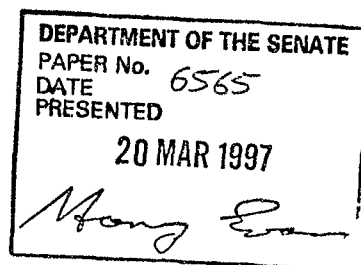
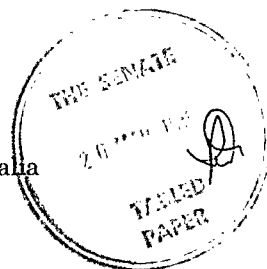


The Parliament of the Commonwealth of Australia

Joint Committee of Public Accounts



## REPORT 349

Review of Auditor-General's Reports 1995-96

February 1997

Australian Government Publishing Service  
Canberra



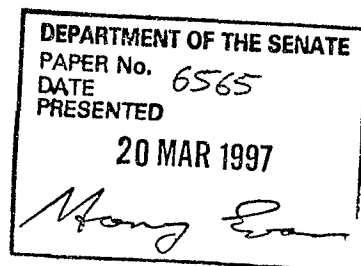
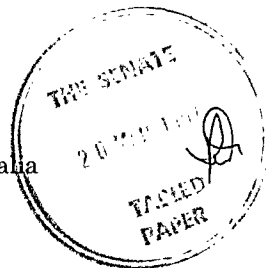
# ANNUAL REPORT 1995-1996

## Report of Auditor General's Reports 1995-1996

1996-1997

The Parliament of the Commonwealth of Australia

Joint Committee of Public Accounts



## REPORT 349

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Secretary: Mr G Harrison

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<sup>1</sup> Discharged 1 July 1996  
<sup>2</sup> Appointed 4 November 1996  
<sup>3</sup> Appointed 13 December 1996  
<sup>4</sup> Appointed 1 July 1996 to 29 November 1996  
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<sup>6</sup> Appointed 29 November 1996  
<sup>7</sup> Discharged 4 November 1996

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## 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
- inquiry into any question in connection 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

ACCC	-	Australian Competition & Consumer Commission
ANAO	-	Australian National Audit Office
APS	-	Australian Public Service
ATSIC	-	Aboriginal & Torres Strait Islander Commission
CES	-	Commonwealth Employment Service
CSL	-	Commonwealth Serum Laboratories
DEETYA	-	Department of Employment, Education, Training and Youth Affairs
Defence		Department of Defence
DFAT	-	Department of Foreign Affairs and Trade
DHFS	-	Department of Health and Family Services
DIEA	-	Department of Immigration and Ethnic Affairs
DSS	-	Department of Social Security
Finance		Department of Finance
JCPA	-	Joint Committee of Public Accounts
JORN	-	Jindalee Operational Radar Network
MAB	-	Management Audit Branch (in the Department of Defence)
MRC	-	Meat Research Corporation
TGA	-	Therapeutic Goods Association

## CHAIRMAN'S FOREWORD

This report contains advice to the Parliament on the review by the Joint Committee of Public Accounts (JCPA) of the 33 reports presented by the Auditor-General in 1995-96.

It is the first report arising from the JCPA's new public hearing based review procedures.

In the past, the JCPA has, in most cases, reviewed audit reports by correspondence: receiving written submissions from audited agencies, seeking written comments from the Australian National Audit Office (ANAO), and exploring any remaining issues of concern by correspondence. This resulted in a considerable time delay between presentation of an audit report and finalisation of the JCPA's review.<sup>1</sup>

The new review procedures focus on the examination of selected audit reports, and the audited agencies, at public hearings. The JCPA does not require agencies to prepare written submissions, although agencies are free to do so if they think it appropriate.

In this process, the scrutiny occurs at the public hearing, where agencies are questioned on their responses to audit findings and the action they have taken to implement audit recommendations.

It is the Committee's expectation that prompt parliamentary consideration of audit reports in a public forum will do more to enhance accountability than a quiet exchange of correspondence.

As well as changing the review process, the Committee is changing the way in which it reports to Parliament on the results of its reviews.

This report does not attempt to analyse in detail all of the audit findings and recommendations. Instead it draws attention to the key issues discussed at the hearing and highlights any commitments given by witnesses.

Although the report does, in some places, indicate concern at unresolved issues and recommend corrective action, the main purpose of the report is to inform Parliament that scrutiny hearings have been conducted.

I am confident that our new review and reporting procedures will result in more timely and effective parliamentary examination of audit reports and that this will be to the benefit of all parties involved: the Parliament, the ANAO and audited agencies.

Finally, I would like to thank all those people who contributed their time and expertise to the first round of scrutiny hearings, held between July and September 1996, upon which this report is based.

Alex Somlyay MP  
Chairman

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<sup>1</sup> For example, the JCPA's report on audit reports presented in 1992-93 was tabled in June 1995, and the JCPA's report on audit reports presented in 1993-94 was tabled in June 1996 (see JCPA, *Report 337, A Focus on Accountability: Review of Auditor-General's Reports, 1992-93* and JCPA, *Report 344, A Continuing Focus on Accountability, Review of Auditor-General's Reports 1993-94 and 1994-95*).



## RECOMMENDATIONS

### Recommendation 1

The Department of Prime Minister and Cabinet should amend the *Cabinet Handbook* to specify that, when preparing the summary and detailed costings sections of Cabinet submissions and memoranda, agencies must clearly identify and cost any potential liabilities to which the Commonwealth may be exposed as a result of the action being recommended in the submission or discussed in the memorandum. (paragraph 2.35)

### Recommendation 2

In updating and re-issuing *Finance Circular 1989/11* (Guidelines for the Issuing of Commonwealth Indemnities) the Department of Finance should address:

- (a) the risk management and accountability shortcomings identified in *Audit Report No. 14, 1995-96*, in particular those concerning the product indemnities issued by the Commonwealth to CSL Ltd; as well as
- (b) the deficiencies which led to the recommendations in *Audit Report No. 6, 1996-97*, on Commonwealth guarantees, indemnities and letters of comfort. (paragraph 2.38)

### Recommendation 3

In all financial transactions, where departmental officials enter into agreements on behalf of the Commonwealth, there needs to be

- (a) complete and documented briefings provided to the responsible minister; and
- (b) written ministerial consent or approval before such agreements are entered into. (paragraph 2.41)

### Recommendation 4

The Department of Foreign Affairs and Trade should, in consultation with Austrade, the Australian National Audit Office and the Department of Finance, develop an agreed methodology for calculating the annual cost of maintaining Australian-based representatives at overseas posts. The results of this consultation should be reported to the JCPA as part of the response to this report. (paragraph 3.24)

### Recommendation 5

The Government should:

- (a) finalise its response to the JCPA's *Report 341, Financial Reporting for the Commonwealth, Towards Greater Transparency and Accountability*; and
- (b) use that response as an opportunity to make a clear and comprehensive statement of its intentions in relation to financial management reform in the Commonwealth, including the steps that will be taken to promote better asset management in Commonwealth agencies. (paragraph 3.61)

### Recommendation 6

The Department of Employment, Education, Training and Youth Affairs should ensure, when establishing contracts with private sector employment placement agencies, that the contract provisions make explicit the Auditor-General's statutory authority to obtain information from third party service providers. (paragraph 4.23)

## INTRODUCTION

### Selecting audit reports for review

1.1 In the financial year 1995-96 the Auditor-General presented 33 audit reports to Parliament. A full list of the titles presented is at Appendix 1.

1.2 The Joint Committee of Public Accounts (JCPA) examined all of these audit reports and considered whether the issues and findings in the reports warranted further examination at a public hearing. In making this assessment the JCPA considered, in relation to each audit report:

- the significance of the program or issues canvassed in the audit report;
- the significance of the audit findings;
- the response of the audited agencies, as detailed in each audit report; and
- the extent of any public interest in the audit report.

1.3 The JCPA also took into account whether any other parliamentary committees had examined or proposed to examine the audit report and its findings.

1.4 The result of this consideration was that the JCPA decided to take evidence at public hearings on the following audit reports:

- *Audit Report No. 3, 1995-96, CES Case Management, Department of Employment, Education and Training;*
- *Audit Report No. 4, 1995-96, Department of Social Security, Regional Office Resourcing and Benefit Processing;*
- *Audit Report No. 7, 1995-96, Financial Management, Department of Veterans' Affairs;*

- *Audit Report No. 9, 1995-96, Teleservice Centres, Department of Social Security;*
- *Audit Report No. 11, 1995-96, Department of Defence, Management Audit;*
- *Audit Report No. 12, 1995-96, Risk Management by Commonwealth Consumer Product Safety Regulators;*
- *Audit Report No. 14, 1995-96, The Sale of CSL, Commonwealth Blood Product Funding and Regulation;*
- *Audit Report No. 19, 1995-96, Management of Small and Medium-sized Overseas Posts, Department of Foreign Affairs and Trade, Australian Trade Commission;*
- *Audit Report No. 21, 1995-96, The Meat Research Corporation, Management of Project Fututech;*
- *Audit Report No. 23, 1995-96, Procurement of Training Services, Department of Employment, Education, Training and Youth Affairs;*
- *Audit Report No. 25, 1995-96, Performance Information, Department of Employment, Education, Training and Youth Affairs;*
- *Audit Report No. 27, 1995-96, Asset Management;*
- *Audit Report No. 28, 1995-96, Jindalee Operational Radar Network Project, Department of Defence; and*
- *Audit Report No. 30, 1995-96, Implementation of Competition in Case Management, Employment Services Regulatory Authority, Department of Employment, Education, Training and Youth Affairs.*

1.5 The list at Appendix 2 shows the audit reports which, in the JCPA's opinion, did not warrant further examination and the audit reports in which other parliamentary committees had an interest.

### The public hearings

1.6 The fourteen audit reports selected for further examination were considered at public hearings held in Canberra on 23 July 1996, 12 August 1996 and 2 September 1996.

1.7 The witnesses who appeared to give evidence at these hearings are listed in Appendix 3.

1.8 In addition to taking evidence at public hearings, the JCPA received a number of written submissions and exhibits. Lists of the submissions and exhibits received are at Appendix 4.

### The structure of the report

1.9 This report highlights the main issues discussed at each of the public hearings and, where appropriate, provides comment on unresolved issues.

1.10 Chapter 2 of the report outlines the evidence taken at the hearing on 23 July 1996 in relation to the following audit reports:

- *Audit Report No. 11, 1995-96, Department of Defence, Management Audit;*
- *Audit Report No. 12, 1995-96, Risk Management by Commonwealth Consumer Product Safety Regulators;*
- *Audit Report No. 14, 1995-96, The Sale of CSL, Commonwealth Blood Product Funding and Regulation; and*
- *Audit Report No. 28, 1995-96, Jindalee Operational Radar Network Project, Department of Defence.*

1.11 Chapter 3 of the report outlines the evidence taken at the hearing on 12 August 1996 in relation to the following audit reports:

- *Audit Report No. 7, 1995-96, Financial Management, Department of Veterans' Affairs;*
- *Audit Report No. 19, 1995-96, Management of Small and Medium-sized Overseas Posts, Department of Foreign Affairs and Trade, Australian Trade Commission;*
- *Audit Report No. 21, 1995-96, The Meat Research Corporation, Management of Project Fututech; and*
- *Audit Report No. 27, 1995-96, Asset Management.*

1.12 Chapter 4 of the report outlines the evidence taken at the hearing on 2 September 1996 in relation to the following audit reports:

- *Audit Report No. 3 1995-96, CES Case Management, Department of Employment, Education and Training;*
- *Audit Report No. 4, 1995-96, Department of Social Security, Regional Office Resourcing and Benefit Processing;*
- *Audit Report No. 9, 1995-96, Teleservice Centres, Department of Social Security;*
- *Audit Report No. 23, 1995-96, Procurement of Training Services, Department of Employment, Education, Training and Youth Affairs;*
- *Audit Report No. 25, 1995-96, Performance Information, Department of Employment, Education, Training and Youth Affairs; and*
- *Audit Report No. 30, 1995-96, Implementation of Competition in Case Management, Employment Services Regulatory Authority, Department of Employment, Education, Training and Youth Affairs.*



## PUBLIC HEARINGS HELD ON 23 JULY 1996

### Introduction

2.1 On 23 July 1996, the JCPA examined the following audit reports at public hearings in Canberra:

- *Audit Report No. 11, 1995-96, Department of Defence Management Audit;*
- *Audit Report No. 12, 1995-96, Risk Management by Commonwealth Consumer Product Safety Regulators;*
- *Audit Report No 14, 1995-96, the Sale of CSL, Commonwealth Blood Product Funding and Regulation; and*
- *Audit Report No. 28, 1995-96, Jindalee Operational Radar Network Project, Department of Defence.*

2.2 In this chapter the Committee draws Parliament's attention to various matters of interest arising from the first three audit reports. After considering the evidence taken in relation to *Audit Report No. 28*, on the Department of Defence's Jindalee Operational Radar Network Project (JORN), the JCPA decided that the issues canvassed in the audit report warranted further examinations as part of a full and separate inquiry. The inquiry is currently under way and will be reported separately, probably in the 1997 autumn sittings.<sup>1</sup>

<sup>1</sup> The terms of reference for the JCPA's JORN inquiry are:  
*As part of its statutory responsibilities to examine reports from the Auditor-General, the Committee shall inquire into and report on Audit Report No. 28, 1995-96 Jindalee Operational Radar Network Project, Department of Defence (June 1996) and any circumstances connected with matters raised in the audit report.*

**Audit Report No. 11, 1995-96,  
Department of Defence, Management  
Audit**

*Issues*

2.3 The JCPA was advised that the Department of Defence (Defence) has accepted and is moving to implement 21 of the 22 recommendations contained in *Audit Report No. 11*.<sup>2</sup>

2.4 The one recommendation on which there was some disagreement between the ANAO and Defence concerned the appointment of an external and independent expert participant on Defence's audit committee (known as the Defence Audit and Program Evaluation Committee). The Auditor-General argued that the appointment of an external member to the audit committee would help provide an additional element of independent assurance to the Secretary of Defence about the integrity and rigour of Defence's audit and evaluation functions.<sup>3</sup>

2.5 In commenting on the proposition that an expartner from an accounting firm with a commercial background or expertise in financial reporting and management could make a valuable contribution to the operation of the audit committee, the Secretary of Defence responded:

*I do not mind having an external person [on the audit committee], in the same way as the Auditor-General suggests ...<sup>4</sup>*

*The Committee's inquiry will focus on:*

- (a) *the management of the project by the Department of Defence; and*
- (b) *the performance of Telstra Corporation Ltd in its capacity as the prime contractor for the JORN project.*

<sup>2</sup> Tony Ayers, Department of Defence, *Transcript, 23 July 1996*, p. PA32

<sup>3</sup> Pat Barrett, Auditor-General, *Transcript 23 July 1996*, p. PA35.

