

The Auditor-General  
Audit Report No.31 2001-02  
Performance Audit

## **Audit Activity Report: July to December 2001**

### **Summary of Outcomes**

Australian National Audit Office

© Commonwealth  
of Australia 2002

ISSN 1036-7632

ISBN 0 642 80614 4

#### **COPYRIGHT INFORMATION**

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth, available from AusInfo. Requests and inquiries concerning reproduction and rights should be addressed to:

The Manager,  
Legislative Services,  
AusInfo  
GPO Box 1920  
Canberra ACT 2601

or by email:  
[Cwealthcopyright@finance.gov.au](mailto:Cwealthcopyright@finance.gov.au)

Canberra ACT  
13 February 2002



Dear Madam President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of the results of our audits, and audit related services over the second half of 2001 to the Parliament. The report is titled *Audit Activity Report: July to December 2001*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett', is positioned above the printed name.

P. J. Barrett  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## **AUDITING FOR AUSTRALIA**

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

Auditor-General reports are available from Government Info Shops. Recent titles are shown at the back of this report.

For further information contact:  
**The Publications Manager**  
**Australian National Audit Office**  
**GPO Box 707**  
**Canberra ACT 2601**

**Telephone: (02) 6203 7505**  
**Fax: (02) 6203 7519**  
**Email: [webmaster@anao.gov.au](mailto:webmaster@anao.gov.au)**

ANAO audit reports and information about the ANAO are available at our internet address:

**<http://www.anao.gov.au>**

# Contents

---

Abbreviations/Glossary	7
<b>1. Introduction</b>	
ANAO performance audit themes	13
Corporate Governance	14
Procurement and Contract Management	18
Information Technology	20
Service Delivery	23
Report outline	24
<b>2. Performance Audit themes</b>	
Corporate Governance—Human resource management	26
Corporate Governance—Financial Management	28
Corporate Governance—Performance information	33
Corporate governance—General	34
Procurement and Contract Management	36
Information technology	39
Service Delivery	41
<b>3. Financial Statement Audits</b>	
Audits of financial statements	44
The consolidated financial statements and the final budget outcome report	44
Outcomes and outputs costing and appropriation reporting framework	45
Timing for financial statement preparation	46
Summary of control issues	47
Audit of the CFS 2000–01	48
<b>Appendices</b>	<b>53</b>
Appendix 1: Audit Reports tabled in the period 1 July to 31 December 2001	55
Control Structures as part of the Audits of the Financial Statements of Major Commonwealth Entities for the Year Ended 30 June 2001.	55
Examination of Allegations Relating to Sales Tax Fraud	57
The Australian Taxation Office's Administration of Taxation Rulings	58
Commonwealth Estate Property Sales	59
Parliamentarians' Entitlements: 1999–2000	61
Commonwealth Fisheries Management: Follow-up	63
Audit Activity Report: January to June 2001	65
Disposal of Infrastructure, Plant and Equipment	66
Learning for Skills and Knowledge—Customer Service Officers	67
Management of Bank Accounts by Agencies	69
Administration of the Federation Fund Program	70

Selection, Implementation and Management of Financial Information Systems in Commonwealth Agencies	72
Internet Security within Commonwealth Government Agencies	73
Client Service Initiatives Follow-up Audit	74
Agencies' Oversight of Works Australia Client Advances Initiatives	75
Defence Reforms Program Management and Outcomes	76
Administration of Petroleum Excise Collections	77
Performance Information in Portfolio Budget Statements	79
Payroll management	81
Fraud control arrangements in the Department of Agriculture, Fisheries and Forestry—Australia	82
Developing policy advice	83
Personnel Security—Management of Security Clearances	84
Broadcasting Planning and Licensing	86
Status Reporting of Major Defence Acquisition Projects	88
Accounts Receivable	89
Management of Fraud and Incorrect Payment in Centrelink	90
Agency Management of Software Licensing	92
An Analysis of the Chief Financial Officer Function in Commonwealth Organisations	93
Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 2001	94
Appendix 2: Better practice guides completed in the period 1 July to 31 December 2001	96
Appendix 3: Performance audit and other audit services in progress as at 31 December 2001	98
Appendix 4: Presentations and papers given by the Auditor-General and ANAO staff during the period July to December 2001	101
<a href="#">Series Titles</a>	<a href="#">101</a>
<a href="#">Better Practice Guides</a>	<a href="#">104</a>

## Abbreviations/Glossary

---

ABA	Australian Broadcasting Authority
ACA	Audit and Control Assessment
AFFA	Department of Agriculture, Fisheries and Forestry - Australia
AFMA	Australian Fisheries Management Authority
ANAO	Australian National Audit Office
APS	Australian Public Service
ATO	Australian Taxation Office
CEI	Chief Executive's Instruction
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSO	Customer Service Officer
Defence	Department of Defence
DETYA	Department of Education, Training and Youth Affairs
DEWRSB	Department of Employment, Workplace Relations and Small Business
DHAC	Department of Health and Aged Care
DHR	Department of the House of Representatives
DMO	Defence Material Organisation
DoS	Department of Senate
DRP	Defence Reforms Program
DSD	Defence Signals Directorate
FACS	Department of Family and Community Services
Finance	Department of Finance and Administration
FMA	Financial Management and Accountability Act
FMIS	Financial Management Information System
IP	Intellectual property
IT	Information Technology

JCPAA	Joint Committee of Public Accounts and Audit
M&PS	Ministerial and Parliamentary Services
MRI	Magnetic Resonance Imaging
NOIE	National Office for Information Economy
OASITO	Office of Asset Sales and IT Outsourcing
PBS	Portfolio Budget Statement
PM&C	Prime Minister and Cabinet
POI	Proof of Identity
PS Act	Public Service Act
PSM	Protective Security Manual
PSMPC	Public Service and Merit Protection Commission
SFPAC	Senate Finance and Public Administration Committee
TBL	Triple Bottom Line



# 1. Introduction

---

*This chapter discusses the role of the ANAO and the integration of its audit themes and outputs with the needs of Parliament and public sector bodies.*

**1.1** The role of the Australian National Audit Office (ANAO) is to assist the Auditor-General to carry out his duties and responsibilities under the *Auditor-General Act 1997* and other relevant legislation. Ultimately, the ANAO seeks two outcomes:

- the independent assurance of Commonwealth public sector financial reporting, administration, control and accountability; and
- a more efficient Australian Commonwealth public sector implementing better practices in public administration.

**1.2** The ANAO achieves these ends through the delivery of an integrated audit service that is designed to assist the Parliament in its work as well as Commonwealth bodies in the achievement of improved performance and accountability. The outputs delivered encompass a range of products and services that include performance audits (which incorporate financial control and assessment audits), financial statement audits, assurance and control assessment audits, protective security audits, benchmarking studies and better practice guides. To achieve its objectives, the ANAO also organises and participates in conferences, seminars and workshops aimed at disseminating better practice and lessons learnt from auditing activity.

**1.3** This report<sup>1</sup> is the tenth in a series of reports tabled at six monthly intervals. It summarises audit and other related ANAO activities for the period July to December 2001. The purpose of the report is to:

- inform the Parliament of the major issues the ANAO is examining in working with agencies to encourage, and provide assurance about, a better performing and more accountable public sector;
- provide the Parliament with a consolidated summary of the audit reports tabled in the last six months, as well as details of better practice guides and other audit services provided in the period; and

---

<sup>1</sup> This report refers to departmental arrangements that existed prior to recent changes in Administrative Arrangement Orders that were implemented following the 2001 Federal election.

- focus on, and highlight, some of the major lessons learned from the audit services provided by the ANAO from July to December 2001.

