accurate participating schedules.¹⁴

15.16 At the hearing, officers from ATSIIC advised the Committee that it was difficult to keep track of CDEP participants, as Aboriginal communities were very mobile.¹⁵ The Committee was advised that this problem was being addressed through a census of all participants and projects in the scheme. The census was being carried out in conjunction with the Department of Social Security and aimed to provide reliable information to be cross referenced with the participant schedules. On completion of the census, a system of spot checking would be introduced to obviate the need for frequent and comprehensive surveys.¹⁶

15.17 At the hearing the General Manager of ATSIIC's Economic Division, Mr Ronald Morony, informed the Committee that the census was three quarters completed and indicated some of the results that were emerging. Contrary to ATSIIC's expectations that a substantial number of CDEP participants might be receiving Jobsearch or Newstart allowance as well as CDEP payment, the level of this 'double dipping' was only of

11 ATSIIC, *Exhibit*, p. K724, (Vol. 3 of Exhibits).

12 ATSIIC, *Transcript*, p. 37 (Canberra, 25 October 1993).

13 Auditor-General, *Audit Report No.1 of 1992-93*, p. 104.

14 ATSIIC, *Annual Report 1990-91*, p. 154.

15 ATSIIC, *Transcript*, p. 18 (Canberra, 25 October 1993).

16 ATSIIC, *Transcript*, p. 18 (Canberra, 25 October 1993).

the order of 1%. However, a significant number of those surveyed, some 11%, were in fact not claiming their full entitlements.¹⁷

15.18 At the Committee's hearing the Chief Executive Officer of ATSIC, Dr Peter Shergold, expressed the concern felt in some Aboriginal communities about the accountability demands of the CDEP program. He explained that in communities where there is no work, individuals will receive unemployment benefits - 'sit down money'. Yet if those same individuals decided that they would work on community enterprises they were soon confronted by field officers 'with their clipboards and their participant schedules and their wanting to know the details of how every dollar was spent'.¹⁸

15.19 While the Committee understands this view, it is important that all moneys spent by Commonwealth agencies be properly accounted for. If Dr Shergold's anecdote reveals anything it is that controls in relation to the payment of unemployment benefit should be adhered to, rather than indicating that controls in relation to CDEP payments should be relaxed.

Review Action - Financial Statements of Subsidiary Companies

15.20 *Audit Report No.1, 1992-93* drew attention to the financial statements of two of ATSIC's subsidiary companies. The financial statement of the Morr Morr Pastoral Company Pty Ltd had been qualified because the company had not conducted a stock take of cattle by 30 June 1991, whilst the other company, Baruwei Enterprises Pty Ltd had not submitted audited financial statements. The audit report added that the latter company had subsequently ceased trading.¹⁹

17 ATSIC, *Transcript*, p. 18-9 (Canberra, 25 October 1993).

18 ATSIC, *Transcript*, p. 41 (Canberra, 25 October 1993).

19 Auditor-General, *Audit Report No. 1, 1992-93*, p. 105.

15.21 In relation to Morr Morr Pastoral Company, ATSIC advised the Committee, in a submission dated 12 November 1992, that the numbers of livestock held by the Company had been progressively ascertained during 1992 as part of the Brucellosis and Tuberculosis Eradication Campaign program.²⁰ This is an adequate and appropriate response.

15.22 Concerns about the operation and financial performance of Baruwei Enterprises were raised with ATSIC at the hearing on 25 October 1993. The Committee was particularly concerned about loans totalling \$2.9m which had been extended to Baruwei Enterprises against security of less than \$1m.²¹ The questions posed by the Committee were taken on notice.

15.23 ATSIC explained in a subsequent submission that the \$2.9m represented the balance remaining on a total of eight loans made from 24 November 1978 to 1 July 1988 to establish the company as a wholesaler and supermarket operator. The loans were first made by the Aboriginal Loans Commission and then by the Aboriginal Development Commission.²² At the time of approval each loan was 'deemed to be covered by adequate security.' In March 1989 the Aboriginal Development Commission had decided to liquidate the company and at 30 June 1992 the remaining value of assets held as security amounted to less than \$1m.²³

15.24 The Committee acknowledges that this is largely an inherited problem for ATSIC - the decisions taken in relation to Baruwei were not ATSIC's, but those of its predecessors. There is little ATSIC can do but sell the remaining assets of the company and write off the balance of the loan which it is seeking to do.²⁴ The Committee also notes the comments by Mr Robert Beadman, the General Manager of ATSIC's Corpo-

20 ATSIC, *Submission*, p. S2081 (Vol. 8 of Submissions).

21 Auditor-General, *Audit Report No. 1, 1993-94, Report on Ministerial Portfolios Budget Sitings Vol. 3*, AGPS, Canberra, 12993, pp. 7-8.

22 ASTIC, *Transcript*, p. 31 (Canberra, 25 October 1993).

23 ATSIC, *Submission*, p. S3868 (Vol. 13 of Submissions).

24 ATSIC, *Submission*, p. S3869 (Vol. 13 of Submissions).

rate Services Division, that there was not as strict an insistence on commercial viability in loans extended before the establishment of ASTIC.²⁵ The financial loss associated with *Baruwei Enterprises* highlights the importance of adopting a commercial approach in the marketing of loans. This requirement is embedded in ATSIK's enabling legislation and the Committee expects that future loans to subsidiary companies will have a more secure basis than those extended to *Baruwei Enterprises*.

Review Action - Grants Administration

15.25 In 1992-93, ATSIK made more than 6 000 grants to over 1 500 ATSIK organisations, the payments totalling \$624m.²⁶

15.26 The Auditor-General's review of the administration of housing and CDEP grants, revealed a number of general weaknesses in administration and some specific instances where the Commission's rules and procedures had not been followed. Despite the identification of non-compliance of grant conditions by some recipients, the Commission had continued to release grant funds and not take action to recover outstanding grant monies as required under its legislation.²⁷

15.27 ATSIK advised the Committee that it took the Auditor-General's concerns very seriously and that its positive attitude had been remarked upon by the ANAO when that organisation had appeared before a Senate estimates committee. Officers from ATSIK also advised the Committee that the Commission had implemented new grant administration procedures, had restructured and reformed the Business Funding scheme and had sought to tighten accountability in the amendments to the ATSIK Act.²⁸

25 ATSIK, *Transcript*, p. 31 (Canberra, 25 October 1993).

26 ATSIK *Transcript*, p. 5 (Canberra, 25 October 1993).

27 Auditor-General, *Audit Report No. 7 of 1991-92*, p. 40.

28 ATSIK *Transcript*, pp 33-4 (Canberra, 25 October 1993).

15.28 The Committee was advised that ATSIC considered its accountability regime to be of the highest standard and 'already a number of key organisations [had] seen their applications for future funding rejected because of their inability to meet ATSIC's standards.'²⁹

15.29 The Committee notes ATSIC's positive response to the Auditor-General's concerns and trusts that the results of these responses will be reflected in future reports of the Auditor-General.

Review Action - Doubtful Debts

15.30 ATSIC has interests in various subsidiary companies 'acquired to enable Aboriginals and Torres Strait Islanders to engage in business enterprises and not necessarily acquired as a commercial investment.'³⁰ Several companies have ceased trading and have been wound up resulting in substantial losses to ATSIC. The case of Baruwei Enterprises Pty Ltd, was mentioned earlier.