<sup>4</sup> Tony Ayers, Department of Defence, *Transcript 23 July 1996*, p. PA36.

*Committee comment*

2.6 The ANAO audit and the subsequent audit report have performed an important quality control function for Defence's Management Audit Branch. The results have been satisfactory and the JCPA is pleased to note the constructive approach displayed by all parties relation to this audit.

**Audit Report No. 12, 1995-96, Risk  
Management by Commonwealth  
Consumer Product Safety Regulators**

*Introduction*

2.7 The main issues canvassed at the JCPA's hearings in relation to *Audit Report No. 12* were:

- the need for consumer product safety regulators to adopt systematic risk identification and management approaches throughout the full range of their operations;
- the advantages which could be derived from the Department Health and Family Services taking an active role in coordinating, encouraging, and facilitating improvement to consumer product safety regulation; and
- the steps being taken to enforce consumer safety and product liability laws, where and when necessary.

*Developing risk management strategies*

2.8 The Auditor-General reported at the hearing that all agencies had accepted those audit recommendations directed at encouraging the adoption of risk management strategies in a structured fashion throughout all operational levels. Some of the specific steps which have been taken to implement those recommendations are:

- by the Federal Office of Road Safety, to review its risk management strategy in relation to motor vehicle testing and production, and in late 1996, to formally review the audit process and recall procedures for unsafe motor vehicles;<sup>5</sup>
- by the Australian/New Zealand Food Authority, to initiate an overall national food safety strategy including a complete reform of hygiene regulations in Australia, and to develop a national surveillance and enforcement strategy in co-operation with the States, Territories and local government;<sup>6</sup>
- by the Australian Competition and Consumer Commission, to conduct a risk management analysis of all the product standards it was responsible for enforcing and then to set up a program to monitor traders to test compliance with standards;<sup>7</sup>
- by the Federal Bureau of Consumer Affairs (which is responsible for the promulgation of consumer product safety standards), to develop a new risk management strategy in consultation with the ANAO;<sup>8</sup>
- by the Adverse Drugs Reaction Advisory Committee, to collect and analyse case data from adverse drug reaction reports to feed into the system of regulation from those drug products.<sup>9</sup>

<sup>5</sup> Peter Makeham, Federal Office of Road Safety, *Transcript 23 July 1996*, p. PA66.

<sup>6</sup> Dr Gordon Burch, ANZ Food Authority, *Transcript 23 July 1996*, p. PA67.

<sup>7</sup> Allan Asher, Australian Competition and Consumer Commission (ACCC), *Transcript 23 July 1996*, p. PA68.

<sup>8</sup> Phillip Noonan, Federal Bureau of Consumer Affairs, *Transcript 23 July 1996*, p. PA69.

<sup>9</sup> Ian Lindenmayer, Department of Health, *Transcript 23 July 1996*, p. PA70.

*A coordination role for Department of Health and Family Services*

2.9 One of the main audit findings was that more could be done by the Department of Health and Family Services (DHFS) to lead and coordinate the development of consumer product safety regulation without jeopardising the independence of individual regulators. The ANAO argued that close cooperation and collaboration, sharing of expertise and data and the development of relevant synergies and economies of scale are essential elements of good practice.<sup>10</sup>

2.10 At the time of the audit report not all agencies agreed. The Department and a number of the regulators were concerned that such a role for DHFS would result in a loss of autonomy for regulators and a blurring of accountability.<sup>11</sup>

2.11 However, it was clear at the hearing that attitudes had changed. A number of witnesses commented favourably on DHFS's recent initiative to sponsor and chair a forum of regulators to discuss common issues and improve levels of cooperation.<sup>12</sup> It is anticipated that the forum will meet every six months. The Deputy Secretary of the Department described the forum in the following terms:

*We do not see the forum as a directive forum. We believe that would not only cut across the quite separate and different statutory responsibilities of the various regulatory bodies that are involved, it would also have the forum doing things that it simply would not in general have the skills to do. We see it more as facilitative mechanism that assists the exchange of information and insights, and which I hope will lead to the development of better practice across all the participants.*<sup>13</sup>

<sup>10</sup> Auditor-General, *Audit Report No. 12, 1995-96, Risk Management by Commonwealth Consumer Product Safety Regulators* p. xvi.

<sup>11</sup> *Audit Report No. 12, 1995-96*, pp. xvi-xvii

<sup>12</sup> See Peter Makeham, Federal Office of Road Safety, *Transcript 23 July 1996* p. PA66; Ian Lindenmayer, Department of Health, *Transcript 23 July 1996* p. PA70; Pat Barrett, Auditor-General, *Transcript 23 July 1996* p. PA72; Dr Gordon Burch, ANZ Food Authority, *Transcript 23 July 1996*, p. PA78.

<sup>13</sup> Ian Lindenmayer, Department of Health, *Transcript 23 July 1996*, p. PA82.

### *Enforcing product liability laws*

2.12 The JCPA noted that the Auditor-General had recommended greater use of legislative remedies to enforce consumer product safety and, at the hearing, asked representatives of the Australian Competition and Consumer Commission how they proposed to implement this recommendation. The Deputy Chairman of the Commission responded that:

*We produce guidelines [explaining the product liability provisions of the Trade Practices Act]. Also, ... the Commission has spoken at 17 or 18 different industry conferences explaining to manufacturers, producers, their lawyers and other government agencies just what the law is and how it works... In addition, where we do take enforcement action, we make sure that we publicise very widely these actions, so that we can draw to the attention of other manufacturers, consumers and regulators the activities that we plan.<sup>14</sup>*

### *Committee comments*

2.13 In almost all respects it seems that the various audited agencies found *Audit Report No. 12* to be a useful assessment of existing risk management frameworks and to contain valuable guidance on reforming and refining these frameworks. The Committee has noted the generally positive responses from the audited agencies and the initiatives which have been taken since the audit.

## **Audit Report No. 14, 1995-96, The Sale of CSL**

### *Introduction*

2.14 The main issues canvassed at the JCPA's hearings on *Audit Report No. 14* were:

<sup>14</sup> Allan Asher, ACCC, *Transcript 23 July 1996*, p. PA80.

- the value of the product indemnities issued by the Commonwealth to CSL (formerly the Commonwealth Serum Laboratories, now CSL Ltd) and whether reasonable efforts were made by the various parties at the time of the sale, and subsequently, to obtain insurance against the sort of events covered by the indemnity;
- whether Cabinet or ministerial approval was sought prior to entering into the blood supply agreement with CSL, an agreement covering a period of 15 years and costing the Commonwealth an estimated \$1.1 billion over the life of the contract;
- the reasons for the 147% increase in prices charged to the Commonwealth by CSL for blood products after the sale; and
- whether it is necessary for the Therapeutic Goods Administration, as the relevant regulatory authority, to adopt, and require CSL to follow, a specialised code of good manufacturing practice for the fractionation of blood plasma products.

### *Commonwealth indemnities issued to CSL*

2.15 The audit report notes that the continuation of arrangements for Commonwealth indemnification of CSL's product liability exposure was, at the time of the sale, seen as an important part of the strategy to secure an acceptable value for CSL shares, once they were listed on the Stock Exchange.<sup>15</sup>

2.16 The indemnities, agreed to in December 1993, between the Commonwealth and CSL are in relation to:

- AIDS-related and hepatitis claims;
- pituitary gland growth hormone, manufactured before the sale of CSL;
- Creutzfeldt-Jakob Disease (CJD) claims;

<sup>15</sup> Auditor-General, *Audit Report No. 14, 1995-96, The Sale of CSL, Commonwealth Blood Product Funding and Regulations*, AGPS, Canberra, p. 29.

- pertussis vaccine, covering the period up to 3 June 1994 only;
- blood plasma products derived from human placentas manufactured before the sale of CSL; and
- asbestos related claims excluding those related to workers' compensation.<sup>16</sup>

2.17 All indemnities are for the duration of the Commonwealth's current contract with CSL to provide the national blood products supply (that, is until June 2004) and in none of the cases is the extent of the indemnity described or capped.<sup>17</sup> However, the indemnities are contingent upon CSL making reasonable efforts each year to obtain insurance cover at commercially justifiable premiums.

2.18 The Department of Health and Family Services advised the JCPA that it was not possible to provide even a 'ball park' estimate of the Commonwealth's potential exposure under the product liabilities issued to CSL:

*The reason for that is essentially that the probability of an adverse event is almost impossible to calculate and the extent of public damage (and therefore exposure to adverse court decisions on damages) is also almost impossible to calculate.<sup>18</sup>*

and later

*... the range of the product liability would have been very large indeed, and no attempt was made [at the time of the sale] - to the best of my knowledge - to quantify it.<sup>19</sup>*

2.19 There was also considerable discussion about whether CSL had made reasonable efforts in the time since the sale to obtain insurance cover at commercially justifiable premiums. Departmental officials were unable to provide detailed information on this issue, commenting only that the cost of commercial insurance premiums to cover the events for

<sup>16</sup> *Audit Report No. 14, 1995-96*, p. 30; Confidential Submission No 1.(1996-97), 20 February 1997.

<sup>17</sup> Auditor-General, *Audit Report No. 14, 1995-96*, p. 32.

<sup>18</sup> Ian Lindenmayer, Department of Health and Family Services, (DHFS), *Transcript 23 July 1996* p. PA43.

<sup>19</sup> Ian Lindenmayer, DHFS, *Transcript 23 July 1996* p. PA 45.

which the indemnities have been provided would be 'extremely high' and would not be available on anything like 'remotely affordable and reasonable terms.'<sup>20</sup> However, two other points raised in discussions seemed to run counter to this advice:

- the first, by the Auditor-General and Dr John Cable (from the Therapeutic Goods Administration), that developments over the last five years have increased the safety of blood products and that the risk of adverse events, while not capable of being eliminated entirely, has been reduced;<sup>21</sup> and
- the second, by Colin Cronin (from the ANAO), that the international reinsurance market is active and sophisticated and that 'the extent of the premium is pretty much dependent on how much excess you are prepared to wear'.<sup>22</sup>

2.20 Subsequent written advice provided by DHFS showed that CSL has tried annually since 1987 to obtain reasonably priced commercial insurance cover and succeeded in obtaining limited insurance cover for hepatitis claims. CSL's insurance brokers, however, have been unable to obtain coverage for personal injury to past employees from exposure to asbestos fibres.<sup>23</sup>

2.21 Further discussion on this matter with DHFS elicited the information that very recently, CSL has obtained separate limited insurance cover for HIV/AIDS claims. While

<sup>20</sup> Ian Lindenmayer, DHFS, *Transcript 23 July 1996*, p. PA 43.

<sup>21</sup> Pat Barrett, *Transcript 23 July 1996*, p. PA 48 and Dr John Cable, Therapeutic Goods Administration, *Transcript 23 July 1996* pp. PA 48-9.

<sup>22</sup> Colin Cronin, *Transcript 23 July 1996* p. PA 49.

<sup>23</sup> DHFS, *Submission No. 15*. Subsequent advice from departmental officials appearing at a later public hearing on *Audit Report No. 6, 1996-97, Commonwealth Guarantees, Indemnities and Letters of Comfort* was that:

(a) that 'sort of offer seems to us to probably be something that is in the ballpark of being commercially sensible to take up' and

(b) under the terms of the contract for the sale of CSL, the Commonwealth would pay the insurance premium for CSL. (See Dr John Loy, Department of Health and Family Services, *Transcript 23 October 1996*, pp. PA24-25).



the Committee has been informed of the satisfactory premium negotiated, it has agreed not to disclose the amount as the information is regarded as commercial-in-confidence.<sup>24</sup>

#### *Ministerial approval*

2.22 During the course of the 23 July hearing there was some discussion about whether Cabinet or ministerial approval was sought prior to entering into the blood supply agreement with CSL, an agreement covering a period of 15 years and costing the Commonwealth \$1.1 billion.

2.23 In particular, officials from DHFS were questioned about the ANAO's observation that the Department 'did not provide a documented briefing to the then Minister before committing to the PFA [the plasma fractionation agreement], nor was the contract raised with Cabinet prior to its execution'.<sup>25</sup>

2.24 The officials accepted the ANAO's observation, but asserted that verbal briefings to the Minister were sufficient and that all departmental actions in relation to the agreement were 'undertaken within delegated authority'.<sup>26</sup>

#### *147% increase in prices for blood products*

2.25 Explanations were sought at the hearing as to why, following the modernisation of CSL's production facility, the cost of fractionated blood products should increase by 147%. As was remarked at the hearing, the usual intention in plant modernisation is to decrease, rather than increase, the unit costs of production.