**1.4** The ANAO's principal client is the Parliament. Within this context, Parliamentary Committees are the main focus for contact and liaison. The Joint Committee of Public Accounts and Audit (JCPAA), a statutory committee comprising members from both houses of Parliament, has particular responsibilities in relation to the ANAO. For example, the ANAO consults with the JCPAA on the Parliament's audit priorities. The JCPAA also considers the operations and performance of the ANAO; reports to the Parliament about the Auditor-General's functions and powers; and makes recommendations to the Parliament on the annual budget for the office. The JCPAA reviews all ANAO reports, a selection of which is subject to quarterly public hearings. On occasions, the Committee may decide to conduct a more broadly based inquiry into matters arising from an audit, for example, on the New Submarine Project.

**1.5** In August-September 2001 the JCPAA released its reviews of Auditor-General's audit reports tabled in the fourth quarter of 1999–2000 and in the first to third quarters 2000–01<sup>2</sup>. Of the 49 audit reports tabled in these periods, the Committee selected 10 for further examination. They were:

- Audit Report No.40, 1999–2000, *Tactical Fighter Operations*;
- Audit Report No.42, 1999–2000, *Magnetic Resonance Imaging Services*;
- Audit Report No.46, 1999–2000, *High Wealth Individuals Taskforce*;
- Audit Report No.8, 2000–2001, *Amphibious Transport Ship Project*;
- Audit Report No.9, 2000–2001, *Implementation of Whole-of-Government Information Technology and Infrastructure Consolidation and Outsourcing Initiative*;
- Audit Report No.10, 2000–2001, *AQIS Cost-Recovery Systems*;
- Audit Report No.11, 2000–2001, *Knowledge System Equipment Acquisition Projects in Defence*;
- Audit Report No.16, 2000–2001, *Australian Taxation Office Internal Fraud Control Arrangements*;
- Audit Report No.22, 2000–2001, *Fraud Control in Defence*; and

---

<sup>2</sup> Joint Committee of Public Accounts and Audit (JCPAA), 2001:

- *Report 382—Review of Auditor-General's Reports 1999–2000*, Fourth Quarter, Canberra, August;
- *Report 383—Review of Auditor-General's Reports 2000–2001*, First Quarter, Canberra, August; and
- *Report 385—Review of Auditor-General's Reports 2000–2001*, Second and Third Quarters, Canberra, August.

- Audit Report No.26, 2000–2001, *Defence Estate Facilities Operations*.

**1.6** Also, prompted by the Auditor-General's Report No.38, 1999–2000, the JCPAA undertook a review of Coastwatch<sup>3</sup>.

**1.7** The Committee considered that the management of the fast-jet pilot workforce was the key issue identified in Audit Report No.40 (1999–2000, *Tactical Fighter Operations*). The Committee recommended that the ANAO conduct a follow-up audit in two to three years focusing on the management of the fast jet pilot workforce.

**1.8** Following a review of Audit Report No.42, 1999–2000, *Magnetic Resonance Imaging* (MRI) Services, the Committee expressed the view that lessons had been learnt in relation to planning and consideration of likely issues involved in the MRI exercise. The Committee recommended that the then Department of Health and Aged Care (DHAC) develop guidelines to assist staff to assess existing statutory declarations and contracts and negotiate and manage new contracts. It also recommended DHAC base its guidelines on the ANAO Better Practice Guide on Contract Management issued in 2001.

**1.9** In relation to Audit Report No.46, 1999–2000, *High Wealth Individuals Taskforce*, the Committee concluded that the Australian Taxation Office (ATO) should give more attention to reporting to the community its strategies to collect taxes from high wealth individuals and the effectiveness of these strategies. It recommended that the ATO improve public awareness of the High Wealth Individuals Taskforce's activities and achievements by disseminating more widely information contained in the Commissioner's annual report.

**1.10** The Committee considered the Department of Defence (Defence) management of asset acquisitions when reviewing Audit Report No.8, 2000–2001, *Amphibious Transport Ship Project*. While the Committee considered that Defence had not undertaken adequate risk assessments or cost-benefit analyses, its primary concern was the failure to pay attention to the department's own internal audit reports. The Committee recommended accordingly.

**1.11** The Committee's review of Audit Report No.9, 2000–2001, *Implementation of Whole-of-Government Information Technology (IT) and Infrastructure Consolidation and Outsourcing Initiative*, noted that aggregate savings to the Commonwealth from the IT Outsourcing Initiative were

---

<sup>3</sup> JCPAA Report 384—*Review of Coastwatch*, Canberra, August 2001.

confirmed in the audit report, in the Humphry Report<sup>4</sup> and again at a public hearing by the ANAO. However, there was a divergence of opinions between the ANAO and Office of Asset Sales and IT Outsourcing (OASITO) and Finance on how IT leases should be classified. The Committee concluded that accounting standards must be met to ensure agencies provide a true and fair view of their financial position and thereby maintain transparent reporting and budget honesty.

**1.12** In relation to Audit Report No.10, 2000–2001, *AQIS Cost-Recovery Systems*, the Committee examined cost attribution and recovery, the setting of fees and charges, managing cross-subsidisation, and consultation with industry. The Committee made three recommendations to AQIS in relation to fee setting and its electronic export documentation system.

**1.13** In its review of Audit Report No.11, 2000–2001, *Knowledge System Equipment Acquisition Projects in Defence*, the JCPAA was concerned about the ability of functional areas in Defence to transmit information from one area to another. The Committee also expressed concern about Defence's ability to recruit, develop and retain personnel who could develop a '*knowledge edge which has adequate coherence*'. Accordingly, the Committee recommended that the ANAO conduct a follow-up audit into Defence's strategies for the recruitment, development and retention of skilled IT personnel.

**1.14** The Committee's review of Audit Report No.16, 2000–2001, *Australian Taxation Office Internal Fraud Control Arrangements*, focused on the definition of fraud and the ATO fraud control framework, private binding rulings, fraud prevention and IT security. In relation to the ANAO audits of fraud control in general, the Committee considered it would be '*useful for the ANAO, in its preparation of a better practice guide on fraud control, to develop subcategories of fraud for the purposes of fraud reporting*', and recommended accordingly<sup>5</sup>. The ANAO intends to address this issue in the development of the Better Practice Guide that is scheduled for release in 2003–04.

**1.15** After reviewing Audit Report No.22, 2000–2001, *Fraud Control in Defence*, and considering detected fraud, fraud control and the related role of the Defence Audit, the Committee considered that the department should further develop fraud investigation procedures. The Committee also expressed particular concern about the need for asset registers and associated financial and administrative systems. As well, it recommended that Defence develop a fraud intelligence capacity and address shortcomings in its asset registers.

---

<sup>4</sup> R Humphry, *Review of the Whole of Government Information Technology Outsourcing Initiative*, December 2000.

<sup>5</sup> JCPAA Report No. 385, Canberra, August 2001. Recommendation 1, para. 2.26.

**1.16** In relation to Audit Report No.26, 2000–2001, *Defence Estate Facilities Operations*, the Committee examined corporate governance, facilities maintenance, contract management and financial management. The Committee expressed the opinion that Defence should ensure that Chief Executive Instructions (CEIs) were consulted, and adhered to, by officials entering into contract or purchase agreements. Also, comprehensive information was necessary for informed decisions on maintenance funding and expenditure. The Committee made a recommendation in relation to the development of asset and property management systems to ensure that they are up to date. The Committee expressed concern over Defence’s poor record in contract management and, as one means of addressing this, the Committee also recommended that the department review performance indicators that relate to Defence Estate Organisation staff management and financial skills.