15.31 In its written submission, ATSIC advised that in early 1993 it had undertaken a review of its subsidiary companies and other entities, and that this resulted in 'a reduction of approximately \$4.7 million in the carrying value of these assets.'³¹ In ATSIC's 1991-92 annual report it disclosed that the investment value in various entities was \$11.11 million.³²

15.32 The Committee notes that this issue forms part of the reference of an inquiry being conducted by the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs. This committee has undertaken an inquiry relating to *Audit Report No. 36, 1992-93* and the sections within *Audit Report No. 1, 1993-94* relating to the

29 ATSIC *Transcript*, p. 7 (Canberra, 25 October 1993).

30 Auditor-General, *Audit Report No. 1, 1992-93*, p. 105.

31 ATSIC, *Submissions*, p. S3870 (Vol. 13 of Submissions).

32 ATSIC *Annual Report 1991-92*, Note 12.

Commission.³³ This latest report refers to the CDEP Program, enterprise funding, housing loans and investments in controlled and related entities. The Committee will await with interest the findings of that inquiry.

15.33 During the hearing the issue was raised of the level of debts owing to ATSI's Business Funding Scheme (BFS). This scheme facilitates the acquisition, ownership and development of enterprises to promote economic independence of Aboriginal and Torres Strait Islander people. The BFS was reviewed during 1992-93 with the aim of improving the scheme's effectiveness and a revised scheme was launched in July 1993.³⁴

15.34 In *Audit Report No. 1, 1992-93*, the Auditor-General had identified various problems with the scheme, including that loans arrears not being regularly monitored and that appropriate remedial action had not been taken promptly.³⁵ ATSI advised the Committee that an Arrears Task Force had been established in February 1993 with the aim of reducing the number of loans in arrears. Within nine months, the task force had reduced the loans in arrears from \$4.9 million to \$2.3 million.³⁶

15.35 The Committee was also advised that ATSI had taken action over debts relating to its housing loans and that the total loans written off since 1974 was less than half a percent of all home loan funds revised over those 19 years. ATSI added, in its supplementary submission, that its procedures require that 'strenuous efforts are made to enforce payment of [any] remaining debt before a loan write off can occur.'³⁷

33 Auditor-General, *Audit Report No. 1, 1993-94*, Vol. 3, pp. 5-9.

34 ATSI, *Submission*, p. S3871 (Vol. 13 of Submissions).

35 Auditor-General, *Audit Report No. 1 of 1992-93*, pp. 106-7.

36 ATSI, *Submission*, p. S3871 (Vol. 13 of Submissions).

37 ATSI, *Submission*, p. S3867 (Vol. 13 of Submissions).

15.36 The Committee considers that ATSIIC has taken appropriate steps to reduce its doubtful debts. The reduction in the provision of doubtful debts of \$1.154m in 1990-91 compared to \$0.139m in 1991-92³⁸ is evidence of ATSIIC's efforts. Nevertheless, it is a matter to which continuing attention should be paid.

General Comment on ATSIIC Scrutiny

15.37 In his opening statement at the Committee's hearing, Dr Peter Shergold, Chief Executive Officer of ATSIIC, remarked that some of his key managers 'feel that they are being audited and evaluated and improved almost to a standstill.' In the last three years ATSIIC's Office of Evaluation and Audit had undertaken over 170 evaluations or audits, and made some 6 000 recommendations to improve administration. This was in addition to the audits undertaken by the Australian National Audit Office.³⁹

15.38 The work of the Office of Evaluation and Audit is commendable and is evidence of ATSIIC's determination to establish and maintain satisfactory accountability standards. However, the number of recommendations made by the office and the concerns expressed by the ANAO over the last three years indicate that continued monitoring is required and that further improvement can be anticipated.⁴⁰

38 ATSIIC, *Annual Report 1991-92*, Note No. 26.

39 ATSIIC, *Transcript*, pp. 6-7 (Canberra, 25 October 1993).

40 The Committee understands that ATSIIC's financial statements for 1992-93 have again been qualified and that the qualification again concerns the CDEP.

Introduction

16.1 The social security portfolio comprises the Department of Social Security (DSS) and six other bodies - two of which are statutory authorities.¹

16.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of six programs, as follows:

- Program 1: Income Security for the Retired;
- Program 2: Income Security for People with Disabilities and the Sick;
- Program 3: Income Security for the Unemployed;
- Program 4: Income Security for Families with Children;
- Program 5: Provisions for Special Circumstances; and
- Program 6: Corporate and Other Services.²

16.3 In the period May 1991 to September 1992 the Auditor-General produced eight reports on aspects of the performance of portfolio agencies.

16.4 The Department of Social Security was the subject of all of these audits, which were:

- *Audit Report No. 30, 1990-91, Department of Social Security: Age Pension Sub-Program, Income and Assets Testing and Real Estate;*

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 231-232.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Social Security Portfolio*, Budget Related Paper No. 7.14, AGPS, Canberra, August 1993, pp. 9-10.

- *Audit Report No. 5, 1991-92, Department of Social Security: Family Allowance Supplement - Income and Assets Testing;*
- *Audit Report No. 10, 1991-92, Departments of Social Security and Employment, Education and Training: Administration of the Work Test for Unemployment Benefit and Department of Social Security: Computer System for Unemployment and Sickness Benefit;*
- *Audit Report No. 19, 1991-92, Department of Social Security: Operational performance monitoring and Sickness Benefit;*
- *Audit Report No. 26, 1991-92, Program Evaluation in the Departments of Social Security and Primary Industries and Energy;*
- *Audit Report No. 32, 1991-92, Department of Social Security: Review and Appeals - Adelaide Office of the Social Security Appeals Tribunal;*
- *Audit Report No. 40, 1991-92, Department of Social Security, Systems for the Detection of Overpayments and the Investigation of Fraud; and*
- *Audit Report No. 44, 1991-92, Department of Social Security: Entitlement Checks in Localities with Community Development Employment Projects.*

16.5 In addition, the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of on-going audits in his reports on ministerial portfolios.

Audit Reports Reviewed by Other Parliamentary Committees

16.6 On 24 June 1992 the House of Representatives resolved to refer *Audit Report No. 40, 1991-92* to the House of Representatives Standing Committee on Banking, Finance and Public Administration.³

³ House of Representative, *Votes and Proceedings, 1990-93*, AGPS, Canberra, 1992, p. 1570.

Responses to Review Action

The Committee's Review

16.7 The Committee's view is that the responses of the agencies within this portfolio satisfy the issues raised in the audit reports.

The Banking, Finance and Public Administration Committee's Review

16.8 The Banking, Finance and Public Administration Committee considered *Audit Report No. 40, 1991-92* as part of its broader inquiry into *Fraud on the Commonwealth*. On 25 November 1993 the Banking Committee tabled its report *Focusing on Fraud, Report of the Inquiry into Fraud on the Commonwealth*. The Committee is of the view that the Banking Committee's report gives appropriate consideration to the matters raised in *Audit Report No. 40, 1991-92*. The Committee does not propose at this time to further review the matters.

TRANSPORT AND COMMUNICATIONS PORTFOLIO

Introduction

17.1 The transport and communications portfolio comprises the Department of Transport and Communications and 30 other bodies - 21 of which are statutory authorities.¹

17.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of six programs, as follows:

- Program 1: Aviation;
- Program 2: Broadcasting;
- Program 3: Communications;
- Program 4: Land Transport;
- Program 5: Maritime; and
- Program 6: Corporate Direction and Support.²

17.3 In the period May 1991 to September 1992 the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of his on-going audits in his reports on ministerial portfolios, but produced no reports on aspects of the performance of portfolio agencies.

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 235-244.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Transport and Communications Portfolio*, Budget Related Paper No. 7.16, AGPS, Canberra, August 1993, pp. 9-11.

C o m m e n t

17.4 As noted earlier (see Chapter 2) the Committee is presently conducting an inquiry into the commercialisation of public sector operations. This inquiry is, in part, examining the operations of the Civil Aviation Authority and the Federal Airports Corporation. The results of the Committee's inquiry will be reported separately.