2.26 The response given by officials from the Department of Finance, and subsequently endorsed by the ANAO in a written submission, is that the cost increase is largely attributable to the move from a non-commercial to a

<sup>24</sup> DHFS, *Confidential Submission No. 3*.

<sup>25</sup> *Audit Report No. 14, 1995-96*, p. 46.

<sup>26</sup> Robert Wells, DHFS, *Transcript 23 July 1996*, p. PA53.

commercial pricing arrangement, one which properly recognises production risks and which makes provision for future capital upgrades.<sup>27</sup>

2.27 A written submission from CSL, provided after the hearing, argues that the old pricing structure was unsustainable and that, at such pricing levels, CSL was unable to invest in improving plant processes and products so as to continue to meet international standards, or to invest in research and development. The submission also notes that the new pricing levels were validated by engineering experts, fractionation experts and investigating accountants as part of the process of selling CSL.<sup>28</sup>

#### *Is there a need for a specialised code of good manufacturing practice?*

2.28 There was debate at the hearing between officials from the Therapeutic Goods Administration (TGA) and ANAO about whether it is necessary for TGA to develop, and require CSL to adhere to, a specialised code of good manufacturing practice for blood fractionation. The ANAO argued that the issue warranted close examination by means of a formal evaluation, while TGA responded that the matter had been raised by TGA representatives at the peak international body on pharmaceutical inspection matters, which had advised that a specialised code was not necessary, as existing general codes provide adequate controls on the quality and safety of blood products.

2.29 Subsequent written advice provided by ANAO and the Department of Health confirmed the differences of opinion:

- with ANAO arguing that mandatory standards should be the highest achievable; and

<sup>27</sup> Mick Danaher, Department of Finance, *Transcript 23 July 1996*, p. PA 57 and ANAO, *Submission No 8*, p. 2.

<sup>28</sup> Peter Tuohy, CSL, *Submission No. 11*, p. 2.

- the Department quoting advice from the *Baume Report* on the future of drug evaluation in Australia (July 1991) which recommended that 'Australia should not develop its own standards for pharmaceuticals except for uniquely Australian products or in response to unique Australian conditions'.<sup>29</sup>

#### *Committee Comments*

#### In relation to product indemnities

2.30 The JCPA fully supports ANAO's recommendations on indemnity agreements associated with asset sales, specifically:

- that agencies seek the concurrence of relevant ministers before entering into indemnity agreements associated with asset sales; and
- that, in future sales, agencies undertake quantitative assessments of future liabilities and consider all available options for risk transference and management.<sup>30</sup>

2.31 While it seems that prior ministerial approval was obtained in relation to the product indemnities issued to CSL, it is equally clear that these decisions were not supported by any comprehensive analysis of the scale of the Commonwealth's potential liability under these indemnities.

2.32 The Committee acknowledges that it can be extremely difficult to form reliable judgements on future exposures under indemnities issued by the Commonwealth, and that such liabilities may never be realised. Nevertheless, it is essential that serious efforts are made to assess potential liabilities before such indemnities are issued. Unless such assessments are made, agencies cannot provide adequate advice to Ministers or Cabinet on how best to manage the risks before them.

<sup>29</sup> See letter from the Department of Health and Family Services to ANAO dated 16 August 1996, attached to ANAO, *Submission No. 13*.

<sup>30</sup> See recommendations 6 and 7 in *Audit Report No. 14, 1995-96*, p xiv.

2.33 The JCPA finds it unacceptable for a Commonwealth agency to enter into any financial liability arrangement without appropriate written Ministerial delegation. There needs to be a suitable quantitative paper trail so that accountability and probity questions may be answered.

2.34 To emphasise this point, the JCPA believes it is appropriate to amend the *Cabinet Handbook* to require that all Cabinet submissions and memoranda dealing with indemnities and guarantees clearly identify, and cost, the potential liabilities to which the Commonwealth is being exposed.

#### 2.35 Recommendation 1

*The Department of Prime Minister and Cabinet should amend the Cabinet Handbook to specify that, when preparing the summary and detailed costings sections of Cabinet submissions and memoranda, agencies must clearly identify and cost any potential liabilities to which the Commonwealth may be exposed as a result of the action being recommended in the submission or discussed in the memorandum.*

2.36 The principal source of advice to agencies on managing the risks associated with indemnities and guarantees is provided by *Finance Circular 1989/11* (Guidelines for the Issuing of Commonwealth Indemnities). Although the *Circular* contains sensible advice on minimising Commonwealth exposure through termination clauses, setting maximum limits on liability, and requiring periodic review, is sensible - it is perhaps not as widely known as it should be, and is now somewhat dated.

2.37 The JCPA is pleased to note that Finance has recently announced plans to update and re-issue *Finance Circular 1989/11*.<sup>31</sup> This is a positive development which should help raise the profile of these important issues throughout the APS.

#### 2.38 Recommendation 2

*In updating and re-issuing Finance Circular 1989/11 (Guidelines for the Issuing of Commonwealth Indemnities) the Department of Finance should address:*

- (a) *the risk management and accountability shortcomings identified in Audit Report No. 14, 1995-96, in particular those concerning the product indemnities issued by the Commonwealth to CSL Ltd; as well as*
- (b) *the deficiencies which led to the recommendations in Audit Report No. 6, 1996-97, on Commonwealth guarantees, indemnities and letters of comfort.*

#### In relation to ministerial approval

2.39 The JCPA accepts that there is nothing in the plasma fractionation agreement between the Commonwealth and CSL which goes beyond the boundaries set by Cabinet, and that the nature and extent of financial authority delegated by Ministers is a matter for each Minister in conjunction with his or her portfolio secretary (having regard to the general financial management framework set by the *Audit Act* and associated legislation and directions). Nevertheless, the practices on this occasion seem less than ideal.

31 See Finance's responses to Recommendations 2, 5, 6, 7, 10 and 14 in *Audit Report No. 6, 1996-97, Commonwealth Guarantees and Letters of Comfort* (September 1996).

For further JCPA comments on *Audit Report No. 6, 1996-97, Commonwealth Guarantees, Indemnities and Letters of Comfort* see JCPA Report 349, *Review of 1996-97 Audit Reports (First Quarter Review)*.

2.40 It is totally unsatisfactory for departmental officials to enter into agreements on behalf of the Commonwealth resulting in expenditure of \$1 billion, over a 15 year period, without either:

- (a) at the minimum, providing complete and documented briefings to the responsible minister; or
- (b) more appropriately, seeking written ministerial consent or approval before entering into such agreements.

#### 2.41 Recommendation 3

*In all financial transactions, where departmental officials enter into agreements on behalf of the Commonwealth, there needs to be*

- (a) *complete and documented briefings provided to the responsible minister; and*
- (b) *written ministerial consent or approval before such agreements are entered into.*

2.42 The JCPA strongly supports the ANAO's recommendation on this matter: that all agencies entering into contracts above a material amount, not subject to previous ministerial decision and involving ongoing commitments in out-years, should submit them for ministerial approval.<sup>32</sup>

#### In relation to a code of good manufacturing practice

2.43 In the JCPA's view the question of whether to institute a specialised code of good manufacturing practice for blood fractionation in advance of international standards (or indeed whether to formally evaluate the need for such a code) is a matter for TGA. It is up to TGA to assess the risks involved in blood fractionation and consider whether the promulgation of such code would be a useful and cost-effective addition to its overall risk management strategy.

<sup>32</sup> *Audit Report No. 14, 1995-96*, p. xiv.

2.41 The fact that the issue has been raised in an audit report and debated in public evidence before a parliamentary committee gives added incentive to TGA to consider its position carefully.

### 3

## PUBLIC HEARINGS HELD ON 12 AUGUST 1996

### Introduction

3.1 On 12 August 1996, the JCPA conducted public hearings to review the following four audit reports:

- *Audit Report No. 7, 1995-96, Financial Management, Department of Veterans' Affairs;*
- *Audit Report No. 19, 1995-96, Management of Small and Medium-sized Overseas Posts, Department of Foreign Affairs and Trade, Australian Trade Commission;*
- *Audit Report No. 21, 1995-96, The Meat Research Corporation, Management of Project Fututech; and*
- *Audit Report No. 27, 1995-96, Asset Management.*

3.2 This chapter highlights the key issues discussed at those hearings.

### Audit Report No. 7, 1995-96, Financial Management, Department of Veterans' Affairs

#### Issues

3.3 The JCPA was advised that the Department of Veterans' Affairs has accepted and is moving to implement all of the recommendations in *Audit Report No. 7*.<sup>1</sup>

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<sup>1</sup> Dr Neil Johnston, Department of Veterans' Affairs, *Transcript 12 August 1996*, p. PA149.

3.4 As noted by the Auditor-General in evidence to the Committee, the findings of this audit and the themes behind the audit recommendations, have clear implications for all Commonwealth agencies, not just the Department of Veterans' Affairs.<sup>2</sup> Some of the issues of wide application which were discussed at the hearing were:

- the need to educate program managers as to importance of financial management in program administration and to develop improved financial management training;
- the need to ensure that financial management systems are robust and user-oriented; and
- the need to review constantly the type of financial information reported to managers, and to ensure that it is timely, accurate, relevant and contributes effectively to an overall performance measurement framework.<sup>3</sup>

#### *Committee comments*

3.5 It was evident that this audit was conducted in a positive and constructive manner and produced good results for all parties. This is to the credit of all involved in the project.

3.6 The key findings in this audit (concerning the need to better integrate financial management into program administration) warrant the attention of all Commonwealth officials involved in financial management, those in central agencies as well as in line agencies.

3.7 Breaking down the barriers between corporate services areas and program delivery areas is a significant challenge for the Commonwealth public sector - particularly as the Commonwealth moves into an accrual accounting

<sup>2</sup> Pat Barrett, *Transcript 12 August 1996*, p. PA 150.

<sup>3</sup> See Pat Barrett, *Transcript 12 August 1996*, p. 150; Dr Neil Johnston, Department of Veterans' Affairs, *Transcript 12 August 1996*, p. 151 and p. 153

environment, when managers will be held to account more directly for the full cost of service provision, not just the cash cost.

3.8 The initiative taken by the ANAO to produce, in a series of appendices to the audit report, a profile of best practice financial management objectives and practices is commendable. The profile contains advice and guidance which should be promulgated widely.

### **Audit Report No. 19, 1995-96, The Management of Small and Medium-sized Overseas Posts**

#### *Introduction*

3.9 The JCPA was advised that all of the 16 recommendations in *Audit Report No. 19* were agreed to by the audited agencies, namely the Department of Foreign Affairs and Trade (DFAT) and Australian Trade Commission (Austrade).

3.10 At the hearing, representatives from the audited agencies gave evidence on the action being taken to implement the audit recommendations. In some cases action is complete, while in others full implementation is said to be contingent upon the results of work in progress or on influences such as changing Government policy and/or resource constraints.<sup>4</sup> During the course of the hearing, and subsequently in a written submission, the Deputy Secretary of DFAT, Kim Jones, undertook to provide the Committee with periodic update reports on the implementation of those recommendations for which action was incomplete.<sup>5</sup>

<sup>4</sup> Kim Jones, Department of Foreign Affairs and Trade (DFAT), *Transcript 12 August 1996*, p. PA91-92.

<sup>5</sup> Kim Jones, DFAT, *Transcript 12 August 1996*, p. PA99-100 and Department of Foreign Affairs and Trade, *Submission No. 18*, p. 1.

3.11 Among the issues discussed during the hearing were:

- the action taken by DFAT to establish written and specific objectives prior to the opening of each overseas post (DFAT's subsequent written submission contained a copy of the 'model format for post objectives');<sup>6</sup>
- the basis on which both DFAT and Austrade calculate the amount charged to other Commonwealth agencies operating from overseas posts, for the provision of common corporate services;<sup>7</sup> and
- the development by Austrade of a 'corporate governance training package', which aims to educate staff as to the critical importance of public accountability in the use of resources and develop an ability to 'exercise an appropriate balance between the front-end export impact work and the administrative side of what Austrade does.'<sup>8</sup>

3.12 However, the issue which provoked most discussion at the hearing was the figure quoted in *Audit Report No. 19* as representing the total average cost per annum of maintaining an Australian-based representative at overseas posts.

#### *Cost of overseas representation*

3.13 Chapter 3 of the audit report sought to compile, for the first time, 'whole-of-government' information about the costs of maintaining representation at small and medium sized posts. For the purposes of the audit, small and medium sized overseas posts were defined as having less than 20 000 financial transactions per year and no more than about 100 staff.<sup>9</sup>

<sup>6</sup> See *Transcript (12 August 1996)*, pp. PA92 and PA100-101, and Department of Foreign Affairs and Trade, *Submission No. 18*, pp.1-2.

<sup>7</sup> See *Transcript (12 August 1996)*, p. PA100-101

<sup>8</sup> Peter Langhorne, Austrade, *Transcript 12 August 1996*, pp. PA95 and PA102.

<sup>9</sup> Paul Nicoll, ANAO, *Transcript 12 August 1996*, p. PA94.

3.11 The rationale for undertaking this exercise was explained by the Auditor-General in the following terms:

*The purpose was for the agencies to get a better handle on what it was actually costing to maintain Australian-based staff overseas. It was clear [during the audit] that no-one really had a firm handle on the total cost of doing so. ... We should be quite concerned at establishing what it does cost, particularly as we are establishing new posts or servicing new posts that may not require the same A-based [that is, Australian-based] assistance as in the past.<sup>10</sup>*

3.15 According to ANAO, the total average cost to the Commonwealth of overseas representation is 'approximately \$536 000 per A-based officer per annum'.<sup>11</sup> The audit report acknowledged that some of the data upon which this calculation was estimated should be regarded as 'indicative rather than definitive.' The ANAO also acknowledged that the cost of representation is not the only factor in decisions about opening, closing or varying the size of overseas posts.