**1.17** Prompted by the Auditor-Generals Report No.38, 1999–2000, the JCPAA undertook its own review of Coastwatch. The report issued by the Committee examined the expectations, both of the public and the government, of Coastwatch. Other issues addressed included: performance measurement; information provided by Coastwatch to Parliament and the public in Custom’s Budget statements, additional estimates and Custom’s annual report; the relationship between Coastwatch and its stakeholders; the use of Coastwatch resources; challenges being faced; and the future of the Coastwatch function. The report issued by the Committee made 14 recommendations relevant to these issues.

**1.18** Prior to the dissolution of the House of Representatives on 8 October 2001, the JCPAA had instigated the following two significant inquiries:

- a review of the Accrual Budget Documentation; and
- a review of issues raised in Audit Report No.47, 2000–01, *Managing for Quarantine Effectiveness: Department of Agriculture, Fisheries and Forestry—Australia*.

## **ANAO performance audit themes**

**1.19** The ANAO has an on-going planning approach to ensure that its outputs are well integrated and continue to meet the needs of Parliament and public sector bodies. In planning its audit coverage, the ANAO has regard to the need to provide the Parliament with an assurance, over time, of the performance of public sector bodies and the need to respond to emerging issues of interest to the Parliament. For 2000–01, ANAO performance audit themes included:

- corporate governance including human resource management, financial management, and performance information;

- procurement and contract management;
- information technology; and
- service delivery, including the impact of e-government.

## Corporate Governance

**1.20** Corporate governance, in simple terms, relates to how an organisation is managed, its corporate and other structures, its culture, its policies and strategies, and the ways in which it deals with its various stakeholders. While it always has been an important issue in the eyes of the government and public, there is even more pressure for improved governance with the private enterprise collapses that have occurred since the 1980s to this point of time. Therefore, in respect to Australian Public Service (APS) agencies, the government has announced that it:

*will focus...on improving the structures and the governance practices...with a particular emphasis on those that impact on the business community.<sup>6</sup>*

**1.21** A robust corporate governance framework should include the structures and processes necessary for decision-making, ethical behavior and controls that support effective accountability for performance outcomes/results. Key components of corporate governance in both the private and public sectors are business planning, including human resource management, financial management, performance monitoring, accountability to stakeholders and internal controls, including risk management. The framework requires clear identification and articulation of responsibility and accountability as well as a real understanding and appreciation of the various relationships between the organisation's stakeholders and those who are entrusted to manage resources and deliver required outputs and outcomes.

**1.22** However, it is a challenge to maintain the currency of the necessary framework for effective corporate governance. While the principles of good corporate governance remain relevant over time, their application must reflect a changing society. The Prime Minister<sup>7</sup> in his statement, addressed this issue of the need for the APS to change so that it reflected the times and environment:

---

<sup>6</sup> The Howard Government—Putting Australia's Interests First—Election 2001: *Securing Australia's Prosperity*.

<sup>7</sup> Speech by The Hon. John Howard MP, 19 June 2001, *The Australian Public Service*.

*Most change affecting the APS however is not legislative but arises from the ongoing necessity for the Service to reflect the times and the environment in which it operates, the values and priorities of Australians, and the specific needs of government.*

**1.23** Organisations have changing needs and experience varying demands at different times. The challenge is to implement effective corporate governance that provides the integrated strategic framework necessary to achieve the required outputs and outcomes, as well as discharging the organisation's accountability obligations. By doing so, demands for accountability, openness and transparency for public sector agencies will be more likely to be met successfully.

## **Governance—human resource management**

**1.24** APS reforms over the last decade have emphasised the need for contestability of services. One outcome of this has been the outsourcing of service delivery activities that have the potential be done more efficiently by the private sector. For example, the Public Service and Merit Protection Commission<sup>8</sup> (PSMPC) reported that a number of APS agencies are contracting the delivery elements of human resource management such as compensation services, learning and development services and software and systems services to the private sector.

**1.25** The changing environment has reinforced the realisation that the APS is increasingly reliant upon its people and their knowledge base. Therefore, governance arrangements need to address human resource issues and, in particular, the flow-on affects of the devolution of authority and responsibility, a more mobile workforce and the actual and potential loss of corporate knowledge.

**1.26** The *Public Service Act 1999* (PS Act) largely ended the centralised regulation of the administration of the APS, giving the flexibility to adapt human resource policies to meet potential agency specific needs. As stated by The Hon. Dr David Kemp MP<sup>9</sup>, the intention was:

*to give agencies and their employees greater scope and encouragement to develop and perform to their true potential.*

**1.27** The challenge is to take advantage of the opportunities offered by devolution while still maintaining transparency, accountability and adherence

---

<sup>8</sup> Public Service and Merit Protection Commission, October 2001, *The State of Service Report: 2000–01*.

<sup>9</sup> The Hon. Dr David Kemp, MP, Minister Assisting the Prime, Minister for Public Service: Speech, 27 September 2001.

to APS values. In relation to the outsourcing of elements of human resource management, PSMPC makes it clear that agencies cannot outsource accountability.<sup>10</sup> The same point is made by Finance in the recently released Procurement Guidelines.<sup>11</sup>

**1.28** The APS, like private enterprise, has a mobile workforce with people regularly moving between positions within the APS and into and out of the APS. As a consequence, corporate knowledge can be lost. In particular, many agencies reported to the PSMPC that it was difficult to retain people in specialist positions<sup>12</sup>.

**1.29** Corporate knowledge can be lost because of downsizing and retirement. In particular, Commonwealth agencies face a problem because the proportion of all ongoing APS employees in the 45 to 54 age group has risen by 50 per cent since 1996 to almost 14 per cent of all employees<sup>13</sup>. Therefore, the APS can expect an increase in retirements because of the ageing of the workforce.

**1.30** Ameliorating this problem to a degree, the PS Act now makes it much easier for those outside the APS to compete with public servants for APS positions. Also, aspects of the legislation relevant to workplace diversity mandate the implementation of selection procedures that do not disadvantage applicants with different backgrounds. This promotes competition for positions and hence this element of mobility by allowing the APS to recruit from a larger pool of people. However, from an APS agency perspective, devolution, mobility and the loss of corporate knowledge present agencies with the challenge of developing and implementing appropriate planning and management strategies<sup>14</sup>. From the ANAO perspective, as appropriate, audits have addressed and will continue to address, significant human resource management issues.

## **Governance—Financial Management**

**1.31** The current financial management framework required a change from cash-based budgeting to accrual-based budgeting, management and reporting. The first accrual budget was presented to Federal Parliament in May 1999 and

---

<sup>10</sup> PSMPC, October 2001, *Workplace Diversity Report 2000-01*.

<sup>11</sup> [www.finance.gov.au](http://www.finance.gov.au), *Commonwealth Procurement Guidelines*.

<sup>12</sup> *ibid* 8, p. 124.

<sup>13</sup> *ibid* 8, p. 34.

<sup>14</sup> Agencies may obtain assistance on this issue from:

- Management Advisory Committee, 2001, *Performance Management in the Australian Public Service*; and
- Institute of Public Administration Australia, August 2001, *Performance Management: a guide to good practice*.



covered the 1999–2000 financial year. In preparing accrual budgets, agencies are expected to specify the outputs that they will deliver and the government policy outcomes that they contribute to. Among other things, agencies are required to determine the price for each output and make a clear distinction between the outputs over which they have control, and items they administer on behalf of the government.

**1.32** These arrangements are now beginning to mature as agency staff gain more experience in preparing accrual-based budgets and reports. However, to date there is a lack of consistency between agencies and it is time consuming to produce whole-of-government statements or make inter-agency comparisons. For example, the audit of Performance Information in Portfolio Budget Statements<sup>15</sup> (PBS) found that there was a significant variation across the ten agencies audited in regard to the coverage of individual outputs. As well, performance information for significant administered cost items was omitted from the PBS. A second important area of concern is asset valuation, an issue that APS agencies have struggled with for many years<sup>16</sup>. A natural outcome of the lack of harmonisation across the APS, and between the APS and private enterprise, is the loss of transparency and stakeholders not being fully aware of the basis or meaning of agency financial statements.