TREASURY PORTFOLIO

Introduction

18.1 The Treasury portfolio comprises the Department of the Treasury and 16 other bodies - 11 of which are statutory authorities.¹

18.2 All organisations, including the department, fall within the program structure adopted for the portfolio, which currently consists of eight programs, as follows:

- Program 1: Economic Policy;
- Program 2: Financial System;
- Program 3: Payments to or for Other Levels of Government;
- Program 4: Corporate Services - Departmental;
- Program 5: Australian Bureau of Statistics;
- Program 6: Taxation Administration;
- Program 7: Industry Commission; and
- Program 8: Trade Practices Commission.²

18.3 In the period May 1991 to September 1992 the Auditor-General produced six reports on aspects of the performance of portfolio agencies.

18.4 The agencies which were the subject of these audits were:

- the Australian Bureau of Statistics;
- the Health Insurance Commission; and
- the Royal Australian Mint.

1 Senate Standing Committee on Finance and Public Administration, *List of Commonwealth Bodies*, AGPS, Canberra, June 1993, pp. 279-285.

2 For a description of the activities encompassed by these programs see: *Program Performance Statements 1993-94, Treasury Portfolio*, Budget Related Paper No. 7.17, AGPS, Canberra, August 1993, pp. 3-4.

18.5 The performance audits produced by the Auditor-General were:

- *Audit Report No. 28, 1991-92, Australian Taxation Office: Prescribed Payments System;*
- *Audit Report No. 29, 1991-92, Australian Taxation Office: Conversion of Automated Production Systems;*
- *Audit Report No. 30, 1991-92, Australian Taxation Office: Attendances and Absences;*
- *Audit Report No. 31, 1991-92, Australian Taxation Office: Use and Management of Consultants;*
- *Audit Report No. 33, 1991-92, Australian Taxation Office: Administration of Fringe Benefits Tax; and*
- *Audit Report No. 36, 1991-92, Australian Taxation Office: Procedures for Managing the Economic Policy Program;*

18.6 In addition, the Auditor-General reported on the financial statements of the portfolio agencies, and provided details of his on-going audits in his reports on ministerial portfolios.

S i g n i f i c a n t I s s u e s

18.7 The Committee's examination of the Auditor-General's reports on Treasury portfolio agencies revealed three issues which required further review:

- weaknesses in the maintenance of accounts and records by the Australian Bureau of Statistics;
- failure to perform regular reconciliations of management systems by the Insurance and Superannuation Commission; and
- weaknesses in the maintenance of various management systems and the coin collection by the Royal Australian Mint.

18.8 Each of these issues is summarised in Table 18.1 below.

18.9 The table also contains information outlining the initial response of the relevant agencies to the Committee's request for comments, and indicates what, if any, further review action the Committee has taken.

18.10 Detailed comments on the agency responses, and the Committee's findings in relation to each issue, are contained in the sections after the table.

Table 18.1
Treasury Portfolio

Significant Matters	Initial Responses	Committee Review Action
<p>Australian Bureau of Statistics: Several weaknesses were identified in the maintenance of accounts and records.³</p> <p>Insurance and Superannuation Commission: There was a failure to perform regular reconciliations between the Finance Ledger System and the Commission's subsidiary systems.⁴</p> <p>Royal Australian Mint: The ANAO identified weaknesses in inventory systems, assets register, allocation of costs and in the management of its coin collection.⁵</p>	<p>All three organisations had accepted ANAO recommendations for improving their performance.⁶</p>	<p>The Committee wrote to the Treasury, expressing concern about the delay in remedying the weaknesses identified by the ANAO,⁷ and requesting a timetable for the resolution of outstanding problems.</p>

3 Auditor-General, *Audit Report No. 20, 1990-91, Report on Ministerial Portfolios: Autumn Sitings 1991*; *Audit Report No. 23, 1991-92, Aggregate and Departmental Financial Statements 1990-91*.

4 Auditor-General, *Audit Report No. 22, 1990-91, Aggregate and Departmental Financial Statements 1990*, *Audit Report No. 23, 1991-92*.

5 Auditor-General, *Audit Report No. 20, 1990-91, Audit Report No. 22, 1991-92, Report on Ministerial Portfolios - Autumn Sitings 1992*, AGPS, Canberra, 1992.

6 Australian Bureau of Statistics, *Submission*, pp. S2030-31 (Vol. 8 of Submissions); Insurance and Superannuation Commission, *Submission*, p. S2051 (Vol. 8 of Submissions); Royal Australian Mint, *Submission*, pp. S1478-82 (Vol. 6 of Submissions).

7 ANAO, *Correspondence*, 15 April 1993.

Responses to Review Action

Australian Bureau of Statistics

18.11 In its submission to the Committee dated 21 October 1993, the Australian Bureau of Statistics advised that all actions recommended in both audit reports had been completed.

18.12 The Committee is satisfied with the response of the Australian Bureau of Statistics.

Insurance and Superannuation Commission

18.13 The Insurance and Superannuation Commission advised the Committee that the Commission was 'ensuring that relevant reconciliations ... [were being] undertaken in a timely manner.'⁸

18.14 The submission also addressed the ANAO's finding that no competitive quotes had been sought for the engagement of a consultant. The Commission explained that the short time frame of the project, coupled with the apparent lack of expertise in the market place, meant that only one consulting company was approached. The Committee notes the Commission's advice that it 'now has a stringent policy regarding the engagement of consultants'.⁹

18.15 In the Committee's view, this is an adequate response to the audit findings.

⁸ ISC, *Submission*, p. S3559 (Vol. 12 of Submissions).

⁹ ISC, *Submission*, pp. S3559-60 (Vol. 12 of Submissions).

Royal Australian Mint

18.16 The submission from the Royal Australian Mint dated 21 October 1993 indicated that progress had been made in the areas of inventory systems, the assets register and allocation of costs.¹⁰ However, the Committee is concerned at the very slow pace in improving the management of the coin collection. Concern about management of the coin collection was first raised in *Audit Report No. 22, 1991-92*, was unresolved in *Audit Report No. 28, 1992-93*,¹¹ and commented upon most recently in *Audit Report No. 1, 1993-94*.¹²

18.17 The Mint's initial response to *Audit Report No. 22, 1991-92* was to outline to the ANAO 'the initiatives it was taking to improve management of the coin collection'. In November 1992 the Mint advised the Committee that valuing the coin collection was unlikely to provide value for money, but added that one of its officers was undertaking curatorial training. This, together with advice received from the Numismatic Association of Australia Dealer's Association, was expected to improve its management of the collection.¹³

18.18 In a later submission to the Committee, dated 6 July 1993, the Mint advised that a 'tender [would] shortly be called to compile a new coin catalogue which will include current market values'.¹⁴ No mention was made of the curatorial training of one of its officers in this submission or a later one dated 21 October 1993.¹⁵

10 Royal Australian Mint, *Submission*, pp. S3312-20 (Vol. 12 of Submissions).

11 Auditor-General, *Audit Report No. 28, 1992-93, Report on Ministerial Portfolios - Autumn Sittings 1993*, AGPS, Canberra, 1993, pp. 306-7.

12 Auditor-General, *Audit Report No. 1, 1993-94, Report on Ministerial Portfolios - Budget Sittings 1993*, vol. 7, AGPS, Canberra, 1993, p. 9.

13 The Mint, *Submission*, p. S1481 (Vol. 6 of Submissions).

14 The Mint, *Submission*, p. S2931 (Vol. 11 of Submissions).

15 The Mint, *Submission*, p. S3318 (Vol.12 of Submissions).

18.19 Finally, in January 1994, the Mint advised the Committee that the coin collection was currently being catalogued and valued by the Australian Valuation Office with an anticipated completion date of April 1994.¹⁶

18.20 The importance of properly managing the coin collection, and the risk associated with poor management, were graphically demonstrated in *Audit Report No. 28, 1992-93*. In this report the ANAO estimated the market value of the collection to be substantially greater than the \$55 000 indicated as the cost of acquisition because of the number of rare and high quality coins held in the collection. Moreover, after reviewing ten of the more valuable coins, the ANAO found that three of those coins, estimated to have a market value of \$17 000, could not be located.¹⁷

18.21 In response to this incident, the Mint advised that the 'three coins in question were on display at the Mint, but unfortunately ANAO [had] incorrectly reported the 'loss' without further consultation.'¹⁸

18.22 The Committee is satisfied that the Mint has responded appropriately, albeit some years late, to the findings of the Auditor-General.