3.16 During the hearing, Mr Jones argued that he had 'doubts about the validity of the premises on which the calculation of the figure [of \$536 000] was based'<sup>12</sup> but that in any event, the cost of supporting a DFAT officer at an overseas post was considerably less than the total average cost for overseas-posted Commonwealth officials.

*The figure that we use for the cost to our portfolio of supporting an officer overseas is \$228 000 and that includes the indirect costs - that is, the support costs in Australia. If you add the property costs which are the responsibility of the Overseas Property Group, which is not in our portfolio, that brings the figure to \$375 000 a year.<sup>13</sup>*

3.17 The ANAO agrees that the cost of DFAT overseas representation is less than the total average cost of general overseas representation. In fact, there is little difference in the figures quoted by Mr Jones and those provided by the ANAO at the hearing and in subsequent written advice on the cost of

<sup>10</sup> Pat Barrett, *Transcript (12 August 1996)*, p. PA96.

<sup>11</sup> Auditor-General, *Audit Report No. 19, 1995-96, The Management of Small and Medium Sized Overseas Posts*, p. 13.

<sup>12</sup> Kim Jones, DFAT, *Transcript 12 August 1996*, p. PA91.

<sup>13</sup> Kim Jones, DFAT, *Transcript 12 August 1996*, p. PA 91.

supporting a DFAT officer at an overseas post. The ANAO estimates are \$223 000 per year or \$323 000 per year with property costs. As was noted at the hearing, the figures are less than those quoted by DFAT.<sup>14</sup>

3.18 Other information about the cost of representation revealed at the hearing or subsequently is that:

- the average annual cost of an Austrade officer is approximately \$1 313 000 (including property costs);
- the average annual cost of an official from the Department of Defence is \$210 000 (including property costs); and
- the average annual cost of an official from the Department of Immigration and Multicultural Affairs is \$398 000 (also including property costs).<sup>15</sup>

3.19 Mr Jones commented that the validity of the data upon which the costings were based was the subject of much debate. He argued that the inclusion, by ANAO, of salary and related costs for locally engaged staff in the calculation of total expenditure on overseas posts has the effect of increasing total costs and increasing the cost per Australian based official. In these circumstances:

*one could be excused for inferring that there is an encouragement built in not to employ locally engaged staff because it drives up your total cost. Of course, in reality, locally engaged staff are a cheaper resource and we should use a system which encourages agencies, where possible, to transfer work to locally engaged staff as a cheaper staff resource than A-based staff. ... we think that transferring functions to locally engaged staff involves reducing the total cost of overseas representation, not increasing it.*<sup>16</sup>

<sup>14</sup> Paul Nicoll, ANAO, Transcript 12 August 1996, p. PA97

<sup>15</sup> ANAO, Submission No. 16, p. 1.

<sup>16</sup> Kim Jones, DFAT, Transcript 12 August 1996, p. PA 98.

3.20 After much discussion about the basis of the calculation and the value of the resulting figures, all parties (that is ANAO, DFAT and Austrade) undertook to work together in an attempt to establish agreed and accurate figures on the costs of overseas representation.<sup>17</sup>

#### *Committee comments*

3.21 The JCPA supports the attempt by the ANAO to make transparent the costs associated with Commonwealth overseas representation. Such information can only enhance public accountability and enable the Government to assess more accurately the resource impact of decisions to open, close or vary the size of overseas posts.

3.22 However, it is important that any public debate on the costs of overseas representation take place on the basis of accurate meaningful and preferably, agreed costings. The commitment by ANAO, DFAT, and Austrade to work together and come up with an agreed basis for calculating the costs of overseas representation is commendable.

3.23 Since the hearing the Committee has been advised that ANAO and Austrade have come to an agreement on a range of costing indicators which might provide a more complete assessment of costs.<sup>18</sup> There remains some disagreement between ANAO and DFAT on the costing methodology, although both parties have stated they are willing to continue to work together to come up with alternative, and agreed, costings.

#### 3.24 Recommendation 4

*The Department of Foreign Affairs and Trade should, in consultation with Austrade, the Australian National Audit Office and the Department of Finance, develop an agreed methodology for calculating the annual cost of maintaining Australian-based representatives at overseas posts. The results of this consultation should be reported to the JCPA as part of the response to this report.*

<sup>17</sup> See Transcript 12 August 1996, pp. PA 98, PA102-104.

<sup>18</sup> ANAO, Submission No. 20, p.2.

**Audit Report No. 21, 1995-96, The Meat Research Corporation, Management of Project Fututech**

*Introduction*

3.25 *Audit Report No. 21* highlighted the many mistakes which were made by the Meat Research Corporation (MRC) in the management of Project Fututech (a \$40 million project to construct a computer controlled, semi-automated slaughtering system).

3.26 These mistakes included:

- failing to fully identify and analyse possible commercial and technical risks before committing to the project;
- failing to manage effectively the commercial and technical risks that emerged during the course of the project;
- failing to put in place open and effective tendering processes when awarding contracts, appointing management staff and hiring consultants;
- failing to adequately protect the Commonwealth's interests in contract negotiations, with the result that the MRC bore a disproportionate share of the project risks without compensating trade-offs in costs; and
- failing to implement appropriate project management systems and structures.<sup>19</sup>

3.27 At the hearing, witnesses from MRC were candid in acknowledging these mistakes and said that the failure of the project was a major disappointment for the corporation.<sup>20</sup>

<sup>19</sup> Auditor-General, *Audit Report No. 21, 1995-96, The Meat Research Corporation, Management of Project Fututech*, Canberra 1996, pp 7-15

<sup>20</sup> Ian McCausland, Meat Research Corporation (MRC), *Transcript 12 August 1996*, pp. PA 135-136 and PA 140.

*The role of the MRC Board*

3.28 Dr Ian McCausland, the Managing Director of MRC, explained at the hearing that Project Fututech had been managed by the MRC Board, not by staff of the MRC. Dr McCausland argued that the decision by the Board to manage the project seemed reasonable at the time, but acknowledged that 'with the wisdom of hindsight', it was 'an inappropriate method of project management' because:

*when staff manage a project they have to answer to the board but when the board itself manages a project, or a subsidiary company reports directly to that board, there are no such checks and balances.<sup>21</sup>*

3.29 An example of the lack of such checks was that the Board did not fully realise the risks it was undertaking with the project and failed to recognise problems and take remedial action quickly enough.<sup>22</sup>

3.30 The problems at the MRC Board level were compounded by the fact that the prime contractor, BHP Engineering, had no experience in the meat processing industry and the task was as challenging for them as it was for the Board.

*We proceeded on the basis of their [BHP Engineering's] reputation. In hindsight, it was probably more than they knew, too. We were going into completely unknown territory and, basically, it was a bigger ask than they could see or we could see.<sup>23</sup>*

3.31 Dr McCausland asserted that the major lesson from the failure of Project Fututech is that by directly involving itself in project management the Board denied itself the capacity to be a 'dispassionate jury on whether things are going right or wrong.'<sup>24</sup> He advised that the MRC Board resolved, in February 1995 (before the ANAO commenced the audit and shortly after the MRC had stopped the project):

<sup>21</sup> Ian McCausland, MRC, *Transcript 12 August 1996*, pp. PA 135-136.

<sup>22</sup> Ian McCausland, MRC, *Transcript 12 August 1996*, p. PA 138

<sup>23</sup> Ian McCausland, MRC, *Transcript 12 August 1996*, p. PA 139.

<sup>24</sup> Ian McCausland, MRC, *Transcript 12 August 1996*, p. PA 147.



*that this must never happen again, that all projects must be managed through the managing director and that none would be handled directly by the board ever again.*<sup>25</sup>

#### *Responses to audit recommendations*

3.32 The Auditor-General advised the JCPA that the MRC has agreed with all 10 recommendations in the audit report and is now in the process of implementing them.

3.33 The most significant of the responses canvassed at the hearing were:

- the development of a commercialisation policy, incorporating the appointment of marketing managers and a Commercialisation Advisory and Management Group (a small group of experienced private sector people from whom advice is regularly sought);<sup>26</sup>
- the initiation of weekly meetings to review all new contracts being offered by the MRC;<sup>27</sup> and
- the inclusion of multiple 'stop/go' review points in major and complex projects.<sup>28</sup>

#### *Submission from a primary producer group*

3.34 After the hearing, the JCPA received a written submission from Peter Liddy, representing the Southern Agrifood and Export Marketing Group, which expressed concerns about:

- the performance of MRC in managing Project Fututech;
- the accuracy of some of the evidence presented at the JCPA hearing; and

<sup>25</sup> Ian McCausland, MRC, *Transcript 12 August 1996*, p. PA 136.

<sup>26</sup> Ian McCausland, MRC, *Transcript 12 August 1996*, p. PA 140.

<sup>27</sup> Ian McCausland, MRC, *Transcript 12 August 1996*, p. PA 140.

<sup>28</sup> Ian McCausland, MRC, *Transcript 12 August 1996*, p. PA 141.

- the relationship between MRC and the peak primary producer councils.<sup>29</sup>

3.35 In response to the second of these points, the JCPA sought and received further information from MRC. The response from the MRC does appear to contradict some of the information provided by Dr McCausland at the public hearing, especially in regard to membership of the Board when the decision was made to proceed with and commercialise the Fututech project in December 1989. Dr McCausland had informed the Committee that "*none of the original board is still on the board. The decision [for the MRC Board to run the project itself] was really taken before I joined it as managing director, but I was part of the board that continued with Fututech*".<sup>30</sup>

3.36 MRC's written response states that Dr McCausland was appointed as Executive Director to MRC in March 1986 and was made a Director of Fututech Pty Ltd in June 1992. In addition to Dr McCausland, two other members of the 1989 MRC Board are still serving members at present: Dr B S Hickman, who was also a member of the Fututech Steering Group (Sub-Committee) and Mr J G Murray, who has been the Government Member since June 1987.<sup>31</sup>

#### *Committee comments*

3.37 The hearing highlighted a number of issues which are emerging as common themes in modern public administration:

- the need for public sector agencies to develop commercially astute project management practices;
- the importance of rigorous application of risk management techniques; and
- the importance of fostering good corporate governance in commercial (and mainstream) government bodies.

<sup>29</sup> See Peter Liddy, *Submission No. 22*.

<sup>30</sup> McCausland, *Transcript 12 August 1996*, p PA138.

<sup>31</sup> John Menz, MRC, *Submission No 23*.

3.38 The MRC, when managing Project Fututech, did not perform well on any of these counts.

3.39 While the JCPA appreciates the candour of the MRC witnesses in admitting to the Board's serious errors of judgement, and recognises that the MRC seems to have learned the lessons of the failure of the project, it was, nevertheless, a \$40 million failure: a failure for which the MRC Board is responsible.

3.40 One of the associated questions raised by this failure is whether the criteria or processes for selecting Board members for Commonwealth entities are as rigorous as they ought to be.<sup>32</sup> As MRC's *Submission* indicated, the current Government Member had been on the Board since June 1987. The Committee questions whether this Member acted in the interests of the Commonwealth as vigilantly as he should have by alerting the Minister to the fact that the Fututech Project was in serious trouble.

3.41 As noted above, the lessons that can be learned from the MRC's experience have wide application. The challenge for the MRC, for other rural research and development corporations, for the ANAO, and for others with an interest in improving public sector management, is to ensure that these experiences and lessons are shared and understood throughout the APS.

3.42 In relation to the submission from Mr Liddy, the JCPA notes that while his testimony supports many of the audit findings, he also addresses matters beyond the scope of the audit report. The JCPA Chairman has written to the Chair of the House of Representatives Standing Committee on Primary Industries, Resources and Rural and Regional Affairs suggesting that Mr Liddy's submission raises matters which may be of interest to that Committee.

3.43 Having reviewed the further information provided by MRC about the total cost of Project Fututech and the membership of the MRC Board at the time key decisions were made, the JCPA is sufficiently concerned about the accuracy of

<sup>32</sup> Transcript 12 August 1996, pp PA144-145.

the evidence taken at the hearing to pursue the matter beyond the action taken to date. It has decided to write to Dr McCausland again seeking further clarification and to invite him to a further public hearing on this issue.

## Audit Report No. 27, 1995-96, Asset Management

### Introduction

3.44 *Audit Report No. 27* contains the results of the first audit of financial control and administration in Commonwealth agencies. The audit report and the accompanying *Better Practice Guide* and *Asset Management Handbook* are impressive products which serve a dual purpose. They provide advice to Parliament on the state of asset management in Commonwealth agencies, and guidance to agencies managers on how to improve asset management performance.

3.45 The JCPA's hearing, like the *Audit Report* itself, did not address the asset management performance of individual agencies. Instead, the hearing:

- focussed on the need for strong Commonwealth policies and central leadership on the issue; and
- considered some of the specifics of asset management, such as life cycle costings, asset valuation and the attribution of asset costs to program areas.

### Strong policies and leadership

3.46 One of the main suggestions in the audit report was that consideration be 'given to formally promulgating asset management principles for application by Commonwealth agencies.'<sup>33</sup> Although there was general agreement at the

<sup>33</sup> Auditor-General, *Audit Report No. 27, 1995-96, Asset Management*, p. 13.

hearing that responsibility for the provision such guidance rests with the Department of Finance (Finance)<sup>34</sup>, there was much debate when such guidance should be promulgated.