**1.33** Performance measurement within the APS is increasingly focusing on more than just a financial bottom line. Assessments typically cover a range of measures, both quantitative and qualitative. For example, an agency or entity has to be accountable for the implementation of the government's requirements with respect to public sector reforms and for meeting relevant legislative, community service and international obligations; for equity in service delivery; and for high standards of ethical behaviour. For this reason agencies are developing strategies to identify both financial and non-financial drivers of agency business. As well, within the foreseeable future we can expect to see an emergence and consolidation of new forms of accountability that will improve financial governance. One example is the so-called Triple Bottom Line (TBL) Reporting which has been defined as reporting that provides information about economic, environmental and social performance of an entity<sup>17</sup>.

---

<sup>15</sup> Auditor-General's Report No.18, 2001–02, *Performance Information in Portfolio Budget Statements*.

<sup>16</sup> More information on this issue can be found in a paper by the Auditor General to CPA South Australia Congress 2001 'Riding the Wave', Adelaide, 16 November 2001.

<sup>17</sup>Elkington, John and Wade, Mark 1999, 'Triple Bottom Line in Action', [Online], Available <http://www.shell.com/royal-en/content/0,5028,25467-54531,00.html>.

## **Governance—performance information**

**1.34** The focus of reforms in the APS over many years has been the establishment of a performance culture supported by clear lines of accountability. The performance of the APS, particularly in relation to the assessment of effectiveness, is now subject to increased levels of scrutiny. Performance information is a critical element of governance and a means of ongoing monitoring as well as ‘point in time’ assessment and reporting.

**1.35** The current arrangements for performance information in respect to governance and accountability are based on a government decision to move from a program-based framework to an accrual-based outcomes and outputs framework. Guidelines issued by the Department of Finance and Administration (Finance) define the basic outcomes/outputs performance information framework that agencies must develop and require effectiveness and output price, quantity and quality information. However, the guidelines also allow agencies to design a framework and identify indicators that best meet their needs. While the current performance information arrangements have improved governance, the full benefits have not yet been obtained because the devolution of responsibility for the design of the performance information framework has led to considerable variability between agencies in relation to the performance information they produce. The Senate Finance and Public Administration Committee (SFPAC), for example, expressed its concern over the level of aggregation of performance information and, in particular, about overly inclusive outputs<sup>18</sup>.

**1.36** The SFPAC also expressed concern about variable indicator quality<sup>19</sup>. The Committee highlighted the difficulty agencies had in, among other things, establishing meaningful indicators, reporting on the performance of cross-portfolio activities and providing performance information for outsourced activities. The Committee recommended that the ANAO prepare a better practice guide for performance information in the PBS. The guide, which will be completed in the first quarter of 2002, will draw on the Committee’s report and also the ANAO audit of performance information in the PBS, referred to earlier.

## **Procurement and Contract Management**

**1.37** A major objective of the government’s reform agenda has been to focus the APS on its core activities of policy development, legislative implementation

---

<sup>18</sup> Senate Committee for Finance and Public Administration Legislation Committee, November 2000, *The Format of Portfolio Budget Statements—Third Report*, paragraphs 4.16,17.

<sup>19</sup> *ibid* 15, paragraphs 4.19 to 4.28.

and the contracting and oversight of service delivery. As a result, contract management for many goods and services is now a major component of public administration.

**1.38** Partnerships with the private sector can be expected to generate new forms of service delivery over time and, perhaps, even contribute to the redefining the various relationships between government and the community. This has important ramifications for both responsibility and accountability and raises the question as to 'who is accountable for what?' This is a question that should be addressed prior to entering into a contract with the private sector. For many agencies, therefore, the procurement of services and the subsequent contract management present new challenges that must be met in order to provide accountable, efficient and effective service delivery.

**1.39** While agencies are able to outsource service delivery, this does not negate accountability for those services. A major area of concern for the government and other stakeholders has been the availability of performance information that directly supports accountability. In particular, there have been claims that confidentiality clauses in contracts '*limit the scrutiny of the expenditure of public money*'<sup>20</sup>. This issue has been addressed by the SFPAC. This Committee, among other things, considered Audit Report No. 38, *The Use of Confidentiality Provisions in Commonwealth Contracts*<sup>21</sup>, when it issued its final report on the inquiry into the mechanism for providing accountability to the Senate in relation to Government contracts in September 2001<sup>22</sup>. The Senate has now placed the onus on those who wish to keep contractual information confidential to argue that confidentiality is warranted. That is, it must be established that there is a sound reason for not making information publicly available.

**1.40** Greater accountability of government contracts has been promoted by a Senate Order of June 2001 that requires Ministers to table letters of advice that all Financial Management and Accountability (FMA) Act agencies for which they are responsible have listed current contracts of \$100 000 or more on the agency's Internet. The letters must be tabled by the tenth day of the Spring<sup>23</sup> and Autumn sittings of Parliament. The list must indicate, amongst other things, whether the contracts contained confidentiality provisions. In relation to this Order, the Auditor General was asked to examine a number of

---

<sup>20</sup> Senate Finance and Public Administration Committee, September 2001, *Commonwealth Contracts: A New Framework for Accountability*.

<sup>21</sup> Auditor-General's Report No.38, 2000-01, *The Use of Confidentiality Provisions in Commonwealth Contracts*.

<sup>22</sup> *ibid* 17. *Performance Information in Portfolio Budget Statements*.

<sup>23</sup> In the case of the 2001 Spring sitting, this was 28 August 2001.

contracts listed and indicate whether there had been any inappropriate use of the confidentiality provisions. The Auditor General agreed to the request and the first review of the Senate Order will be tabled in February 2002; further audits will be conducted as long as the Senate Order is in place.

**1.41** Managing the risks associated with the increased involvement of the private sector in the delivery of government services, particularly through contract arrangements, has required the development and/or enhancement of a range of commercial, negotiating, project and contract management skills across the public sector. Risks to be addressed by agencies include external risks such as legal issues, policy changes, contractor business failure and internal risks, such as lack of appropriate skills/knowledge for awarding and managing contracts, failure to meet performance targets, and management information system failures. These risks need to be analysed prior to the commencement of the contractual relationship as well as during the life of the contract. By using a sound risk management approach to support contract management, corporate governance is enhanced and there is, consequently, a greater assurance that risks are managed effectively.

**1.42** Partnerships with the private sector now require APS agencies to focus on project and contract management including the management of the underlying risks involved, both within and outside the public sector. The challenge is to achieve both management understanding of, and appropriate action on, these imperatives in a reasonable time period.

## Information Technology

**1.43** It is Australian government policy to become a leading-edge user of technology by delivering all appropriate government services online via the Internet by December 2001. This policy requires agencies to address contact management and value for money issues in relation to procurement of services from the private sector—these issues apply equally to the procurement of technology services. For example, the ANAO audit of the *Implementation of Whole-of-Government Information Technology and Infrastructure Consolidation and Outsourcing Initiative*<sup>24</sup> found, among other things, that the extent to which ‘benefits have been realised by agencies in their initial implementation phases has been variable’. Also, costs were well in excess of the amount budgeted. These findings could well apply to an audit of any procurement exercises. As well, the SFPAC in its report, *Re-booting the IT agenda in the Australian Public Service*

---

<sup>24</sup> Auditor-General’s Report No.9, 2000–01, *Implementation of Whole-of-Government Information Technology and Infrastructure Consolidation and Outsourcing Initiative*.

identified problems that related to IT contracting issues and inadequate risk management<sup>25</sup>.