16 The Mint, *Correspondence*, 20 January 1994.

17 Auditor-General, *Audit Report No. 28, 1992-93*, pp. 306-7.

18 The Mint, *Submission*, p. S2932 (Vol. 11 of Submissions).

CROSS PORTFOLIO AUDITS

Introduction

19.1 From time to time the ANAO reports on issues which have relevance across the whole of the Australian Public Service. These reports are the result of cross-portfolio audits.

19.2 In the period May 1991 to September 1992 the Auditor-General produced the following cross portfolio audit reports:

- *Audit Report No. 33, 1990-91, Departmental Administrative Activities*
- *Audit Report No. 34, 1991-92, Accounting for and reporting of departmental assets and liabilities;*
- *Audit Report No. 37, 1991-92, Management of Central Office Training in Selected Departments;* and
- *Audit Report No. 50, 1991-92, Internal Audit in Selected Commonwealth Organisations.*

19.3 Because these reports have wide applications, the Committee has not sought detailed comments from any specific agencies. The only exception is in relation to *Audit Report No. 50, 1991-92*, where the views of a number of agencies were surveyed.

19.4 In reviewing the Auditor-General's regular audit reports on ministerial portfolios and aggregate and departmental financial statements the Committee is cognisant of cross portfolio issues as they relate to matters raised in the audit reports listed above.

19.5 The following paragraphs contain comments about each of the cross-portfolio audits performed during the period under review.

Departmental Administrative Activities

19.6 *Audit Report No. 33, 1990-91* studies in some detail the incidence of minor, technical and immaterial breaches of legislation reported in audit reports on departmental financial statements. In this report the Auditor-General found that these breaches, although not resulting in the qualification of the statements, indicate that more attention is needed in relation to these issues, in the presentation of the accounts and records of the departments.

19.7 The Committee understands that as part of its proposed new financial management and audit legislation, the government is considering an amendment to the requirement that the Auditor-General report on minor, technical and immaterial breaches of Commonwealth legislation.

19.8 The Committee will give further consideration to this matter once the Government's legislation is tabled in Parliament.

Accounting for and Reporting of Departmental Assets and Liabilities

19.9 In *Audit Report No. 23, 1991-92, Aggregate and Departmental Financial Statements 1990-91*, the Auditor-General highlighted a number of new directions in Commonwealth public sector reporting, including moves toward consolidation and accrual of financial information, and the increased discussion of public sector indebtedness.¹

19.10 These issues were discussed again in *Audit Report No. 34, 1991-92*. In this report the Auditor-General reinforced his support for comprehensive disclosure of all Commonwealth assets and liabilities. The report estimated the level of unreported Commonwealth assets and liabilities to be \$20.3b and \$44.7b respectively. The ANAO subsequently recommended that all assets and liabilities should be reported, to provide the

¹ Auditor-General, *Audit Report No. 23 of 1991-92, Aggregate and Departmental Financial Statements 1990-91*, AGPS, Canberra, 1992, p. 14.

public, with a better picture of the overall financial position of the Commonwealth.² The Committee notes that the ANAO's concerns are being addressed with the introduction of full accrual accounting in the public service.

19.11 The Minister for Finance announced on 4 November 1992 that the Commonwealth was to move to financial reporting on an accrual basis as a major step in the Government's public sector reform program. These requirements have been adopted progressively in recent times, and will be adopted throughout the Australian Public Service from 30 June 1995.

19.12 The Committee has expressed its support for the adoption of accrual reporting in the public sector previously, and once again restates this position. It is the view of the Committee that accrual accounting will promote the reporting of all Government assets and liabilities; provide enhanced information to public sector managers; and allow for more effective assessment of program performance.

M a n a g e m e n t o f C e n t r a l O f f i c e T r a i n i n g

19.13 *Audit Report No. 37, 1991-92*, reviewed the management of central office staff training within the Departments of Finance; Employment, Education and Training; Primary Industries and Energy; and Health, Housing and Community Services. The report also considered the role of the Public Service Commission in the provision of training services.

19.14 The key result of the audit report was the development, by the ANAO, of a framework under which the delivery of training services could be better achieved. This framework was based on best practice in the various agencies which were the subject of the review.

19.15 The issue of training in the Public Service was dealt with in depth in the Committee's *Report 323, Managing People in the Australian Public Service - Dilemmas of Diversity and Devolution*, tabled in December 1992. The Committee was

2 Auditor-General, *Audit Report No. 34, 1991-92, Accounting for and reporting of departmental assets and liabilities*, AGPS, Canberra, 1992, p. 22.

aware of the Auditor-General's findings on this matter, and also heard extensive evidence in support of agencies being responsible for their own training activities.

19.16 The Committee recognised the value of a variety of approaches but, nevertheless, felt this was out weighed by the advantage of having a central coordinating body. Consequently, the Committee recommended that the Public Service Commission coordinate and disseminate information about best practice in human resource development in the Australian Public Service.³

I n t e r n a l A u d i t i n S e l e c t e d C o m m o n w e a l t h O r g a n i s a t i o n s

Background

19.17 *Audit Report No. 50, 1991-92* was the second of three projects undertaken by the ANAO in response to a recommendation of the Committee in *Report 296 - The Auditor-General: Ally of the People and Parliament*. The Committee's recommendation was that the ANAO undertake an efficiency audit of internal audit in the Commonwealth sector, including a comprehensive survey of internal audit practices.⁴

19.18 The first project was a questionnaire on management perceptions of internal audit. The questionnaire was distributed to all Commonwealth agencies and the responses revealed that, although internal audit was well established and enjoyed the support of management, it did not always provide management with relevant and appropriate advice.

19.19 *Audit Report No. 50, 1991-92* reviewed in detail the operation of the internal audit function in eight Commonwealth organisations. The Auditor-General concluded that although there was increased recognition of the value of

3 Joint Committee of Public Accounts, *Report 323 - Managing People in the Australian Public Service - Dilemmas of Devolution and Diversity*, AGPS, Canberra, 1992, p. 131.

4 Joint Committee of Public Accounts, *Report 296 - The Auditor-General: Ally of the People and the Parliament*, AGPS, Canberra, p. 206.

internal audit, and that general performance had improved since the ANAO's previous survey, concerns remained in regard to independence and scope of the work undertaken by the internal audit sections in the organisations reviewed.

19.20 The third project undertaken by the ANAO was the publication in March 1993 of a guide entitled, *A Practical Guide to Public Sector Internal Auditing*.

Comments

19.21 The Committee regards very highly the work the Auditor-General has done in raising the quality and profile of internal audit in Commonwealth agencies. Each of the three projects undertaken by the ANAO has contributed to real improvements. The initial survey provided a solid factual basis from which further improvements could be made, and helped focus management attention on internal audit. The detailed examination in *Audit Report No. 50, 1991-92* provided specific examples of problems and possible solutions. Finally, the *Practical Guide* pulls together the ANAO's thoughts on best practice in internal auditing.

19.22 Although the Committee considers the *Practical Guide* to be an important and valuable publication, its value is only realised if it is used by managers and auditors in Commonwealth organisations. The Committee sought to gauge the reaction of users and to test how Commonwealth agencies measure up to the best practice described in the *Practical Guide* by first asking the ANAO for their perceptions, and then seeking comments from various agencies.⁵

19.23 The ANAO replied that the *Practical Guide* had been well received by all levels of the public sector, academia, and the internal audit profession. The ANAO made the following observations:

⁵ The Committee sought comments on these points from those agencies contacted in the course of reviewing the audit reports covered in this report.