3.47 The Audit Report suggested that the provision of central guidance was a matter of some priority and noted that:

- there had been little progress in reforming asset management in the Commonwealth since 1991 (when the Management Advisory Board and the Management Improvement Advisory Committee issued a report entitled *Improving Asset Management in the Public Sector*); while, at the same time
- significant advances had been made by many of the State Governments.<sup>35</sup>

3.48 On the other hand, witnesses from Finance argued that the provision of guidance on asset management should be considered in the context of reforms to the overall financial management framework,<sup>36</sup> and that such reforms:

- (a) were contingent upon decisions of the Government; and
- (b) would require 'a phased approach to implementation'.<sup>37</sup>

#### *Some specifics*

3.49 There was support from all witnesses for:

- the recognition and management of the 'total life costs' of assets, including express and implied costs;<sup>38</sup>

<sup>34</sup> Phil Bowen, Department of Finance (Finance), *Transcript 12 August 1996*, p. PA114. See also Pat Barrett, Auditor-General, *Transcript 12 August 1996*, p. PA114, and Steve Palywoda, Department of Administrative Services, *Transcript 12 August 1996*, p. PA117.

<sup>35</sup> *Audit Report No. 27, 1995-96*, p. 11-12.

<sup>36</sup> Phil Bowen, Finance *Transcript 12 August 1996*, pp. PA118.

<sup>37</sup> Phil Bowen, Finance *Transcript 12 August 1996*, pp. PA121.

- allocation of the full costs associated with program delivery (including the cost of asset consumption) to program areas;<sup>39</sup> and
- the 'deprival value' method of determining asset values.<sup>40</sup>

3.50 There was also some discussion at the hearing of the value of external devices (such as a 'capital charge' on agencies) to encourage better asset management performance. Witnesses from Finance acknowledged that there are attractions in the concept of a capital charge and that the imposition of such a charge would make it clear to agencies that 'their capital is not a free good'. However, they also remarked that there was much debate about precisely how such a charge might be calculated and levied.<sup>41</sup>

3.51 It was explained that the Heads of Treasuries Committee (a committee of State and Commonwealth Treasury and Finance officials) was currently examining the options for capital charging. An option which might suit the Commonwealth's circumstances was that used in New Zealand, where the capital charge is levied on the 'net assets or the equity component of the balance sheet'.<sup>42</sup>

3.52 The question of timing arose in this context as well, with Finance again arguing that any further initiatives to improve the strategic management of asset performance need

<sup>38</sup> See Phil Bowen, Finance *Transcript 12 August 1996*, pp. PA123-124 and Pat Barrett, *Transcript, 12 August 1996*, pp. PA124 - although Mr Barrett advised that it would be reasonable to expect that the sophistication of the whole of life costings undertaken by agencies would vary according to the size of agencies and the value of their asset holdings.

<sup>39</sup> See Colin McPherson, ANAO *Transcript 12 August 1996*, pp. PA124-125 and Phil Bowen Finance *Transcript 12 August 1996*, pp. PA125 - although witnesses from Finance acknowledged that most agencies do not at present, have accounting systems which would enable them to regularly and systematically attribute corporate costs to program areas.

<sup>40</sup> Pat Barrett, *Transcript 12 August 1996*, p. PA126 and George Carter, Finance, *Transcript 12 August 1996*, p. PA127.

<sup>41</sup> Phil Bowen, Finance, *Transcript 12 August 1996*, pp. PA130.

<sup>42</sup> George Carter, Finance, *Transcript 12 August 1996*, pp. PA130.

to be considered in the context of broader government decisions about the nature of the Commonwealth's financial management framework.

*Further initiatives ... such as the possible implementation of a capital use charge ... should in our view be considered within the context of any initiatives the government takes to place its financial management framework on a more business like footing.<sup>43</sup>*

#### Committee comments

3.53 While recognising that, under the devolved operating environment which exists for Commonwealth agencies, individual agencies are responsible for the management of the resources under their control, the JCPA agrees with the Auditor-General's observation that:

*... we are still the Commonwealth of Australia and we still need to have consistency in approaches, particularly when we are now talking of whole of government reporting. [Matters such as asset valuation, life cycle cost and asset charging] are not issues that individual agencies can take their decisions on. They need a framework.<sup>44</sup>*

3.54 Clearly strong central guidance is required. In the JCPA's opinion, it is required sooner rather than later.

3.55 There are examples of good asset management practice in the APS (a number of which were identified in the audit report), where agencies have realised the value in better managing their assets. But these are isolated examples and widespread reform is unlikely to occur without clear guidance and support from Finance.

3.56 Basic asset management policies, such as appropriate and consistent valuation methodologies, need to be established and disseminated on a service wide-basis. The longer it takes to provide this guidance, the greater the risk that agencies will invest in wasted or duplicated effort.

<sup>43</sup> Phillip Bowen, Finance, *Transcript 12 August 1996*, pp. PA113.

<sup>44</sup> Pat Barrett, *Transcript 12 August 1996*, p. PA113.

Agencies may either 'reinvent the wheel' or find that, in the words of the Auditor-General, 'the rules of the game suddenly change on them later.'<sup>45</sup>

3.57 Consideration also needs to be given to providing budget supplementation to agencies to assist in upgrading financial management systems, or to sponsor the development of shared resource or bureau systems.

3.58 The JCPA agrees with Finance that the adoption of a full accrual based accounting and financial management system would help sharpen agency focus on asset management. However, the Committee does not agree that it is necessary to have an accrual accounting framework in place before seeking to modernising asset management - both reforms could proceed in tandem.

3.59 The move to a full accrual framework is a reform the JCPA has been pressing for some time, most recently in *Report 341, Financial Reporting for the Commonwealth, Towards Greater Transparency and Accountability* (November 1995). The Government has not yet formally responded to the report, although there are a number of positive signs that steps are being taken in the right direction. For example:

- the National Commission of Audit (June 1996) reached very similar conclusions to those contained in *Report 341*, including a recommendation that the Appropriations and Budget Papers should be moved to an accrual basis;
- the first trial whole-of-government reports for the Commonwealth have already been produced;
- as part of the 1996-97 Budget, the Treasurer announced the development of legislation to provide for a new and integrated fiscal reporting framework; and
- Finance is running a scoping study to examine how accrual accounting and budgeting concepts might be incorporated into the Commonwealth's financial management system.

<sup>45</sup> Pat Barrett, *Transcript 12 August 1996*, p. PA123.

3.60 It is important that this momentum is not lost. The Committee calls on the Government to finalise its response to *Report 341* and to use that response as an opportunity to draw these threads together and make a clear statement of its intentions in relation to financial management reform in the Commonwealth, including the steps that will be taken to promote better asset management in Commonwealth agencies.

3.61 **Recommendation 5**

*The Government should:*

- (a) *finalise its response to the JCPA's Report 341, Financial Reporting for the Commonwealth, Towards Greater Transparency and Accountability; and*
- (b) *use that response as an opportunity to make a clear and comprehensive statement of its intentions in relation to financial management reform in the Commonwealth, including the steps that will be taken to promote better asset management in Commonwealth agencies.*



**PUBLIC HEARINGS HELD ON  
2 SEPTEMBER 1996**

**Introduction**

4.1 On 2 September 1996, at its third and final public hearing on 1995-96 audit reports, the JCPA reviewed the following six audit reports:

- *Audit Report No. 3, 1995-96, CES Case Management, Department of Employment, Education, Training;*
- *Audit Report No. 4, 1995-96, Department of Social Security, Regional Office Resourcing and Benefit Processing;*
- *Audit Report No. 9, 1995-96, Teleservice Centres, Department of Social Security;*
- *Audit Report No. 23, 1995-96, Procurement of Training Services, Department of Employment, Education, Training and Youth Affairs;*
- *Audit Report No. 25, 1995-96, Performance Information, Department of Employment, Education, Training and Youth Affairs; and*
- *Audit Report No. 30, 1995-96, Competition in Case Management, Employment Services Regulatory Authority, Department of Employment, Education, Training and Youth Affairs.*

4.2 The hearing was conducted in two sessions: the first dealing with *Audit Report No 25*, which was an assessment of performance information in a number of programs run by the Department of Employment, Education, Training and Youth Affairs (DEETYA); and the second dealing with the remaining

audit reports, all of which, in one way or another, addressed matters of client service in DEETYA and the Department of Social Security (DSS).

4.3 This chapter reports on each session in turn.

### Audit Report No. 25, 1995-96, Performance Information, DEETYA

#### Introduction

4.4 Audit Report No. 25 contained 25 recommendations, all of which have been agreed to in principle.<sup>1</sup> However, the implementation of many of the recommendations will be affected by a series of announcements in the 1996-97 Budget which will result in substantial changes to the programs administered by DEETYA and to the Department's existing methods of program and service delivery.

4.5 As explained by Wayne Gibbons, a Deputy Secretary in DEETYA, the changes involve:

*the major simplification and restructuring of the schools and employment programs. In each case, the large numbers of existing programs will be rationalised and consolidated into four or five programs only.<sup>2</sup>*

4.6 Mr Gibbons explained that some programs will be discontinued, others restructured and new some programs introduced.

*New client service delivery arrangements for labour market programs ... will see the establishment of public and private employment placement enterprises ... and a major new program, the modern Australian apprenticeship and traineeship system, MAARTS, will be introduced in the*

<sup>1</sup> Wayne Gibbons, Department of Employment, Education, Training and Youth Affairs (DEETYA), *Transcript 2 September*, pp. PA 159-160.

<sup>2</sup> Wayne Gibbons, DEETYA, *Transcript 2 September*, p. PA 161.

*vocational education and training program. There is [also] a proposal that, as from January 1998, Austudy will be incorporated into a new youth allowance.<sup>3</sup>*

4.7 Another Budget announcement impacting on DEETYA is the Government's decision to establish a new statutory authority, within the Social Security portfolio, for the integrated delivery of Commonwealth services. As described by the Minister for Employment, Education, Training and Youth Affairs in a statement made at the time of the Budget, the new agency will become the:

*...delivery agency for all DSS services and a number of DEETYA services to jobseekers, students and youth. The agency will operate under a system of service agreements with relevant Commonwealth policy Departments...*

*It is expected that the agency will add to its initial range of functions over time and become a one-stop-shop for a wide range of Government services. For example, from the beginning of 1998, child care payments will be paid by the agency and families will have to deal only with the new agency, rather than the three separate agencies involved currently.<sup>4</sup>*

4.8 Notwithstanding these developments, it was agreed by those at the JCPA's hearing that the findings and recommendations in the audit report would have continuing relevance to DEETYA as it moves to establish its new programs and operating environment. As the audit report discusses a number of general principles and good practices in performance measurement, it was also agreed that the report would have enduring relevance across the public service.

4.9 The main issues discussed at the hearing were:

- the importance of establishing robust performance indicators when service delivery is to be undertaken by third party providers;

<sup>3</sup> Wayne Gibbons, DEETYA, *Transcript 2 September*, p. PA 160.

<sup>4</sup> Senator the Hon Amanda Vanstone, Minister for Employment, Education, Training and Youth Affairs, *Reforming Employment Assistance, Helping Australians into Real Jobs*, August 1996, p. 51.

- a range of general principles about establishing high quality performance information frameworks; and
- the need to ensure an appropriate balance between information privacy and administrative efficiency.

#### *Measuring the performance of third party service providers*

4.10 A major theme running through much of the evidence at the hearing was the importance of establishing robust and meaningful criteria against which to measure the performance of third party service providers. In the context of the programs run by DEETYA, third party providers can mean State and Territory governments, involved in jointly funded programs, and private or community sector service organisations, involved in the delivery of labour market programs.

4.11 The audit report noted that there are substantial difficulties in obtaining high quality performance information from third party service providers. Many of these difficulties can be traced to deficiencies such as ill-defined objectives in jointly funded Commonwealth and State government programs, or imprecise specifications in contracts between the Commonwealth and private or community sector service providers.<sup>5</sup> These deficiencies are recognised by DEETYA and evidence was taken about the steps being taken to improve the standards of third party performance information.<sup>6</sup>

<sup>5</sup> Auditor-General, *Audit Report No 25, 1995-96, Performance Information, Employment, Education, Training and Youth Affairs*, p. xiv

<sup>6</sup> See William Daniels and Thomas Brennan, from DEETYA, (*Transcript 2 September 1996*, p. PA 171-173) on the attempts which continue to be made to improve the comparability and quality of performance information in the areas of schools programs and funding for vocational education and training. And also Malisa Golightly, from ANAO (*Transcript 2 September 1996*, p. PA162) on the work done by the Employment Services Regulatory Authority in relation to 'building performance indicators into contracts with service providers'.

4.12 There was, however, general agreement that the Budget announcements about the creation of public and private employment placement agencies and a separate government services delivery agency places new significance on the establish better systems for gathering information about the performance of third party service providers. In the words of the Auditor-General:

*where service delivery is undertaken by a third party provider ... it is critical that contracts with the service provider allow for the collection, examination and validation of appropriate performance information to allow for an assessment of achievement against the government's objectives.<sup>7</sup>*

#### *Some general principles about establishing performance information frameworks*

4.13 The Committee's hearing highlighted a number of issues which might be called general principles of performance information, they are:

- the need for agencies to be selective in developing performance information - aiming for a balance between input, output and outcome measures and focussing only on indicators which addresses the key program or agency objectives;<sup>8</sup>
- the need to establish key indicators when programs are being designed and established (without pre-existing performance criteria it is very difficult to embark on a rigorous evaluation of program effectiveness);<sup>9</sup> and

<sup>7</sup> Pat Barrett, *Transcript 2 September 1996*, p. PA 161.