**1.44** Agencies must also consider issues that are peculiar to the use of IT such as the development and use of expert systems; information and knowledge management; and intellectual capital management. As well, there should be an appreciation that issues such as good record-keeping and changing privacy requirements that exist in a low technology environment are likely to be more important in a high technology, online environment.

**1.45** Records, besides being necessary for effective management and the retention of corporate knowledge, are essential for transparency and accountability. In the public sector at the moment there is a three tiered hierarchy of records—hardcopy documentation (traditional paper file based records); electronic or digitally based information (using virtual office systems or *groupware*, electronic diaries or data and email archives); and finally oral communications (which may or may not be supported by notes, diary entries, tape recordings or other evidentiary material). The growth of electronic records becomes increasingly important in light of the government's plan to establish the public sector as a leading-edge user of IT and its commitment to delivering all appropriate services though the Internet by end-2001. The use of IT-based records creates a number of issues, including such fundamental matters as the appropriate definition of such records; the legal validity of electronic transactions; and the 'authentication' of the persons responsible for the record.

**1.46** The increasing sophistication and use of the IT and the online delivery of services presents problems in relation to security and privacy that agencies are required to address. The risks involved in broadening networks and Internet use raises the issue of who should have access to the records. This has consequences for the privacy and confidentiality of these records and this is a considerable ongoing concern to the Parliament. This can be particularly the case with outsourcing, where private sector service providers have access to collections of personal records that could be used for inappropriate purposes, such as sales to other private sector organisations of mailing lists. A Better Practice Guide released in 2001 by the ANAO,<sup>26</sup> suggests that agency Internet websites should incorporate a prominently displayed Privacy Statement which states what information is collected, for what purpose, and how this information is used, if it is disclosed and to whom. It should also address any other privacy issues.

---

<sup>25</sup> Finance and Public Administration References Committee, 28 August, 2001, *Re-booting the IT agenda in the Australian Public Service* — Executive summary, page xv.

<sup>26</sup> Australian National Audit Office, 2001, Better Practice Guide titled *Delivery Decisions—A Government Program Manager's Guide to the Internet*, Canberra, April 2001.

**1.47** The National Office for Information Economy (NOIE) is responsible for monitoring APS online service delivery. NOIE has reported that 17 per cent of agencies had appropriate services online (as at March 2001) and that 93 per cent of the remainder expected to by the end of 2001.<sup>27</sup> As well, NOIE indicated that the services offered were becoming increasingly sophisticated with a move from just the provision of static information to the provision of information that could be down loaded. For example, data interchange services and electronic payment of suppliers were more commonly being provided.

**1.48** To cope with the increasingly complex environment, agencies are making greater use of technology and developing expert systems. That is, in simple terms, systems that allow users to take advantage of the knowledge of one or more domain experts. Such systems draw inferences and apply rules to case-specific situations.

**1.49** Closely associated to expert systems is knowledge management, which may be defined as information combined with experience, context, interpretation and reflection. Both expert systems and knowledge management allow organisations to share knowledge across an organisation and both are facilitated by information technology. However, from a management and an audit perspective, expert systems and knowledge management also raise other concerns, for example, the skills necessary to develop such systems may be difficult to obtain and, once developed, the systems must be maintained. Further, the information derived from expert systems may not be 'correct' because users have not understood the premises on which the systems are based.

**1.50** Expert systems and knowledge management form part of the intellectual property (IP) of organisations. The pro-active management of IP to maintain capabilities to achieve required outputs and outcomes is becoming an increasingly important consideration for agencies. However, historically, the development of IP within public sectors has not been well recognised or extensively commercialised. Most likely, this could be because the exploitation of intellectual capital has not been considered to be a core function of government and the APS, as a whole, lacked the skills, experience and expertise necessary to identify and promulgate intellectual property. Intellectual assets, therefore, must be clearly identified and effectively managed. Further, it is important to gain an appreciation of the accounting complexities associated with the recognition of intellectual assets and understand the diverse accounting treatments being applied locally and internationally.

---

<sup>27</sup> NOIE, *Online Survey Round 3 results*, Canberra, March 2001.

## Service Delivery

**1.51** The delivery of government services has changed substantially over the last decade. This change can be attributed to a number of factors including the IT revolution and, in particular: government online initiatives; service delivery innovations; whole of government policies influencing service delivery; shared service delivery and so-called one-stop shops. Indirectly, 'environmental' factors have promoted improvements in service delivery. For example, current outcome/output performance information arrangements focus agencies more on effective service delivery and thus provide them and their staff with an additional incentive to directly address service delivery problems. Also, there are agency pressures on resources for service delivery and a general recognition by the government and agencies that savings can be obtained through innovative service delivery.

**1.52** As discussed in the previous section, online service delivery through the Internet has given agencies another means of delivering services. Government online initiatives, in particular, have the capacity to deliver services for clients who cannot easily access 'normal' service centres because, for example, they live in remote locations or have a disability. As previously mentioned (paragraph 1.43), it is government policy to have all appropriate services delivered online by the end of 2001. A recent NOIE survey indicates that most agencies will achieve this target.

**1.53** There have been many innovations in service delivery, not the least of these being outsourcing and cooperative arrangements that have enabled agencies to access the expertise in private enterprise and, concurrently, improve client access by increasing the number of service points available. An example of this approach is government employment services where outsourcing has led to about 200 private sector providers assisting the unemployed to find jobs (Job Network).

**1.54** Whole of government policies and management of service delivery have also contributed to an improved focus on service delivery. For example, by July 2001, in response to the whole-of-government initiative in relation to service charters, 152 had been created since the initiative began in 1997<sup>28</sup>. These charters represent a commitment to the public by each agency to deliver high quality services to their customers. They were assessed against nine criteria ('Principles') that related to their: content; development and support; and monitoring, review and accountability. While the charters met most criteria,

---

<sup>28</sup> Special Minister for State, Senator the Hon. Chris Ellison, *Second whole-of-government report, Service Charters in the Commonwealth Government—July 1999–June 2000*.

there is some concern that only 66 per cent of the charters were underpinned by systems to track and measure their effectiveness against charter standards<sup>29</sup>.

**1.55** Another innovation in service delivery in recent years is shared service delivery and the use of one-stop shops. A prime example of this is the delivery of benefit services by Centrelink for several government agencies. The specific standards of service delivery and business arrangements between Centrelink and each agency are embodied in business partnership agreements.

**1.56** The ANAO has undertaken a number of audits in recent years of client service and issues relevant to client service to demonstrate, among other things, the importance of this particular government focus on a more responsive public service. The most recent was a follow-up audit of ANAO Report No.14 of 2001–2002, *Client Service Initiatives—Australian Trade Commission (Austrade)*.<sup>30</sup>

## Report outline

**1.57** Audit findings from performance audits and financial statement audits are summarised in the following chapters. Appendix 1 provides a short summary of each of the reports tabled between 1 July 2001 and 31 December 2001. Complete copies of all audit reports are available at <http://www.anao.gov.au>. Appendix 2 lists the performance audit and other audit services in progress as at 31 December 2001. Appendix 3 lists presentations and papers given by the Auditor-General and ANAO staff during the period 1 July 2001 and 31 December 2001.

---

<sup>29</sup> *ibid* 25, p. 27.

<sup>30</sup> Auditor-General's Report No.14, 2001–02, *Client Service Initiatives Follow-up Audit*.