- the *Practical Guide* had been provided to organisations throughout the Commonwealth, State Government, and Local Government Authorities;
- the Department of Finance had included the *Practical Guide on the Commonwealth Managers Toolbox*, and Finance Circular 1993/5 had encouraged the use of the *Practical Guide*;
- the New South Wales Public Accounts Committee had used the publication in forming conclusions in its report, *Internal Audit in the New South Wales Public Sector*;
- academics had supported the *Practical Guide*, and seen it as contributing to the promotion of public sector internal auditing; and
- the internal audit profession had welcomed the *Practical Guide*, with the Institute of Internal Auditors, along with many individual auditors providing favourable comments.⁶

19.24 The comments from the various departments and agencies surveyed by the Committee are summarised in Table 19.1 below.

6 ANAO, *Correspondence*, 13 October 1993.

Table 19.1
Comments by Commonwealth Agencies on the
ANAO *Practical Guide to Public Sector Internal Auditing*

<i>Agency</i>	<i>Response</i>	<i>Committee Comment</i>
Department of Arts and Administrative Services (DAS)	<p>DAS internal audit practices generally accord with the practices outlined in the <i>Practical Guide</i>.</p> <p>However, a number of deficiencies in its current practices have been identified and are being addressed.⁷</p>	DAS's response demonstrated an appreciation of, and support for, the practices described in the <i>Practical Guide</i> .
Department of Defence	Departmental procedures were consistent with the <i>Practical Guide</i> . ⁸	The department's response demonstrates an understanding of and commitment to, internal audit.

⁷ Department of Arts and Administrative Services, *Submission*, pp. S3552-5 (Vol. 12 of Submissions).

⁸ Department of Defence, *Submission*, pp. S3562-6 (Vol. 12 of Submissions).

Table 19.1 (continued)

<i>Agency</i>	<i>Response</i>	<i>Committee Comment</i>
<p>Department of Employment, Education and Training (DEET)</p>	<p>DEET considered that its internal audit practices were consistent with those in the <i>Practical Guide</i>.</p> <p>DEET identified a number of strategies being put into place:</p> <ul style="list-style-type: none"> . 'comprehensive' draft audit manual . 'professional development through individual development plans'; and . 'development of an Audit MIS, AMIS'.⁹ 	<p>While DEET appeared to have an appreciation of the practices described in the <i>Practical Guide</i>, it was difficult to gauge their support for the practices because of the brevity of their submission.</p>
<p>Department of the Environment, Sport and Territories</p>	<p>Many of the issues raised in the <i>Practical Guide</i> are formally included in the Department's <i>Statement of Audit Policies and Procedures and Internal Audit Charter</i>.¹⁰ An internal audit manual was currently being developed.</p>	<p>The department's response demonstrates a commitment to internal audit and the Committee looks forward to the release of the internal manual.</p>

9 Department of Employment, Education and Training, *Submission*, p. S3286 (Vol. 12 of Submissions).

10 Department of Environment, Sport and Territories, *Submission*, pp. S3428-39 (Vol. 12 of Submissions).

Table 19.1 (continued)

<i>Agency</i>	<i>Response</i>	<i>Committee Comment</i>
<p>Department of Finance</p>	<p>The Department advised the Committee:</p> <p>. of its support for legislative backing to ensure the establishment of Audit Committees;</p> <p>. that the Finance Directions would be amended to emphasise the importance of internal audit as a key management tool; and</p> <p>. that the department's regional offices now included internal audit activities as a topic in their training programs.¹¹</p>	<p>The Committee comments appear below.</p>
<p>Department of Health Housing, Local Government and Community Services</p>	<p>The submission dealt in depth with the major issues raised in the <i>Practical Guide</i>, and noted that its internal audit manual was currently being reviewed and updated.¹²</p>	<p>The comprehensive submission provided demonstrates an appreciation of, and commitment to internal audit. The Committee encourages the speedy revision of the internal audit manual.</p>

¹¹ Department of Finance, *Submission*, pp. S3773-4 (Vol. 12 of Submissions).

¹² Department of Health, Housing, Local Government and Community Services, *Submission*, pp. S3445-53 (Vol. 12 of Submissions).

Table 19.1 (continued)

<i>Agency</i>	<i>Response</i>	<i>Committee Comment</i>
Department of Immigration and Ethnic Affairs	The submission dealt in depth with the major issues raised in the <i>Practical Guide</i> , and indicated that work will commence on the production of an internal audit guide. ¹³ The submission also detailed the liaison procedures employed when the ANAO conducts an audit of the department.	The Committee commends the co-operative approach taken by the department to ANAO audits, and encourages the speedy completion of the internal audit manual.
Department of Primary Industries and Energy	The submission dealt in depth with the major issues raised in the <i>Practical Guide</i> . ¹⁴	The Committee notes that the level of compliance existing in the Department's Internal Audit Unit, demonstrates the department's support for the <i>Practical Guide</i> and commitment to internal audit.

13 Department of Immigration and Ethnic Affairs, *Submission*, pp. 83786-91 (Vol. 13 of Submissions).

14 Department of Primary Industry and Energy, *Submission*, pp. 83412-23 (Vol. 12 of Submissions).

Table 19.1 (continued)

<i>Agency</i>	<i>Response</i>	<i>Committee Comment</i>
Department of the Treasury	The Treasury advised that it shared common resources with the Department of Finance and utilised the auditing services of the department, and that Finance's auditing section procedures 'follow the practices described in [the <i>Practical Guide</i>]. ¹⁵	The Committee considered the response to inadequately detail Treasury attitude and response to the <i>Practical Guide</i> since details of the level of compliance were not provided.
Department of Veterans' Affairs	The submission dealt in depth with the major issues raised in the <i>Practical Guide</i> , and noted that the internal audit manual was being rewritten. ¹⁶	The department's response demonstrates an appreciation and support for the practices described in the <i>Practical Guide</i> . The Committee encourages the speedy revision of the department's internal audit manual.

¹⁵ Department of the Treasury, *Submission*, p. S3311 (Vol. 12 of Submissions).

¹⁶ Department of Veterans' Affairs, *Submission*, pp. S3360-3 (Vol. 12 of Submissions)

Table 19.1 (continued)

<i>Agency</i>	<i>Response</i>	<i>Committee Comment</i>
Australian Bureau of Statistics (ABS)	ABS practice closely corresponds with those suggested in the <i>Practical Guide</i> . The internal audit manual was currently being converted to an electronic version for use in the Bureau's office automation environment. ¹⁷	The ABS submission demonstrates a commitment to internal audit and appreciation of the principles described in the <i>Practical Guide</i> .
Australian Industrial Registry (AIR)	AIR considered that, due to its small size and the centralised nature of its operations: . it did not have sufficient workload to justify a full-time or part-time internal audit position. . the establishment of an Audit Committee was considered to be inappropriate. ¹⁸	The Committee agrees that the operations of the Registry do not appear to support a full time internal audit unit. However, given the importance of internal audit as a management tool, the Committee encourages AIR to use as appropriate, part-time internal auditors on contract from the private sector.

¹⁷ Australian Bureau of Statistics, *Submission*, pp. 83344-5 (Vol. 12 of Submissions).

¹⁸ Australian Industrial Registry, *Submission*, p. 83557 (Vol. 12 of Submissions).