<sup>8</sup> Malisa Golightly, ANAO, *Transcript 2 September 1996*, p. PA 162-163.

<sup>9</sup> Pat Barrett, *Transcript 2 September 1996*, p. PA 163-164. Mr Barrett decried the assumption that performance indicators 'fall out of evaluations.' He noted that 'the fact is that there is no substitute for sitting down in the first place, identifying the particular objectives and strategies and looking at what kind of performance information is necessary' (p. PA 173).

- the importance of establishing accurate, reliable and timely information links between those charged with providing inputs, those producing outputs and those monitoring outcomes.<sup>10</sup>

4.14 When talking about individual programs a number of the witnesses from DEETYA acknowledged that much work needed to be done to establish quality performance information - particularly in the new contestable environment for the delivery of labour market services. Nevertheless, Mr Gibbons expressed confidence that the move 'away from the purchase of process and service to a situation of buying and rewarding outcomes',

*takes us [DEETYA] a step forward towards a simpler, easier to monitor performance environment.*<sup>11</sup>

#### *Balancing information privacy and administrative efficiency*

4.15 There was also some discussion about how the proposed government services agency, dealing with social security, employment, education and training programs, might contend with the current rules in relation to the protection of confidential client information.

4.16 Ian Campbell, a First Assistant Secretary in DEETYA, described the issue in the following terms:

*there is a question of who owns the data and what data flows can there be between DEETYA, the service delivery agency and the employment placement enterprises.*<sup>12</sup>

4.17 Mr Campbell suggested that while such tensions currently exist in relation to client information held by separately by DEETYA and the Department of Social Security, the establishment of a separate service delivery agency may provide an opportunity to consider:

<sup>10</sup> Pat Barrett, *Transcript 2 September 1996*, p. PA 164. In noting the significance of this point Mr Barrett remarked that 'the more remote or arms length those particular processes are, the more difficult it is to get the transmission of on-the-ground experience into the future policy making and strategic developments that are absolutely essential' (p. PA 164).

<sup>11</sup> Wayne Gibbons, *DEETYA Transcript 2 September 1996*, PA 165.

<sup>12</sup> Ian Campbell, *DEETYA, Transcript 2 September 1996*, p. PA 167.

*whether or not some of this data should be Commonwealth data, because more than one agency has a statutory responsibility for accessing that data.*<sup>13</sup>

#### *Committee comments*

4.18 Although Commonwealth labour market services have been delivered by a mix of public and private providers for some years now, the 1996-97 Budget announcements have ushered in a new phase of contestability. In this environment the importance of establishing robust performance information frameworks has taken on a new significance. If sensible judgements are to be made about the relative efficiency and effectiveness of alternative service providers, decision makers and managers need access to good quality performance information.

4.19 The Committee agrees with the Auditor-General's assessment that it is critical that Commonwealth contracts with third party service providers allow for the collection, examination and validation of performance information. Without access to such information, agencies will not be able to adequately fulfil either their management or their accountability requirements.

4.20 In the Committee's view, ANAO access to such information is just as important as agency access. In its *Report 344*, on audit reports presented in 1993-94 and 1994-95, the JCPA discussed this matter in relation to Defence procurement contracts and recommended that:

*When negotiating major procurement contracts the Department of Defence should ensure that provisions are included which enable the Auditor-General to gain sufficient access to contractor records to allow the costs associated with quotes, claims and contract amendments to be verified.*<sup>14</sup>

4.21 This recommendation is valid for any Commonwealth agency contracting with third party services providers for the delivery of programs. This is not to say that the Auditor-General would, or should, routinely seek access to

<sup>13</sup> Ian Campbell, *DEETYA, Transcript 2 September 1996*, p. PA 170.

<sup>14</sup> JCPA, *Report 344, A Continuing Focus on Accountability, Review of Auditor-General's Reports 1993-94 and 1994-95*, June 1996, p. 57.



the records of third party providers, but, in the JCPA's view it is essential that the Auditor-General has the ability to subject such records to external scrutiny where, in his or her judgement, such access is required to ensure that the Commonwealth is obtaining value for money from the service provider.

4.22 The JCPA notes that the Auditor-General Bill 1996, which is currently before the Parliament, provides the Auditor-General with unfettered powers to obtain any information required to fulfil his or her audit functions.<sup>15</sup> The power clearly allows for the Auditor-General to obtain relevant information from third party providers. However, this power would be enhanced considerably if it were specifically referred to in contracts between the Commonwealth and third party providers.

#### 4.23 Recommendation 6

*The Department of Employment, Education, Training and Youth Affairs should ensure, when establishing contracts with private sector employment placement agencies, that the contract provisions make explicit the Auditor-General's statutory authority to obtain information from third party service providers.*

4.24 It is clear that much work needs to be done by DEETYA (within a relatively short time frame) to ensure that integrated and contractually sound performance measurement and monitoring systems are in place for the introduction of the employment placement market. While the Committee is reassured by the confidence DEETYA displays in its ability to adequately monitor the performance of third party providers, the description of outcomes based performance information systems as being relatively simple and easy to monitor does not tally with the Committee's experience. It is usually far more difficult to establish effective outcomes based measurement systems, than it is to establish and operate the input and output based measurement systems which tend to predominate in the public sector.

<sup>15</sup> See Clause 32 of the Auditor-General Bill 1996, which confirms a series of powers already described in sections, 13, 14, 14A and 14B of the *Audit Act 1901*.

4.25 This audit report canvasses issues which have wide application throughout the APS. The principles behind good performance information are relevant to any program in any agency. As with a many of its audit reports, the challenge for ANAO is to ensure that the good practices described in the report are reinforced within DEETYA and transmitted to other agencies. The strategies described by the Auditor-General in this regard (that is, to participate as an observer in the development by DEETYA of performance information frameworks for the new operating environment, and to publish, jointly with the Department of Finance, a better practice guide on performance information) are commendable.

**Audit Report No. 3, 1995-96, DEETYA, CES Case Management; Audit Report No. 4, 1995-96, DSS Regional Office Resourcing, Audit Report No. 9, 1995 -96, DSS Teleservice Centres; Audit Report No. 23, 1995-96, DEETYA, Procurement of Training Services; and Audit Report No. 30, 1995-96, DEETYA, Competition in Case Management**

#### *Introduction*

4.26 The five audit reports considered at the second session of the public hearing on 2 September dealt with the provision of client services by the Departments of Social Security and Employment, Education, Training and Youth affairs.

4.27 As with the audit report considered earlier in this chapter, announcements made in the 1996-97 Budget impacted significantly on the programs and methods of service delivery which were the subject of these five audit reports. Nevertheless, the audit findings and recommendations were acknowledged to have continuing relevance as both Departments plan for the introduction of the programs and approaches outlined in the Budget.

4.28 The hearing, like the audit reports themselves, covered a very wide range of issues. The main issues discussed were:

- the nature of DEETYA's responses to the audit findings on case management by the Commonwealth Employment Service (CES);
- the challenges involved in monitoring effectively the performance of third party service providers (similar issues were discussed in the morning session on *Audit Report No. 25*, on DEETYA's performance information);
- the systems and physical integration required to establish the new government services agency; and
- the steps being taken to improve the performance of DSS Teleservice centres.

*DEETYA's responses to the audit findings on CES case management*

4.29 There was some considerable discussion about the nature of DEETYA's responses to the findings and conclusions contained in *Audit Report No. 3*, on individual case management by the CES.

4.30 During the hearing, JCPA members observed that DEETYA's response to the 17 recommendations in the audit report appeared to be both cavalier (the response to each recommendation being - 'This recommendation reflects the Department's operating policies and arrangements') and shortsighted (given that many of the audit findings emerged again in DEETYA's own evaluation of the Working Nation program, which was published 10 months after the audit report).

4.31 Witnesses from DEETYA replied that the response was not intended to be cavalier, but simply reflected the fact that the audit had taken place during the early development and implementation phases of the case management system and that most of the recommendations came about because both DEETYA and ANAO could see that certain action should

be taken or certain procedures implemented.<sup>16</sup> It was argued that, as a result, by the time the audit report was presented the Department had addressed all of the issues which were the subject of the audit findings.<sup>17</sup>

4.32 In relation to the appearance of the same findings in the Working Nation evaluation, Ian Campbell, a First Assistant Secretary in the Department remarked that:

*The fact that some of those [the audit recommendations] ... were reflected in our Working Nation evaluation meant that perhaps we did not fully ... implement as well as we could.*<sup>18</sup>

4.33 There was also some discussion about the use made by DEETYA, in its Working Nation evaluation, of the extensive client survey data collected by ANAO during its audit.<sup>19</sup>

4.34 In response to questioning from the Committee, DEETYA witnesses stated that:

*while of course we read the ANAO report, we did not regard that, if you like, as a major data source [when undertaking the Working Nation evaluation].*<sup>20</sup>

<sup>16</sup> Ian Campbell, DEETYA, *Transcript 2 September 1996*, p. PA 184.

<sup>17</sup> The timing of the audit was a matter of some concern to DEETYA and was remarked upon in both the Department's written response to the audit findings and in evidence to the JCPA. The Department believed that it was inappropriate to conduct an audit during the early implementation phases of a new system. On the other hand, the Auditor-General believed that the audit was appropriate because 'early identification of best practice in areas of need of improvement would greatly assist' in the evolutionary process through which case management was moving at the time of the audit (see Ian Campbell, *Transcript 2 September 1996*, p. PA 184; Pat Barrett, *Transcript 2 September 1996*, p. PA 186; and Auditor-General, *Audit Report No. 3, 1995-96, CES Case Management*, p. 7.)

<sup>18</sup> Ian Campbell, DEETYA, *Transcript 2 September 1996*, p. PA 185.

<sup>19</sup> A key element of the ANAO's audit methodology was to contact a survey of more than 1 500 CES clients to gain their perspective on the strengths and weaknesses of case management. See Appendix 1 of Auditor-General, *Audit Report No. 3, 1995-96, CES Case Management* for a more detailed description of the survey.

<sup>20</sup> Philip Potterton, DEETYA, *Transcript 2 September 1996*, p. PA 185.

*Monitoring the performance of third party service providers*

4.35 Mr Campbell argued that the Department's experience in procuring training services (the subject of *Audit Report No. 23*), operating a system of case management (the subject of *Audit Report No. 3*) and in establishing competition in case management (the subject of *Audit Report No. 30*) has been one of continual improvement and that those improvements provide a sound base from which to move into the new employment placement market.<sup>21</sup> For example:

- DEETYA now has place a one page, plain English standard contract for the provision of labour market programs by private providers;
- DEETYA has moved, as much as possible, to three year standing contracts to give providers more certainty; and
- DEETYA has significantly reduced the number and complexity of application forms required for access to labour market programs.<sup>22</sup>

4.36 Mr Campbell acknowledged that the most significant step involved in moving to the new employment placement market is to establish secure, yet workable, contractual linkages between outcomes for clients and payments to service providers.<sup>23</sup>

4.37 There was some discussion of this last point, particularly on the monitoring arrangements that will be put in place to ensure that outcomes are achieved.

4.38 Mr Campbell explained that under the new arrangements, which are intended to take effect from December next year, public and private employment placement enterprises will be:

<sup>21</sup> Ian Campbell, *Transcript 2 September 1996*, p. PA 199.

<sup>22</sup> Ian Campbell, *Transcript 2 September 1996*, p. PA 199.

<sup>23</sup> Ian Campbell, *Transcript 2 September 1996*, p. PA 200.

*contracted to take individuals in a referral sense from the [new government] service delivery agency, and they will be contracted to achieve outcomes for those clients. The payments arrangements ... are not finalised yet [but] will be very heavily weighted towards outcomes. 'Outcomes' is defined as jobs*

and further:

*we [DEETYA] will not, in those circumstances, be monitoring the inputs. We will not be monitoring what training is provided to what individuals, because that will take us back to the detailed inputs we have now. The incentives are all going towards payments when people get jobs.*<sup>24</sup>

4.39 In response to questioning from Committee members, it became clear that the payment arrangements would not be entirely outcomes based and that DEETYA would still need to have reasonably elaborate systems in place to control expenditure, monitor the performance of contractors and ensure satisfactory client outcomes. For example, Mr Campbell acknowledged that contractors would be eligible for an up-front service fee, to a maximum of 30% of the total possible fee (an amount potentially equivalent to \$3 000 per client) and that:

- to prevent excessive up-front service fees, advance payments may be staggered and paid against pre-determined achievement milestones; and
- DEETYA's information systems will need to be adapted to monitor the timing and size of payments to individual providers.<sup>25</sup>

*Establishing the new government services agency*

4.40 One of the 1996-97 Budget announcements which bears on the audit reports examined at these hearings is the proposed establishment of a government services agency. The

<sup>24</sup> Ian Campbell, *Transcript 2 September 1996*, p. PA 201. Mr Campbell explained that, in DEETYA's terms, a job means being substantially or totally off benefit for at least six months.

<sup>25</sup> Ian Campbell, *Transcript 2 September 1996*, p. PA 202.

agency will be a separate statutory authority responsible for delivering all of the services currently delivered through the DSS and DEETYA regional office networks. It is expected that the new agency will be established in July 1997 and fully operational in December 1997.<sup>26</sup>

4.11 There was some discussion about some of the practical issues to be resolved in setting up the new agency - such as determining which regional offices (DSS or DEETYA) will be used by the new agency, and how the separate DSS and DEETYA information technology systems will be integrated.