## 2. Performance Audit Themes

---

*The key issues arising from performance audits tabled between July and December 2001 are summarised in this chapter. These are arranged on the basis of the ANAO's performance audit themes that were discussed in Chapter one. In this chapter, these themes are used to discuss specific aspects of public administration we have observed in the last six months.*

**2.1** The objective of ANAO performance audits is to improve agencies' administration and accountability by providing to the Parliament, the Executive, boards, management and the community both independent evaluation and assurance on the economy, efficiency and administrative effectiveness of the management of Commonwealth public sector entities by:

- undertaking in a cost-effective manner a program of audits designed to evaluate the performance, economy, and efficiency of the activities of Commonwealth public sector entities;
- identifying good practices and recommending ways of improving the economy, efficiency and effectiveness of the administration of Commonwealth public sector entities;
- encouraging and assisting entities to remedy shortcomings and poor practices by improving systems and controls; and
- identifying and promulgating good management principles, practices and ethical behaviour that are applicable to the wider public sector.

**2.2** The Auditor-General has a mandate, under the *Auditor-General Act 1997*, to undertake, at his discretion, performance audits of all Commonwealth bodies other than Government Business Enterprises (GBEs) or in relation to persons employed under the *Members of Parliament (Staff) Act 1984*. Performance audits of wholly owned GBEs and persons employed under the *Members of Parliament (Staff) Act 1984* may, however, be undertaken by the Auditor-General where requested by the responsible Minister, the Minister for Finance or the JCPAA.

**2.3** The ANAO undertakes an on-going planning approach to ensure that its outputs are effectively integrated and continue to meet the needs of Parliament, the Government and public sector entities. The ANAO reviews its planned approach annually, as part of its budget preparation, and brings the results together in the Audit Work Program. The Audit Work Program is developed against the background of the APS environment, including the

business risks that are likely to impact on the APS during the period under review. These risks are taken into account when themes to be addressed in the annual performance audit work program are identified. The themes for 2000–01 were previously identified in paragraph 1.19.

**2.4** In reports tabled in the last six months, the ANAO made 148 recommendations aimed at improving the efficiency, effectiveness and accountability of public sector service delivery. Agencies agreed with 113 of the recommendations and a further two with qualification. Thirty-three recommendations (in two audits) were disagreed but, in the opinion of the ANAO, their implementation would result in improvements to public administration and/or accountability.

## **Corporate Governance—Human resource management**

**2.5** The APS is, to a degree, a knowledge-based organisation and the delivery of services is dependent on good human resource management. Therefore, agencies must have in place strategies to identify and provide these skills, otherwise services can not be delivered efficiently and effectively. Human resource governance issues that agencies must address include:

- the determination of agency skill requirements; and
- strategies, for example related to the engagement and training of staff, to provide staff with suitable skills. In particular, agencies with devolved service delivery arrangements must have strategies that provide staff with the necessary skills across the agency.

**2.6** Besides skills related issues, agencies should keep in mind that APS staff often have access to sensitive and/or confidential information. Therefore, a core human resource governance requirement is the adequacy of Commonwealth agency arrangements that ensure that only appropriate staff have access to such information, that is, the ‘need to know’ principle.

**2.7** In Audit Report No.9 *Learning for Skills and Knowledge—Customer Service Officers*, the ANAO examined whether Centrelink had appropriate systems and strategies in place to ensure that its Customer Service Officers (CSOs) had access to the skills and knowledge necessary to provide the expected level of customer service. The ANAO found that Centrelink had a diversity of approaches to learning activities at the operational level because the responsibility for detailed planning had been devolved to managers within the network. This meant that Centrelink was not able to compare the effectiveness of its learning strategies across its Areas, Clusters, Customer Service Centres and Call Centres other than by using overall business

performance indicators. Also, Centrelink was not collecting, collating and analysing the results from either Team or Individual Learning Plans on a national basis. This meant that Centrelink did not have access to standardised data across its network in regard to its CSOs' training needs. Since the audit fieldwork was completed, Centrelink has taken steps to address almost all of the weaknesses identified by the ANAO. Three recommendations were made in regard to local planning for learning, training needs analysis strategies and technical training, all of which were agreed by Centrelink.

**2.8** ANAO Audit Report No.22 *Personnel Security—Management of Security Clearances* found shortcomings in relation to the management, resourcing and operation of personnel security. The audit highlighted the fact that the management of personnel security needs to be improved in many respects to ensure compliance with the requirements of the Protective Security Manual (December 2000 version). Among the organisations examined, the audit encountered a backlog of initial clearances, poor clearance aftercare processes, inadequate security information management and a failure to establish and enforce appropriate procedures to re-validate initial clearances in an acceptable timeframe. In particular, the main audit findings were that:

- following the initial security clearance process there was often little after-care and clearance maintenance focus or activity;
- organisations had not prepared a protective security risk assessment and effectively integrated the results of risk assessments into the organisation's personnel security arrangements;
- effective information management systems were not in place to support personnel security; and
- insufficient resources were often allocated to the personnel security function.

**2.9** The report made ten recommendations, all of which were accepted, to assist organisations to improve the management of security clearances and to develop and adopt processes consistent with the requirements of the Protective Security Manual.

**2.10** Audit Report No.28 *An Analysis of the Chief Financial Officer Function in Commonwealth Organisations* was a benchmarking study that was undertaken to provide information on a range of issues relevant to Chief Financial Officer (CFO) functions in Commonwealth organisations. In particular the study sought to identify CFO skills, qualifications and experience; views; and contributions to improved financial management. The CFOs indicated that they had financial management responsibilities that were consistent with

achieving the objectives of the Commonwealth financial management model. Relative to previous benchmarking activities, the CFOs had more appropriate and varied experience; higher qualifications and roles; responsibilities that encompass both strategic and operational financial management; and more prominence in the senior management of the organisation. The report did not make any recommendations.

## Corporate Governance—Financial Management

**2.11** The integrity of the financial management framework is an essential feature of governance. From an internal perspective, an organisation cannot function effectively unless financial controls associated with, for example, bank accounts, payrolls and accounts receivable, function efficiently and effectively. As custodians of public money and assets, it is also incumbent on the APS to demonstrate to Parliament and the public that its financial management frameworks are appropriate.

**2.12** Three audit reports looked at generic functions associated with the handling, receiving and disbursement of funds. Specifically, bank accounts, payrolls and accounts receivable function. Audit Report No.10 *Management of Bank Accounts by Agencies* concluded that, in respect to the day-to-day operations of bank accounts, the internal control framework established by agencies was generally satisfactory. However, Chief Executive Instructions (CEIs) related to banking had not been updated in some of agencies to reflect the new arrangements.

**2.13** The audit found that agencies' practices were not always consistent with the policies and procedures established by their internal control frameworks. In addition, better practices could be achieved by agencies through improvements in their internal control framework, including the adoption of process risk assessments, the development of appropriate performance measures and increased use of monitoring and review mechanisms. However, as agencies became more settled with the new banking arrangements and their internal processes developed they improved their cash management. The ANAO made seven recommendations for FMA Act agencies and also highlighted several sound and better practices observed during the audit. The agencies agreed with all the recommendations, with a number indicating that corrective action had been undertaken recently or was in progress.

**2.14** Audit Report No.19 *Payroll Management* assessed the payroll arrangements in six Commonwealth organisations. The ANAO concluded that the robustness of the control framework for the management of payroll

operations varied across the organisations reviewed, although most met minimum performance standards. The audit highlighted the scope for all organisations to improve and enhance their risk assessment arrangements and internal control frameworks. However, the audit did not identify any instances of payments that were not made in accordance with relevant employment terms and conditions. Nine recommendations were made which were agreed to by all agencies, with a number indicating remedial action had already been initiated following the audit.