Table 19.1 (continued)

<i>Agency</i>	<i>Response</i>	<i>Committee Comment</i>
Australian Customs Service (ACS)	<p>ACS had instituted many of the recommendations made within the <i>Practical Guide</i>.</p> <p>ACS considered that their internal audit activities were well structured and well managed. It was policy to pursue the adoption public sector internal audit best practices wherever possible.¹⁹</p>	The Committee encourages the ACS to continue to adopt 'best practices' in public sector internal auditing.
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	<p>CSIRO had been aware of the development of the <i>Practical Guide</i> since it was one of the eight organisations involved in the original audit of internal audit. Its internal audit practice closely conforms to the <i>Practical Guide</i>.²⁰</p>	CSIRO's response demonstrated an appreciation of, and support for the practices described in the <i>Practical Guide</i> .

¹⁹ Australian Customs Service, *Submission*, pp. S3329-31 (Vol. 12 of Submissions).

²⁰ Commonwealth Scientific and Industrial Research Organisation, *Submission*, pp. S3852-60 (Vol. 13 of Submissions).

19.25 Most of the agencies surveyed showed an appreciation of, and support for, the ANAO's Practical Guide. In a number of instances the agencies indicated that they were amending their internal audit manuals to accord with the practice described by the ANAO.

19.26 The Committee encourages all government agencies to ensure that their internal audit manuals and practices reflect the best practice described by the ANAO. Specifically, those agencies, mentioned above, which are currently revising their manuals should complete the task promptly.

19.27 Recommendation 11

The Departments of Employment, Education and Training; Environment, Sport and Territories; Human Services and Health; Immigration and Ethnic Affairs and Veterans Affairs should:

- (a) *allocate sufficient resources to complete the revision of their internal manuals by the end of the 1993-94 financial year; and*
- (b) *ensure that the procedures in their departmental internal audit manuals conform to those outlined in A Practical Guide to Public Sector Internal Audit.*

Department of Finance's Role in Internal Audit

19.28 In *Audit Report No. 50, 1991-92*, the Auditor-General recommended that:

- the Government's proposed new financial management and accountability legislation should require that agencies develop internal audit plans and that audit committees be established to monitor and review the plans;

- the Department of Finance should establish a consultative group to advise on the type of Finance Directions and Regulations needed in relation to internal audit; and
- the Department of Finance should develop better in-house knowledge and expertise in the area of internal audit so that it can help to improve standards in public sector internal auditing.

19.29 Finance did not accept these recommendations. The department believed it was inappropriate for the government to legislate to the level of detail recommended by the Auditor-General. The department also believed that, in a devolved environment, it was inappropriate for them to have a broad role in assisting agencies to develop expertise in internal audit.²¹

19.30 The Committee agrees with the view expressed by the Auditor-General that the Department of Finance should take a broader and more active role in improving internal audit standards in Commonwealth agencies. The Committee believes this role fits squarely with Finance's policy and program responsibilities.

19.31 Recommendation 12

The Department of Finance should take a broader and more active role in improving internal audit standards in Commonwealth agencies by developing better in-house knowledge and expertise in internal audit and related activities, as part of its responsibility for enhancing financial management and accountability in Commonwealth organisations.

²¹ Department of Finance, *Submission*, p. S1853 (Vol. 8 of Submissions).

ACCOUNTABILITY OF STATUTORY MARKETING AUTHORITIES AND GOVERNMENT BUSINESS ENTERPRISES

Introduction

20.1 During the period under review, the Auditor-General released two reports dealing with matters which, in his view, had the potential to seriously limit the Parliament's ability to call to account certain Commonwealth controlled entities.

20.2 The two reports were:

- *Audit Report No. 35, 1990-91, Potential Erosion of Accountability to the Parliament, Australian Wool Realisation Commission, Australian Wool Corporation; and*
- *Audit Report No. 16, 1991-92, Accountability Off the Rails, National Rail Corporation Limited.*

20.3 These reports dealt with the provisions of a series of Bills which were, at the time, before the Parliament. The Bills proposed to allow the Australian Wool Realisation Commission, the Australian Wool Corporation, and the National Rail Corporation to appoint private sector auditors, rather than be subject to the scrutiny of the Auditor-General.

Report 296 - The Auditor-General: Ally of the People and the Parliament

20.4 In April 1989 the Committee tabled the report of its inquiry into the then Australian Audit Office. The report, *Report 296 - The Auditor-General: Ally of the People and the Parliament*, contained 78 recommendations aimed at strengthening the role of the Auditor-General in ensuring public sector accountability to the Parliament.

20.5 Two major recommendations in *Report 296* were that the Auditor-General should be the external auditor for Statutory Marketing Authorities and Government Business Enterprises.¹

20.6 The government broadly accepted this recommendation. In its response to *Report 296*, which was tabled in December 1990 the government agreed that the Auditor-General should be the sole external auditor for all Commonwealth owned and controlled entities, but that the Minister for Finance should have the power to exempt statutory marketing authorities and government business enterprises where and when 'special circumstances' apply.²

20.7 The Committee understands that the Government intends to give legislative force to its position on the mandate of the Auditor-General in its proposed new financial management and audit legislation, which is scheduled for introduction early in 1994.

The Australian Wool Realisation Commission and the Australian Wool Corporation

20.8 In May 1991, two Bills were introduced to the House of Representatives:

- the Australian Wool Realisation Commission Bill 1991, which established the Commission which was to take over the \$2.7b debt and 4.7m bale stockpile of the Australian Wool Corporation, and
- the Australian Wool Corporation Bill 1991, which established a new Corporation to promote and market Australian wool.

1 Joint Committee of Public Accounts, *Report 296 - The Auditor-General: Ally of the People and the Parliament*, AGPS, Canberra, 1989, recommendation 19, p. 92, recommendation 21, p. 107.

2 Senate, *Hansard*, 6 December 1990, p. 5222.

20.9 In arguing again against the appointment of a private sector auditor to the Commission and the Corporation, which the Bills allowed for, the Auditor-General stated that:

It is surprising that a Bill such as that proposing the creation of the Australian Wool Realisation Commission, with significant cost implications for the taxpayer, should even be contemplated as suitable for potential choice of private sector auditor because of 'special circumstances'.³

He continued,

The introduction and passage of these Bills with the current audit provisions could have a significant and serious effect on the ability of the Parliament to exercise the responsibilities entrusted to it by the Australian people.⁴

The National Rail Corporation Ltd

20.10 The National Rail Corporation Agreement Bill, which was introduced into Parliament in November 1991, was the result of an inter-government agreement between the New South Wales, Victorian, and Western Australian and Commonwealth governments to establish a National Rail Corporation.

20.11 The Commonwealth's involvement in the Corporation was to be significant. It would contribute equity of \$296 million (out of a total of \$415 million until 1996-97), its long term equity share would be 54.3%, and it would be entitled to 39.5% of the voting rights for the first five years of operation.

20.12 In *Audit Report No. 16, 1991-92*, the Auditor-General raised the following points about the accountability provisions contained in the Bill:

3 Auditor-General, *Audit Report No. 35, 1990-91, Potential Erosion of Accountability to the Parliament, Australian Wool Realisation Commission, Australian Wool Corporation*, AGPS, Canberra, 1991, p. 2.

4 Auditor-General, *Audit Report No. 35, 1990-91*, p. 2.

- although the Corporation would be entirely publicly funded, there was no legislative requirement for it to report to the Parliaments of the Commonwealth or the States; and
- despite the fact that Commonwealth government policy stated that the Auditor-General be the sole external auditor of Commonwealth owned or controlled entities, a private sector auditor had been appointed under the Corporations Law.⁵

The Reaction of Parliament

20.13 In both instances, the reports of the Auditor-General had prompt and positive effects. On 26 June 1991 the Australian Wool Realisation Commission Bill and the Australian Wool Corporation Bill were amended in the Senate to confirm the position of the Auditor-General as the sole external auditor of those organisations. As well, on 2 March 1992 the National Rail Corporation Agreement Bill was amended in similar terms.