4.12 On the first point, Ross Divett, a Deputy Secretary in DSS, explained that:

*In general terms, the first step ... is identifying actual positions that equate to functions that are going into the agency, and that will be by numbers, level and location. Having done that, we will look location by location at what the best disposition of property resources is. There is at least four to six months lead time before we can answer some of those questions in detail.*<sup>27</sup>

4.13 On the question of integrating information technology systems, Mr Divett explained that DSS is already well down the track of redesigning and modernising its computer systems and that the redesign project has now been broadened to incorporate the functions coming across from DEETYA. According to Mr Divett:

*The redesign of the DSS system ... is in quantum terms very much larger than the integration of the functions coming from the CES. ... [While] it is very difficult in these complex areas for anyone to sign off and say it will all work, ... our level of confidence is relatively high.*<sup>28</sup>

4.14 The Auditor-General remarked that many of the issues canvassed in the audit reports could be of assistance to DSS and DEETYA as they move to establish the new service delivery agency. In particular, he suggested that:

<sup>26</sup> *Reforming Employment Assistance, Helping Australians into Real Jobs*, p. 56.

<sup>27</sup> Ross Divett, DSS, *Transcript 2 September 1996*, p. PA 191-2.

<sup>28</sup> Ross Divett, DSS, *Transcript 2 September 1996*, p. PA 194-5.

*There is considerable potential for re-engineering standard processes... through the use of improved technology. When adding new service delivery outlets, such as teleservice centres, consideration should be given to re-engineering work processes, resourcing and work practices and integration with the overall operations of the service delivery agency. ... It is not a case of just applying the tool in the existing situation. If you are going to get real benefits out of a significant tool, you need to establish the extent to which it can change the way in which you work.*<sup>29</sup>

4.15 He went on to say that there are, at present, significant variations in the way that different DSS regional offices go about their business, and that this results in markedly different standards of performance.

*By identifying and uniformly adopting efficient processes as a base standard, there is scope for savings without stifling - and I stress this - individual office initiatives, in particular devolution of authority. There is evidence that there is considerable scope to more carefully manage time spent in DSS branch offices which is not of benefit directly to either customers or to the business. There are opportunities to improve the methods used to identify and allocate resources across delivery networks.*<sup>30</sup>

4.16 While agreeing in general terms that 'the creation of the government services agency is an opportunity to further develop the key themes for change endorsed by the ANAO', Mr Divett indicated that the same sort of resourcing formulas that are used for the DSS network would be applied to the determine resourcing levels for the new agency.<sup>31</sup>

4.17 The Auditor-General argued that the resourcing strategies developed by ANAO during its audit on DSS regional office resourcing and benefit processing (as reported in *Audit Report No. 4*) provided a number of advantages for management of the social security network, and that:

<sup>29</sup> Pat Barrett, *Transcript 2 September 1996*, pp. PA 181-2.

<sup>30</sup> Pat Barrett, *Transcript 2 September 1996*, p. PA 182.

<sup>31</sup> Ross Divett, DSS, *Transcript 2 September 1996*, p. PA 179 and p. PA 208.

*[the ANAO] will be looking at the developments as they occur, with the new agency in particular, as to the kind of resourcing approaches that are taken and whether or not the re-engineering aspects of it are given the sort of prominence they deserve.<sup>32</sup>*

#### *Improving the performance of DSS Teleservice Centres*

1.48 Audit Report No. 9, on the 16 Teleservice Centres operated by DSS, found that, while the Teleservice Centres are important service outlets for DSS clients, Teleservice operations have had difficulty in meeting the original specified performance standards. The Auditor-General attributed these performance shortfalls primarily to 'limitations in the initial planning and implementation procedures'.<sup>33</sup>

1.49 The Department accepted the audit findings and agreed with all 28 recommendations in the audit report. Mr Divett advised the JCPA that 'since the audit report was issued, the department considers that it has finalised [15 recommendations] and is working to finalise the remainder'.<sup>34</sup>

1.50 Some of the specific changes that have been made to the operation of Teleservice Centres since the presentation of the audit report have been:

- to broaden the range of performance standards to include factors other than call answering times;
- to continue to run surveys aimed at generating feedback about client satisfaction;
- to institute a system of automatically generated 'call receipt numbers', so that an audit trail will exist to assist in the resolution of client complaints;
- to open a new call centre (known within DSS as a 'spike centre') to handle peak periods when existing centres are busy;

<sup>32</sup> Pat Barrett, *Transcript 2 September 1996*, p. PA 209.

<sup>33</sup> Auditor-General, *Audit Report No. 9, 1995-96, Teleservice Centres, Department of Social Security*, p. ix, and Pat Barrett, *Transcript 2 September 1996*, p. PA 182.

<sup>34</sup> Ross Divett, DSS, *Transcript 2 September 1996*, p. PA 179.

- to establish a greater degree of automated handling of simpler calls; and
- to develop and maintain a continuing program of training courses on advanced telephone techniques for operations.<sup>35</sup>

1.51 Ian Carnell, a First Assistant Secretary in DSS, explained that the aim of these reforms is to:

*lift the department's call handling capacity to 18 million which is, we think, around the mark of current demand and, in the following year, it should be around the 20 million mark. By way of giving you a baseline, this year we handled a little under 12 million. So we aim to increase that call handling capacity very substantially.<sup>36</sup>*

1.52 While Mr Carnell acknowledged that training teleservice operators will be an ongoing priority for the Department, he also commented that, given the complexity of the social security system, it is impractical to 'train a single operator across the full range of knowledge in social security.' Of necessity, some 20 to 30% of incoming calls will need to be referred to specialist officers in regional offices.<sup>37</sup>

#### *Committee comments*

##### on DEETYA responses to the audit findings on CES case management

1.53 The Committee acknowledges that the nature of case management changed during the course of the audit, from a system operated within CES to a contestable system regulated by the Employment Services Regulatory Authority, and accepts that this change may have exacerbated DEETYA's concerns about the timing of ANAO's audit.

<sup>35</sup> Ian Carnell, DSS, *Transcript 2 September 1996*, p. PA 196-7.

<sup>36</sup> Ian Carnell, DSS, *Transcript 2 September 1996*, p. PA 197.

<sup>37</sup> Ian Carnell, DSS, *Transcript 2 September 1996*, p. PA 198.

1.51 While it is not uncommon for auditees and auditors to have different opinions on the value and optimum timing of audit investigations, in the end, decisions about the conduct and timing of audits are matters for the Auditor-General to determine. Agencies do themselves a disservice if they carry an attitude of resentment throughout the course of an audit.

1.55 It seems to the Committee that DEETYA's irritation at the timing of this audit meant that it was not of a mind to seriously consider the audit findings when they were presented. Had DEETYA paid more attention to the matters raised in the audit report, it may have been in a better position to address shortcomings in the operation of case management before commencing the Working Nation evaluation.

1.56 Moreover, DEETYA's irritation with the audit seems to have lead it to disregard the substantial data set collected by the ANAO at a time when the Working Nation evaluation report acknowledged its own data deficiencies. While the ANAO client survey was conducted before the introduction of the statutory model of case management (which was the subject of the Working Nation evaluation) it seems to the Committee that the ANAO data on client perspectives would have been, at the very least, a useful supplement to that gathered by DEETYA as part of its own evaluation.

#### on monitoring the performance of third party providers

1.57 As noted earlier in this Chapter in relation to DEETYA's performance information, establishing an outcomes based monitoring system is not easy. What was initially presented at the hearing as being a simple system whereby contractors would be paid on the basis of their success in placing clients in employment, quickly became, upon further explanation, a system involving safeguards to protect against the payment of excessive up-front fees, and ongoing monitoring by national, state and regional offices to gauge achievement against pre-set milestones and, ultimately, against job outcomes. The fact that such controls may, in the end, be necessary and appropriate confirms the point that it is simplistic to suggest that outcomes monitoring will be easy.

1.58 A related point, which was canvassed only briefly at the hearing, is the need to carefully regulate the players in the employment placement market. While it may be acceptable in some markets to assert that the ultimate discipline on contractors is that unless they provide a satisfactory outcome they will not get paid (or will not get the next contract), the employment placement market does not involve trade in products - it involves people, people without a job. The fact that a third party provider may not get paid or may not get another contract, does not help an unemployed client find a job.

1.59 To maximise the chances of successful outcomes, and minimise the chances of contractor failure, it is important that people be referred only to those employment placement enterprises which have been through rigorous accreditation procedures, have committed themselves to acceptable service quality standards, and, ideally, have a proven track record of securing job outcomes for their clients.

1.60 DEETYA's experience over the last decade, first with CES case management and then with competitive case management, gives it a firm base from which to develop the Government's new arrangements. One of the challenges for the Department will be to interpret its experience in the light of the audit findings and the results of the Working Nation evaluation. Both are important of information sources and both suggest that there is much of the early experience that can be improved upon. In this regard, the Committee notes that *Audit Report No. 30* contains a chapter (Chapter 6) which describes the key principles to be considered in establishing and managing competition in the delivery of government services. The Committee's recommendation, earlier in this Chapter, about ensuring ANAO access to records held by third party providers is also relevant to these considerations.

1.61 The development of these new service delivery arrangements places DEETYA and DSS at the forefront of contemporary public administration and it is likely that the JCPA, along with other parliamentary committees, will have an on-going interest in the performance monitoring and accountability systems that are ultimately put in place.

on the new government service delivery agency

1.62 The Committee supports the initiative taken by ANAO to consult with both DSS and DEETYA during the establishment of the new government services agency. ANAO participation on DSS and DEETYA steering committees could prove to be mutually beneficial - it will help ANAO enhance its understanding of the operations of the two departments and will allow an ANAO perspective on matters such as systems development, control mechanisms, performance information and resourcing strategies to be considered as the new agency is set up.

1.63 It is also important that, in establishing the new agency, DSS and DEETYA consider carefully the needs and interests of staff currently employed in their regional office networks. In an uncertain and difficult period, every effort should be made to keep staff informed of and involved in the changes being made.

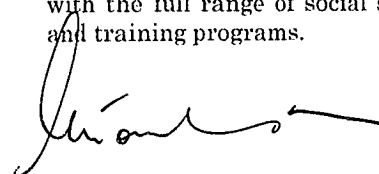
on DSS Teleservice Centres

1.64 Despite the difficulties associated with the introduction of Teleservice centres in DSS, they are now a key element in the social security delivery system and are set to play an even greater role following the establishment of the new government services agency. The lessons learned from the Teleservice experience, such as the importance of:

- carefully planning for the implementation of technology-based client service initiatives;
- ensuring that such initiatives are fully integrated into the overall operations of an agency; and
- taking full advantage of the opportunities that new technologies present for reorganising existing work processes.

will have ongoing relevance for DSS, DEETYA and the new service delivery agency.

1.65 Another continuing challenge for those involved in service delivery is to ensure that front-line client service staff (including teleservice operators) have a secure and substantial understanding of the services and benefits available to clients. Historically this has been a significant task for DSS and DEETYA, especially given the frequency with which changes are made to Commonwealth social welfare entitlements. The magnitude of the task is unlikely to be made easier by the need for staff of the new service delivery agency to be familiar with the full range of social security, employment, education and training programs.



Alex Somlyay  
Chairman  
26 February 1997



## APPENDIX I - AUDIT REPORTS REVIEWED

- *Audit Report No. 1, 1995-96, Income Matching System: Australian Taxation Office*
- *Audit Report No. 2, 1995-96, Matters Relating to the Proposed Sale of ANL Ltd.*
- *Audit Report No. 3, 1995-96, CES Case Management*
- *Audit Report No. 4, 1995-96, Regional Office Resourcing*
- *Audit Report No. 5, 1995-96, Provision of Hearing Services: Australian Hearing Services*
- *Audit Report No. 6, 1995-96, Community Development Employment Projects Scheme: Aboriginal and Torres Strait Islander Commission*
- *Audit Report No. 7, 1995-96, Financial Management: Department of Veterans' Affairs*
- *Audit Report No. 8, 1995-96, Explosive Ordinance: Department of Defence*
- *Audit Report No. 9, 1995-96, Teleservice Centres*
- *Audit Report No. 10, 1995-96, Sale of the Moomba to Sydney Gas Pipeline*
- *Audit Report No. 11, 1995-96, Department of Defence Management Audit*
- *Audit Report No. 12, 1995-96, Risk Management by Commonwealth Consumer Product Safety Regulators*
- *Audit Report No. 13, Results of 1994-95 Financial Statements Audits of Commonwealth Entities*
- *Audit Report No. 14, 1995-96, Sale of CSL, Commonwealth Blood Product Funding and Regulation*
- *Audit Report No. 15, 1995-96, Aggregate Financial Statement prepared by the Minister for Finance year ended 30 June 1995*
- *Audit Report No. 16, 1995-96, Assessable Government Industry Assistance: Australian Taxation Office*
- *Audit Report No. 17, 1995-96, Management of Australian Defence Force Preparedness: Department of Defence*
- *Audit Report No. 18, 1995-96, CETP: Department of Health and Family Services*
- *Audit Report No. 19, 1995-96, Management of Small and medium-sized Overseas Posts, Department of Foreign Affairs and Trade and Austrade*
- *Audit Report No. 20, 1995-96, Diesel Fuel Rebate Scheme: Australian Customs Service*
- *Audit Report No. 21, 1995-96, The Meat Research Corporation: Management of Project Fututech*
- *Audit Report No. 22, 1995-96, Workers' Compensation Case Management: Comcare Australia and Selected Agencies*
- *Audit Report No. 23, 1995-96, Procurement of Training Services*
- *Audit Report No. 24, 1995-96, Impact of Sunset Clause on Investigatory Powers: Health Insurance Commission*
- *Audit Report No. 25, 1995-96, Performance Information*
- *Audit Report No. 26, 1995-96, Defence Export Facilitation and Controls: Department of Defence*
- *Audit Report No. 27, 1995-96, Asset Management*
- *Audit Report No. 28, 1995-96, Jindalee Operational Radar Network, Department of Defence*
- *Audit Report No. 29, 1995-96, Management of the Commercial Estate: Australian Estate Management*
- *Audit Report No. 30, 1995-96, Competition in Case Management*



- *Audit Report No.31, 1995-96, Environmental Management of Commonwealth Land: Site Contamination and Pollution Prevention*
- *Audit Report No. 32, 1995-96, Commonwealth Fisheries Management: Australian Fisheries Management Authorities*
- *Audit Report No. 33, 1995-96, Joint Commercial Arrangements*



## APPENDIX II - SUBMISSIONS

### Submissions 1995-96 Audit Reports

- 1 Australian Hearing Services
- 2 Australian Taxation Office
- 3 Department of Social Security
- 4 Department of Employment, Education and Training
- 5 Federal Office of Road Safety
- 6 Australian Competition and Consumer Commission
- 7 Department of Finance
- 8 Australian National Audit Office
- 9 Department of Foreign Affairs and Trade
- 10 Australian Trade Commission
- 11 CSL Limited
- 12 Department of Defence
- 13 Australian National Audit Office
- 14 Australian National Audit Office
- 15 Department of Health and Family Services
- 16 Australian National Audit Office
- 17 Department of Social Security
- 18 Department of Foreign Affairs and Trade
- 19 Department of Social Security
- 20 Australian National Audit Office

- 21 Department of Foreign Affairs and Trade
- 22 Southern Agrifood & Export Marketing Group
- 23 Meat Research Corporation

**Confidential Submissions  
1995-96 Audit Reports**

The Committee received three confidential submission as part of its review.