**2.15** Audit Report No.25 *Accounts Receivable* involved an assessment of the accounts receivable function in eight Commonwealth organisations. The objectives of the audit were to assess whether the processing, collection and overall management of the accounts receivable function was being performed in accordance with applicable legislation, government policy, applicable internal controls, and to identify better practices in accounts receivable activities.

**2.16** The ANAO concluded that the Commonwealth organisations audited were generally processing, collecting and managing the accounts receivable function in accordance with applicable legislation, government policy and applicable internal controls. The ANAO, nevertheless, considered that improvements could be made to achieve more effective control in the accounts receivable function. The key areas where improvements could be made included specific control activities for revenue and accounts receivable balances, FMIS should be used to the full extent of their capabilities and appropriate monitoring and review procedures should be put into place. The audit also identified examples of sound and better practices currently used by the organisations reviewed. The report made seven recommendations. The agencies covered in the audit, as applicable, agreed with all these recommendations with a number indicating that corrective action had been undertaken before the audit was completed.

**2.17** Parliament and the public are particularly concerned that measures are in place to prevent fraud. For example, as indicated previously (paragraphs 1.5, 1.14 and 1.15), in the period July-December 2001, the JCPAA reviewed two ANAO audits that addressed fraud control issues.<sup>31</sup> For this reason the ANAO continued to undertake audits that examine fraud control in specific agencies. The ANAO reported to Parliament in July to December 2001 on fraud control issues in three agencies: ATO; Agriculture, Fisheries and Forestry—Australia (AFFA); and Centrelink.

---

<sup>31</sup> Audit Report No.16, 2000–2001, *Australian Taxation Office Internal Fraud Control Arrangements*; and Audit Report No.22, 2000–2001, *Fraud Control in Defence*.

**2.18** The first of the three audits tabled in the period July to December 2001 that addressed fraud control issues was Audit Report No.2 *Examination of Allegations Relating to Sales Tax Fraud*. This audit arose from a request by the Senate Economics References Committee to the Auditor-General that he investigate allegations that the ATO and Customs had failed to pursue several cases of detected sales tax fraud.

**2.19** The ANAO found that the ATO did not pursue a number of detected sales tax fraud cases in a timely manner and that investigations of sales tax fraud undertaken by the Sales Tax Prosecution Unit (STPU) and Small Business Prosecution Investigation Unit (SBPIU) were poorly managed. Analysis of the sales tax fraud cases also highlighted systemic case management problems within both the STPU and SBPIU. These deficiencies will need to be addressed by the ATO if fraud investigations are to be properly managed in the future.

**2.20** Custom's role in the sales tax fraud investigations was also examined by the ANAO. No evidence was found to support allegations that there was a lack of coordination between the ATO and Customs in these particular cases. Two recommendations to improve the ATO's management of fraud investigations were made and these were agreed to by the ATO.

**2.21** Audit Report No.20 *Fraud Control Arrangements in the Department of Agriculture, Fisheries and Forestry—Australia* was also one in the series of fraud control audits undertaken by the ANAO. The ANAO reviewed arrangements for the development of the department's fraud policy, fraud risk assessment and fraud control plan. The audit also examined the operational procedures and guidelines that were in place to implement the department's fraud policy.

**2.22** The ANAO concluded that AFFA has developed an appropriate fraud control policy, with supporting fraud risk assessments and operational procedures that are consistent with the requirements of the Fraud Control Policy of the Commonwealth. The department is also taking action to enhance the training of its officers in contract management skills and to ensure that external service providers are more clearly aware of their contractual obligations and ethical responsibilities when providing services under contracts with the Commonwealth.

**2.23** However, a specific performance assessment framework that included appropriate performance indicators, which the department could then use to assess its performance in controlling fraud on an ongoing basis, had not been developed. The ANAO made two recommendations, both of which were agreed to by AFFA, aimed at improving the efficiency and effectiveness of the fraud control arrangements in AFFA.

**2.24** Audit Report No.26 *Management of Fraud and Incorrect Payment in Centrelink* focussed on Centrelink's arrangements for the prevention, detection and treatment of incorrect payments to its customers. This is a particularly salient issue, given the level of funds disbursed to customers by Centrelink. The ANAO concluded that, overall, Centrelink had implemented fraud control arrangements in line with the Fraud Control Policy of the Commonwealth. Centrelink had a clear focus on preventing fraud and had established appropriate procedures in relation to proof of identity (POI). However, 22 per cent of the POI claims reviewed had coding errors and this reduces the quality of Centrelink's electronic records. Current compliance activities, including an extensive data-matching program, would detect a significant proportion of fraud an error when it occurs.

**2.25** Centrelink issues breaches, formal warning letters and undertakes prosecutions when fraud and errors are detected. The ANAO concluded that these remedies were used inconsistently. As well, performance indicators and targets in the Business Partnership Agreement between Centrelink and FaCS were found to place too much emphasis on inputs and processes, rather than measuring reductions in the level of fraud and incorrect payment. Centrelink had only undertaken limited analysis of the large amount of data relating to the review results it collects and of the strategies used to prevent and detect fraud. The impact of penalties on compliance had not been assessed and it was not possible to determine whether the value of penalties and the circumstances in which they were imposed provided an effective deterrent to non-compliance. The ANAO made five recommendations aimed at improving the management of fraud and incorrect payment and these were agreed to by Centrelink.

**2.26** Audit Report No.17 *Administration of Petroleum Excise Collections* examined ATO's administration of petroleum excise collections and addressed financial governance issues, including fraud. The audit examined whether the ATO had effectively implemented administrative arrangements for the collection of petroleum excise. Areas that were examined included governance arrangements, licensing arrangements, compliance management, investigations and revenue management.

**2.27** The audit also reviewed Custom's role in petroleum excise collections and key elements of the management relationship between the ATO and Customs. Overall, the audit concluded that the ATO is implementing effective administrative arrangements for the collection of petroleum excise. The ATO has implemented several management initiatives to strengthen the administration of the excise function. However, the ANAO found that there was scope for the ATO to further improve its administration of petroleum

excise collections. Twelve recommendations (all of which were agreed to), addressed concerns relevant to strategic management, risk management for petroleum excise collections, partnership arrangements with Customs, the efficiency of the (petroleum licensing) systems and associated processes, integration of compliance and investigations functions into the overall governance of petroleum excise collections and ATO's exposure to fuel substitution fraud.

**2.28** Audit Report No.5 *Parliamentarians' Entitlements: 1999–2000* was conducted in response to a resolution of the Senate that the Auditor-General examine all expenditures and entitlements accruing to Parliamentarians in 1999–2000.

**2.29** The audit highlighted that current arrangements for parliamentarians' entitlements have evolved in a piecemeal manner and it was considered timely that there should be a re-evaluation of the current entitlements model and the provision of services by agencies to support Parliamentarians. The ANAO suggested that there would be merit in Finance undertaking a review of the framework for Parliamentarians' entitlements against approaches adopted in similar jurisdictions as a basis for developing suitable proposals to improve flexibility, transparency and accountability that could be put to the Government and the Parliament. The report highlights areas where improvements could be made to the entitlements framework although changes to the framework could only be resolved by the Government, the Parliament and, to some extent, the Remuneration Tribunal.

**2.30** ANAO made 28 recommendations aimed at strengthening the stewardship of public money, improving the services provided to Parliamentarians and enhancing public disclosure within the current Parliamentary entitlements system. Finance disagreed with 25 of these recommendations including all six relating to the administration of Ministerial entitlements by home departments, and agreed with qualification with three recommendations. The Parliamentary chamber departments, DoS and DHR, and 16 agencies with responsibility for the administration of Ministerial entitlements agreed, or agreed with qualification, to all relevant recommendations. The Department of Immigration and Multicultural Affairs provided comments but did not respond directly to the recommendations.