20.14 By making these amendments the Parliament has clearly stated that it considers the Auditor-General to be an essential element in the process of holding the government and its agencies to account.

20.15 The Committee intends to examine closely the government's proposed new financial management and auditing legislation, when it is introduced to Parliament, to ensure that appropriate provision is made for this and other issues of public sector accountability.

Les Scott, MP
Chairman

2 March 1994

⁵ Auditor-General, *Audit Report No. 16, 1991-92, Accountability of the Rails*, AGPS, Canberra, 1991, p. 2.



APPENDIX I - AUDIT REPORTS REVIEWED

1989-90:

- No. 31 - Report on Ministerial Portfolios - Autumn sittings
1990**
- No. 32 - Aggregate and Departmental Financial Statements
1988-89**

1990-91:

- No. 5 - Report on Ministerial Portfolios - Budget Sittings
1990**
- No. 14 - Aggregate Financial Statement prepared by the
Minister for Finance for the year ended 30 June
1990**
- No. 20 - Report on Ministerial Portfolios
- Autumn Sittings 1991**
- No. 22 - Aggregate and Departmental Financial Statements
1990**
- No. 25 - Australian Federal Police
- Efficiency and Effectiveness of Fraud
Investigations**
- No. 26 - Report on the audit of the Australian Wheat
Board 1989-90**
- No. 27 - Australian Customs Service
- Diesel Fuel Rebate Scheme**
- No. 28 - Department of Administrative Services
- Estate Management**
- No. 29 - Department of Employment, Education and
Training
- JOBTRAIN**

- No. 30 - Department of Social Security**
 - Age Pension Sub-Program
 - Income and Assets Testing
 - Real Estate
- No. 31 - Department of Community Services and Health**
 - Nursing Homes Payment Scheme
- No. 32 - Department of Community Services and Health**
 - Administration of the Medicare Benefits Schedule
- No. 33 - Departmental Administrative Activities**
- No. 34 - Department of Administrative Services**
 - Services provided to Members of Parliament and their Staff
- No. 35 - Potential Erosion of Accountability to the Parliament**
 - Australian Wool Realisation Commission
 - Australian Wool Corporation

1991-92:

- No. 1 - Industry, Technology and Commerce Portfolio**
 - Australian Customs Service
- No. 2 - Australian National University**
 - Housing Operations
- No. 3 - Department of Administrative Services**
 - Purchasing Reforms
- No. 4 - COMCARE**
 - Compensation payment operations
 - 1989-90 Financial statement audit
 - 1989-90 Annual Report presentation
- No. 5 - Department of Social Security Family Allowance Supplement**
 - Income and Assets Testing
- No. 6 - Department of the Parliamentary Library**
 - Review of Management
- No. 7 - Report on Ministerial Portfolios**
 - Budget Sittings 1991
- No. 8 - The Commonwealth Scientific and Industrial Research Organisation**
 - External Funds Generation
- No. 9 - Department of Veteran's Affairs**

- No. 10 - Department of Social Security and Employment,
Education and Training**
 - Administration of the Work Test for
Unemployment Benefit**
- Department of Social Security**
 - Computer System for Unemployment and
Sickness Benefit**
- No. 11 - Department of Immigration, Local Government
and Ethnic Affairs**
 - The Migration Program - Concessional Family and
Independent Entrant Migration**
- No. 12 - Department of Employment, Education and
Training**
 - Management of Information Technology**
- No. 13 - Efficiency Audit**
 - Evaluation in Preparation of the Budget**
- No. 14 - Department of Employment, Education and
Training**
 - Abstudy**
 - Assistance for Isolated Children**
 - Protective Security**
- No. 15 - Department of Defence**
 - Procedures for Dealing with Fraud on the
Commonwealth**
- No. 16 - Accountability off the Rails, National Rail
Corporation Limited**
 - Erosion of Accountability to the Parliament**
- No. 17 - Aggregate Financial Statement prepared by the
Minister for Finance year ended 30 June 1991**
- No. 18 - Department of Defence**
 - Management of Australian Purchases under the
United States Foreign Military Sales Program
(FMS)**
- No. 19 - Department of Social Security**
 - Operational performance monitoring**
 - Sickness Benefit**
- No. 20 - Department of Defence**
- No. 21 - Department of Employment, Education and
Training**
 - National Accounting and Financial
Management System**

- No. 22 - Report on Ministerial Portfolios
 - Autumn Sittings 1992
- No. 23 - Aggregate and Departmental Financial Statements 1990-91
- No. 24 - Department of Administrative Services 1990-91
 - Financial Statements of Business Units
- No. 25 - Report on the audit of the Australian Wheat Board
- No. 26 - Program Evaluation in the Departments of Social Security and Primary Industries and Energy
- No. 27 - Retirement Benefits Office
 - The CSS/PSS Choice
- No. 28 - Australian Taxation Office
 - Prescribed Payments System
- No. 29 - Australian Taxation Office
 - Conversion of Automated Production Systems
- No. 30 - Australian Taxation Office
 - Attendances and Absences
- No. 31 - Australian Taxation Office
 - Use and Management of Consultants
- No. 32 - Department of Social Security
 - Review and Appeals, Adelaide Office of the Social Security Appeals Tribunal
- No. 33 - Australian Taxation Office
 - Administration of Fringe Benefits Tax
- No. 34 - Accounting for and reporting of departmental assets and liabilities
- No. 35 - Department of Primary Industries and Energy
 - Australian Quarantine Inspection Service Quarantine Division
- No. 36 - Department of the Treasury
 - Procedures for Managing the Economic Policy Program
- No. 37 - Management of Central Office Training in Selected Departments
- No. 38 - Department of Defence
 - Management of Army Training Areas

- No. 39 - Department of Employment, Education and Training
 - New Enterprise Incentive Scheme (NEIS)
 - Technical and Further Education (TAFE)
 - Recurrent Grants
 - Skillshare
- No. 40 - Department of Social Security
 - Systems for the Detection of Overpayments and the Investigation of Fraud
- No. 41 - Department of Health, Housing and Community Services
 - Assistance for People with Disabilities
 - Employment Grants
 - Community Participation Grants
 - Protective Security
- No. 42 - Department of Administrative Services
 - Debt Management
- No. 43 - Department of Administrative Services
 - Conflict of Interest: A matter of principle
- No. 44 - Department of Social Security
 - Entitlement Checks in Localities with Community Development Employment Projects
- No. 45 - Department of Veterans' Affairs
 - Outsourcing
 - The Management of Redundancy Arrangements
- No. 46 - Department of Immigration, Local Government and Ethnic Affairs
 - Language Services
- No. 47 - Energy Management of Commonwealth Buildings
- No. 48 - Australian Institute of Marine Science
 - External funds generation
- No. 49 - Department of Administrative Services
 - Management of Sydney Central construction project
- No. 49A- Supplementary volume
- No. 50 - Internal Audit in Selected Commonwealth Organisations
- No. 51 - Industry, Technology and Commerce Portfolio
 - Australian Customs Service

**No. 52 - Department of Immigration, Local Government
and Ethnic Affairs**

- Information Technology Management

No. 53 - Australian Customs Service

- Accommodation, Victoria: Lexington Building

1992-93:

No. 1 - Report on Ministerial Portfolios

- Budget Sitings 1992



APPENDIX II - SUBMISSIONS

Submissions

- 1 Department of Defence
- 2 Department of Foreign Affairs and Trade
- 3 Department of Employment, Education and Training
- 4 Department of the Arts, Sport, the Environment and Tourism and Territories
- 5 Department of Health, Housing and Community Service
- 6 Royal Australian Mint
- 7 Department of Veterans' Affairs
- 8 Department of Finance
- 9 Department of Social Security
- 10 Department of Social Security
- 11 Department of Social Security
- 12 Department of Social Security
- 13 Department of Veterans' Affairs
- 14 Department of Veterans' Affairs
- 15 Department of Veterans' Affairs
- 16 Department of Community Services and Health