**APPENDIX III - EXHIBITS**

- 1 Media Releases of 15 February 1996, 4 July 1996 and 18 July 1996 - Australian Competition and Consumer Commission (AR 12 95-6)
- 2 Threshold Assessment Worksheet - Australian Competition and Consumer Commission (AR 12 95-6)
- 3 Product Survey Assessments - Australian Competition and Consumer Commission (AR 12 95-6)
- 4 Regional Office Surveys of consumer products covered by safety standards - Australian Competition and Consumer Commission (AR 12 95-6)
- 5 Safety Standards Tests on Various Products - Australian Competition and Consumer Commission (AR 12, 95-6)
- 6 Press Clipping - Early warnings of a Jindalee tax burden - The Australian Financial Review dated Friday, June 28, 1991 (AR 28, 95-6)
- 7 Asset Management Better Practice Guide and Asset Management Handbook - Australian National Audit Office (AR 27, 95-6)
- 8 Corporate Governance Training Package - AusTrade (AR 19, 95-6)



## APPENDIX IV - WITNESSES AT PUBLIC HEARINGS

Canberra, Tuesday 23 July 1996

### *Audit Report No. 28, 1995-96, Jindalee Operational Radar Network*

#### *Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director, Performance Audit Business Unit

Mr Tony Minchin  
Executive Director

Mr Ray McNally  
Performance Audit Business Unit

#### *Department of Defence*

Mr Tony Ayers  
Secretary

Mr Garry Jones  
Deputy Secretary, Acquisitions

Mr Nick Hammond  
First Assistant Secretary, Defence Materiel

Air Commodore Dick Hedges  
Director-General, Jindalee Project

Mr Peter Sharp  
Inspector-General

#### *Telstra*

Mr Lindsay Yelland  
Group Manager Director, Retail Products & Marketing

Mr David Krasnostein  
Group Director, Strategic Planning & Development

Mr Les Morrison  
National General Manager, Telstra Applied Technologies

Ms Jillian Arnott  
Solicitor

### *Audit Report No. 11, 1995-96, Defence Management Audit*

#### *Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director, Performance Audit Business Unit

Mr Tony Minchin  
Executive Director

Mr Graham Smith  
Performance Audit Business Unit

#### *Department of Defence*

Mr Tony Ayers  
Secretary

Mr Peter Sharp  
Inspector-General

*Audit Report No. 14, 1995-96, Sale of CSL**Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director, Performance Audit Business Unit

Mr Colin Cronin  
Executive Director

Ms Victoria Walker  
Performance Audit Business Unit

*Department of Finance (Taskforce B on Asset Sales)*

Mr Mike Hutchinson  
Deputy Secretary

Mr Ross Smith  
Chairman, Task Force on Asset Sales B

Mr Mick Danaher  
Director, Medical Benefits & Research Section

Mr Tim O'Brien  
Director, Accountability Projects Section

*Department of Health and Family Services*

Mr Ian Lindenmayer  
Deputy Secretary

Mr Andrew Gregory  
Assistant Secretary, Audit and Payments Control Branch

Mr Robert Wells  
A/g Principal Adviser, State Financing Group  
Health Services Development Division

Mr Michael Mossop  
Director, Special Access Programs Section  
State Financing Group  
Health Services Development Division

*Therapeutic Goods Administration*

Mr Terry Slater  
National Manager, Therapeutic Goods Administration

Mr Garry James  
Director, Chemical and Prescription Drugs Branch

Mr John Cable  
A/g Director, Chemical and Prescription Drugs Branch

Mr Robert Tribe  
Head of Good Manufacturing Practice (GMP) and Licensing  
Section and Chief GMP Auditor, Conformity Assessment  
Branch

*Audit Report No. 12, 1995-96, Consumer Product Safety**Australian Competition and Consumer Commission*

Mr Allan Asher  
Deputy Chairman

Mr Col Lewis  
Project Manager, Enforcement and Regional Co-ordination  
Branch

*Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director, Performance Audit Business Unit

Mr Michael Lewis  
Executive Director

Mr Brian Boyd  
Performance Audit Business Unit

*Federal Bureau of Consumer Affairs*

Mr Philip Noonan  
Executive Director

Mr Trevor Rodgers  
Assistant Secretary, Safety, Liaison and Legal Branch

Mr Lyn Hansen  
Director, Safety Policy  
Safety, Liaison and Legal Branch

*Federal Office of Road Safety*

Mr Peter Makeham  
First Assistant Secretary

Mr Peter Anyon  
Director, Audit & Safety Investigations, Motor Transport  
Branch

Mr Dhammithalal Goonewardene  
Principal Engineer, Audit & Safety Investigations,  
Motor Transport Branch

*Department of Health and Family Services*

Mr Ian Lindenmayer  
Deputy Secretary

Dr Tony Adams  
Chief Medical Officer

Dr Peter Gray  
Director, Injury Prevention and Control Section  
National Health Promotion and Protection Branch 1,  
Public Health Division

Mr Andrew Gregory  
Assistant Secretary, Audit and Payments Control Branch

*Australia/NZ Food Authority*

Dr Gordon Burch  
Scientific Director

Dr Peter Abbott  
Acting Director, Food Science and Safety

Mr Chris Preston  
Director, Legal

*Therapeutic Goods Administration*

Mr Terry Slater  
National Manager, Therapeutic Goods Administration

Mr Garry James  
Director, Chemical and Prescription Drugs Branch

Mr John Cable  
A/g Director, Chemical and Prescription Drugs Branch

Mr Robert Tribe  
Head of Good Manufacturing Practice (GMP) and Licensing  
Section; and Chief GMP Auditor, Conformity Assessment  
Branch

**Canberra, Monday 12 August 1996**

***Audit Report No. 19, 1995-96, The Management of Small  
and Medium-sized Overseas Posts***

*Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr John Meert  
Group Director, Performance Audit Business Unit

Dr Paul Nicoll  
Executive Director

Dr Helen McKenna  
Senior Director

*Department of Foreign Affairs and Trade*

Mr Kim Jones  
Deputy Secretary

Mr Bob Cotton  
First Assistant Secretary, Corporate Services

Ms Lyndal McLean  
Assistant Secretary, Corporate Evaluation

Dr Malcolm Leader  
Assistant Secretary, Resources Branch

Mr David Peirce  
Resources Branch

Mr John Rigg  
Resources Branch

*Australian Trade Commission*

Mr Peter Langhorne  
Executive General Manager, Corporate Affairs

Mr Michael Crawford  
Manager, Government and Policy

***Audit Report No. 27, 1995-96, Asset Management***

*Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Bill Nelson  
National Business Director, Financial Audit Business Unit

Mr Edward Hay  
Group Director, Financial Audit Business Unit

Mr Col McPherson  
Executive Director

Mr Andrew Greaves  
Senior Director

*Department of Finance*

Mr Phil Bowen  
First Assistant Secretary, Financial Management

Mr Maurie Kennedy  
Assistant Secretary, Finance Administration Advisory Branch

Mr George Carter  
Special Adviser (Accounting)

Ms Mary Venner  
Director, Resources and Running Cost Section, Expenditure  
Policy Branch, General Expenditure

*Department of Administrative Services*

Mr Steve Palywoda  
Acting Deputy Secretary

Mr Ian Woonton  
General Manager (Asset Services)

Mr Graeme Lowe  
Assistant General Manager (Customer Service, Asset  
Services)

Mr Bill Peel  
General Manager, Corporate Policy,  
Public Works Policy Group

***Audit Report No. 21, 1995-96, The Meat Research Corporation****Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr John Meert  
Group Director, Performance Audit Business Unit

Mr John Bowden  
Executive Director

Ms Diane Barr  
Performance Audit Business Unit

*Meat Research Corporation*

Dr Ian McCausland  
Managing Director

Mr Michael Perry  
Business Manager

Mr John Menz  
Corporation Secretary

***Audit Report No. 7, 1995-96, Financial Management****Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr John Meert  
Group Director, Performance Audit Business Unit

Mr Alan Greenslade  
Executive Director, Performance Audit Business Unit

Mr Jim Grenfell  
Senior Director, Performance Audit Business Unit

*Department of Veterans' Affairs*

Dr Neil Johnston  
Secretary

Mr David Mackrell  
Branch Head, Resources Corporate Development

Mr Patrick Callioni  
Branch Head, Planning, Standards and Veterans Services  
Corporate Development

**C a n b e r r a , M o n d a y 2 S e p t e m b e r 1 9 9 6**

***Audit Report No. 3, 1995-96, CES Case Management****Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director

Ms Malisa Golightly  
Executive Director

Ms Ann Thurley  
Senior Director

*Department of Employment, Education, Training and Youth Affairs*

Mr Wayne Gibbons  
Deputy Secretary

Mr Ian Campbell  
First Assistant Secretary

Mr Rod Halstead  
First Assistant Secretary

Ms Sheila Butler  
Assistant Secretary

Mr Philip Potterton  
Assistant Secretary

Ms Leslie Riggs  
Assistant Secretary

*Australian Trade Commission*

Mr Peter Langhorne  
Executive General Manager, Corporate Affairs

Mr Michael Crawford  
Manager, Government and Policy

***Audit Report No. 4, 1995-96, Regional Office Resourcing***

*Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director

Mr Alan Greenslade  
Executive Director

Ms Sue Sheridan  
Performance Audit Business Unit

*Department of Social Security*

Mr Ross Divett  
Deputy Secretary

Mr James Humphreys  
Deputy Secretary, Operations

Mr Ian Carnell  
First Assistant Secretary

Mr Michael Goldstein  
First Assistant Secretary

Mr Raymond Burns  
Assistant Secretary

***Audit Report No. 9, 1995-96, Teleservice Centres***

*Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director

Mr Alan Greenslade  
Executive Director



*Department of Social Security*

Mr Ross Divett  
Deputy Secretary

Mr James Humphreys  
Deputy Secretary, Operations

Mr Ian Carnell  
First Assistant Secretary

*Audit Report No. 23, 1995-96, Procurement of Training Services**Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director

Ms Malisa Golightly  
Executive Director

Ms Ann Thurley  
Performance Audit Business Unit

*Department of Employment, Education, Training and Youth Affairs*

Mr Wayne Gibbons  
Deputy Secretary

Mr Ian Campbell  
First Assistant Secretary

Mr Rod Halstead  
First Assistant Secretary

Ms Sheila Butler  
Assistant Secretary

Mr Philip Potterton  
Assistant Secretary

Ms Leslie Riggs  
Assistant Secretary

*Audit Report No. 25, 1995-96, Performance Information**Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director

Ms Malisa Golightly  
Executive Director

Ms Ann Thurley  
Performance Audit Business Unit

*Department of Employment, Education, Training and Youth Affairs*

Mr Wayne Gibbons  
Deputy Secretary

Mr Ian Campbell  
First Assistant Secretary

Mr Bill Daniels  
First Assistant Secretary

Mr Thomas Brennan  
First Assistant Secretary

Mrs Mary Lovett  
First Assistant Secretary

Mr Ian Creagh  
Assistant Secretary

*Audit Report No. 30, 1995-96, Competition in Case Management*

*Australian National Audit Office*

Mr Pat Barrett  
Auditor-General

Mr Ian McPhee  
National Business Director

Ms Malisa Golightly  
Executive Director

Ms Ann Thurley  
Performance Audit Business Unit

*Employment Services Regulatory Authority*

Dr Owen Donald  
Chief Executive Officer

Ms Janina Gawler  
Executive Director

Mr Andrew Stuart  
Executive Director

*Department of Employment, Education, Training and Youth Affairs*

Mr Wayne Gibbons  
Deputy Secretary

Mr Ian Campbell  
First Assistant Secretary

Mr Rod Halstead  
First Assistant Secretary

Ms Sheila Butler  
Assistant Secretary

Mr Philip Potterton  
Assistant Secretary

Ms Leslie Riggs  
Assistant Secretary

*Department of Finance*

Ms Joanna Davidson  
Assistant Secretary

Ms Suzanne Parkinson  
Assistant Director

Ms Cathy McKay  
Director