- 17 Department of Community Services and Health
- 18 Department of Administrative Services
- 19 Department of Administrative Services
- 20 Department of Employment, Education and Training
- 21 Department of Industry, Technology and Commerce
- 22 Department of Foreign Affairs and Trade
- 23 Department of the Prime Minister and Cabinet
- 24 Attorney-General's Department
- 25 Department of Transport and Communications
- 26 Department of Administrative Services
- 27 Department of Finance
- 28 Department of Foreign Affairs and Trade
- 29 Department of Defence
- 30 Department of Transport and Communications
- 31 Department of Veterans' Affairs
- 32 Department of Community Services and Health
- 33 Department of Primary Industries and Energy
- 34 Department of Finance
- 35 Department of Defence
- 36 Department of Industry, Technology and Commerce
- 37 Civil Aviation Authority

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- 38 Attorney-General's Department
- 39 Department of Industrial Relations
- 40 Federal Airports Corporation
- 41 Commonwealth Department of Primary Industries
- 42 Special Broadcasting Service
- 43 Department of the Parliamentary Reporting Staff
- 44 Department of the Arts, Sport, the Environment and Territories
- 45 Office of the Clerk of the Senate
- 46 Office of the Clerk of the House
- 47 Joint House Department
- 48 Department of the Parliamentary Library
- 49 Department of Health, Housing and Community Services
- 50 Department of Foreign Affairs and Trade
- 51 Department of Defence
- 52 Australian National Audit Office
- 53 Department of Industrial Relations
- 54 Department of Social Security
- 55 Telecom Australia
- 56 Reserve Bank of Australia
- 57 Royal Australian Mint

- 58 Department of Administrative Services
- 59 Department of Finance
- 60 Department of Social Security
- 61 Department of Employment, Education and Training
- 62 Department of Defence
- 63 Australian Bureau of Statistics
- 64 Department of Employment, Education and Training
- 65 Department of the Prime Minister and Cabinet
- 66 Insurance and Superannuation Commission
- 67 Aboriginal and Torres Strait Islander Commission
- 68 Department of Veterans' Affairs
- 69 Department of Transport and Communications
- 70 Department of Immigration, Local Government and Ethnic Affairs
- 71 Department of Treasury
- 72 Australian Bureau of Statistics
- 73 National Museum of Australia
- 74 Attorney-General's Department
- 75 Australian Customs Service
- 76 Department of Primary Industries and Energy
- 77 Department of Defence
- 78 Department of the Treasury

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- 79 Australian Quarantine and Inspection Service
- 80 Department of Employment, Education and Training
- 81 Department of Industry, Technology and Commerce
- 82 Department of Defence
- 83 Australian Broadcasting Corporation
- 84 Department of Employment, Education and Training
- 85 Australian Taxation Office
- 86 Department of Sport, the Environment and Territories
- 87 Department of Sport, the Environment and Territories
- 88 Department of the Arts and Administrative Services
- 89 Australian Taxation Office
- 90 Department of Veterans' Affairs
- 91 Department of Immigration and Ethnic Affairs
- 92 Department of Social Security
- 93 Department of the Arts and Administrative Services
- 94 Public Service Commission
- 95 Australian Taxation Office
- 96 Department of Finance
- 97 Department of Health, Housing, Local Government and Community Services
- 98 Department of Employment, Education and Training

99	The Returned and Services League of Australia Ltd
100	Department of Finance
101	Health Insurance Commission
102	Royal Australian Mint
103	Commissioner of Taxation
104	Industry Commission
105	Department of Health, Housing, Local Government and Community Services
106	Insurance and Superannuation Commission
107	Department of Social Security
108	Department of Finance
109	Department of Veterans' Affairs
110	Commonwealth & Defence Force Ombudsman
111	Merit Protection and Review Agency
112	Australian Bureau of Statistics
113	The Prime Minister and Cabinet
114	Department of Primary Industries and Energy
115	Department of Defence
116	The Prime Minister and Cabinet
117	Australian National Railways Commission
118	Australian Taxation Office
119	Department of Defence

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- 120 Department of Administrative Services
- 121 Department of Employment, Education and Training
- 122 Department of the Environment, Sport and Territories
- 123 Department of Social Security
- 124 Australian Science and Technology Council
- 125 Department of Industrial Relations
- 126 *Department of Immigration and Ethnic Affairs.*
- 127 *Department of Finance.*
- 128 *Department of Foreign Affairs and Trade.*
- 129 *Department of Transport and Communications.*
- 130 *Health Insurance Commission.*
- 131 *Australian Veterans and Defence Services Council.*
- 132 *Australian National University.*
- 133 Department of Defence
- 134 Department of Employment, Education and Training
- 135 *Health Insurance Commission.*
- 136 *War Widows' Guild of Australia.*
- 137 *The Treasury.*
- 138 *Australian Customs Service.*
- 139 Australian Bureau of Statistics

- 140 Australian Federation of Totally and Permanently Incapacitated Ex-Servicemen and Women Limited.
- 141 Comcare Australia.
- 142 Department of Veterans' Affairs.
- 143 Department of Health, Housing, Local Government and Community Services.
- 144 Australian Department of the Arts and Administrative Services.
- 145 Australian Quarantine and Inspection Service.
- 146 Department of Primary Industries and Energy.
- 147 Department of the Environment Sport and Territories.
- 148 Department of Defence.
- 149 Australian Estate Management.
- 150 Department of Health, Housing Local Government and Community Services.
- 151 Regular Defence Force Welfare Association Inc.
National Office
- 152 Legacy Co-ordinating Council Incorporated
- 153 Aboriginal and Torres Strait Islander Commission
- 154 Department of the Arts and Administrative Services
- 155 Australian Industrial Registry.
- 156 Insurance and Superannuation Commission.
- 157 Department of Defence

158	Department of Defence
159	Australian Federal Police.
160	Department of Veterans' Affairs.
161	Department of Finance.
162	Department of Defence
163	Department of Immigration and Ethnic Affairs.
164	Department of Defence
165	Commonwealth Scientific and Industrial Research Organisation
166	Aboriginal and Torres Strait Islander Commission
167	Health Insurance Commission
168	Health Insurance Commission
169	Australian National Audit Office
170	Health Insurance Commission



APPENDIX III - WITNESSES AT
PUBLIC HEARINGS

Canberra, Monday 25 October 1994

Aboriginal and Torres Strait Islander Commission

Dr Peter Shergold, Chief Executive Officer

Robert Beadman, General Manager, Corporate Services
Division

Morris D Brown, Acting Assistant General Manager,
Economic Programs Branch

William J Eldridge, Assistant General Manager, Budget
and Procedures Branch

Ronald A Morony, General Manager, Economic Division

Gail B Wright, Acting Manager, CDEP Administration
Section, Economic Programs Branch

Health Insurance Commission

Kenneth J Hazell, Acting Managing Director, Health
Insurance Commission

Simon R Hawkins, Manager, Research and Analysis,
Compliance Branch

John P Nearhos, General Manager, Professional Review
Division

Warren G Turk, Manager, Pharmaceutical Benefits Branch

Ralph G Watzlaff, Manager, Compliance

IV

APPENDIX IV - EXHIBITS

- 1 **Aboriginal & Torres Strait Islander Commission,
 - Grant Procedures Manual**
- 2 **ATSIC - Finance Manual**
- 3 **ATSIC - Aboriginal Employment Development Policy
 - Community Development Employment Projects**
- 4 **ATSIC - Community Development Employment
 Projects, Program Background**
- 5 **ATSIC - Guide for CDEP Organisations - not
 included for reasons of bulk**
- 6 **ATSIC - CDEPS - Setting Our Own Course - not
 included for reasons of bulk**