**2.31** Finance advised the ANAO that it disagreed with many of the recommendations either because they had already been implemented, were not necessary, or were a matter for government. The ANAO considers that the general agreement by the other agencies involved in the audit further reinforces the thrust of the ANAO recommendations. The views presented by



Finance in response to the ANAO recommendations do not negate, and at times even reinforce the ANAO recommendations.

**2.32** The objective of Audit Report No.16 2001–02 *Defence Reform Program Management and Outcomes* was to assess Defence's management and implementation of Defence Reform Program (DRP) and the extent to which it achieved savings through the reinvestment in the operational capabilities of the ADF. The audit team examined internal reports on DRP and related records and interviewed relevant Defence personnel. It also selected the DRP's ten largest recurrent savings and five largest one-off savings for closer examination. The audit found evidence to support the majority of the estimated savings and concluded that DRP resulted in substantial recurrent savings that could be used to enhance the ADF's operational capability. However, the audit also found significant deficiencies in the management and administration of DRP. Given the one-off nature of the DRP, the audit did not make recommendations. It did, however, identify some lessons to be learned relevant to planning, management and accountability issues associated with the implementation of the program.

## Corporate Governance—Performance information

**2.33** Performance information is an essential element of the governance framework (see paragraphs 1.34 to 1.36). It is defined as <sup>32</sup>:

*Evidence about performance that ... enable(s) judgements to be made on the extent to which program activities are achieving the desired results.*

In other words, performance information, among other things, provides the means by which Commonwealth agencies establish performance standards and, later, show Parliament and the public that they have achieved those standards.

**2.34** Audit Report No.18 *Performance Information in Portfolio Budget Statements* (PBS) concluded that, overall, performance information in the PBS should be improved to enable agencies to establish and demonstrate the links between outcomes, outputs and performance indicators. Agencies had placed considerable emphasis on developing useful performance information. The latter remains a priority given the importance of using performance information for target setting, performance measurement and for accountability purposes.

**2.35** A common limitation in the performance information related to effectiveness indicators that did not actually measure outcome performance. In

---

<sup>32</sup> ANAO/Finance, 1996: Better practice principles for performance information.

particular, outcome effectiveness indicators were often influenced by factors beyond the agencies' control to a degree that may mask any direct effect that agency performance had on actual achievements. The ANAO also concluded that it would be difficult for Parliament and other stakeholders to assess agency performance with reasonable assurance. This was because the PBS performance information did not always include targets, or the targets that were provided were often vague and/or ambiguous. The agencies involved in the audit agreed with the three recommendations aimed at improving performance information in the PBS.

## Corporate governance—General

**2.36** The three corporate governance themes discussed previously cover specific governance issues. However, while focusing on these themes, the ANAO also undertakes other audits that are relevant to corporate governance but do not directly fit into one of these categories or, alternatively, crosses the boundaries of all three themes without belonging, predominately, to one particular category. The following three audits fall into this general governance category.

**2.37** Audit Report No.6 *Commonwealth Fisheries Management: Follow-up Audit* was requested by the House of Representatives Standing Committee on Primary Industries and Regional Services to assess the extent to which the Australian Fisheries Management Authority (AFMA) has addressed the issues in ANAO Report No.32 1995–96, and the related recommendations of the House of Representatives Standing Committee Report 1997.

**2.38** This audit addressed a range of issues including program and risk management, and performance information. The ANAO concluded that there has been a broadening of input to, and support for, the advisory process. Fisheries production is generally undertaken in accordance with the preferred fisheries management methods and responsibilities for managing fisheries in accordance with the principles of ecologically sustainable development are now integrated into AFMA management processes. As well, arrangements for managing compliance, monitoring and enforcement responsibilities have been strengthened.

**2.39** However, there were problems with the credibility of data on fisheries management, the status of the marine environment and related performance information. As a consequence, the ANAO was not able to assess the extent to which improved management arrangements have actually impacted on outcomes. Furthermore, while aspects of AFMA's operations are supported by risk assessments, AFMA does not have a formal overall structured risk management framework or plan to support its fisheries management responsibilities. The audit identified several areas of AFMA's operations that

would benefit from a more systematic approach to risk management. AFMA agreed with the five recommendations that were made.

**2.40** The objective of Audit Report No.21 *Developing Policy Advice* was to determine whether departmental quality management systems for policy advising were appropriate and the advice provided met expected standards for policy outputs. In particular, the ANAO assessed the agency frameworks and processes for policy advising in the areas of planning systems and performance information; project management, quality control and client involvement; information gathering; stakeholder consultation and coordination; professional development; and review mechanisms. As well, the ANAO undertook six case studies to assess how quality management arrangements in departments actually worked in practice.

**2.41** The ANAO concluded that the agencies examined had appropriate elements of a sound quality management system to develop policy advice for high order strategic issues. However, quality assurance procedures were not used consistently in all the policy advising projects examined. The agencies audited could strengthen their management systems for providing policy advice by implementing consistently a range of procedures which were undertaken only implicitly, or with varying degrees of rigour, in the six policy case studies. The ANAO did not make any recommendations, but included a section on Better Practice Principles at the end of each chapter of the report. These Better Practice Principles are also found in a separate booklet *Developing Policy Advice: Better Practice Principles* which was released in November, 2001.

**2.42** Audit Report No.23 *Broadcasting Planning and Licensing* was undertaken in response to a recommendation by the House of Representatives Standing Committee on Communications, Transport and the Arts following its Inquiry into Radio Racing Services. The objectives were to assess the Australian Broadcasting Authority (ABA) management of licence area planning and the subsequent issue of broadcasting licences and to identify improved administrative practices. The audit also assessed accountability arrangements including transparency of the ABA's processes and sought to identify the main factors that have contributed to the delays to date in achieving the planning timetable.

**2.43** The ANAO concluded that a range of factors has contributed to delays in the planning of broadcasting licence areas. The Broadcasting Services Act requires the ABA to take a range of complex matters into account. However, it is within the ABA's discretion to determine to what extent these are considered. Competing interests and the commercial or community value of

acquiring or delaying the allocation of a new broadcasting licence exacerbated the complexity of the process.

**2.44** The audit found there were several opportunities to improve the overall management of planning and licensing functions, including in the areas of risk management, project management, continuous improvement reporting, accountability and transparency. ABA agreed with the seven recommendations designed to improve its management of broadcasting planning and licensing.

## **Procurement and Contract Management**

**2.45** The procurement of assets and services by agencies frequently involves large sums of money. Therefore, because of the materiality, agencies need to develop contracts that clearly articulate their requirements and, later, these contracts must be appropriately managed. At the other end of the spectrum, the disposal of assets requires similar consideration of the costs and risks involved. For example, like procurement, inappropriate early or late disposal has associated costs. Therefore, in the last six months, the ANAO completed three audits that examined issues related to asset disposal.

**2.46** These audits highlighted a number of issues that all agencies with significant assets must consider. Specifically, where required, contract and evaluation procedures should be appropriate. As well, disposal strategies should, among other things, address the timing of the disposal process and consider the time-value of money. The two audits that focused on procurement, like previous audits with this theme, highlighted the need for transparency and appropriate documentation.

**2.47** The ownership and management of the Commonwealth Property Estate is concentrated in Finance and Defence. Audit Report No.4 *Commonwealth Estate Property Sales* focused on the sale of properties from that portion of the domestic property estate managed by Finance.

**2.48** The audit sought to assess the effectiveness of the management of the sales process for selected property sales, including the extent to which the Government's sale objectives have been achieved; review the long-term sale and leaseback arrangements for selected divested properties and whether they adequately protect the Commonwealth's interests; and identify principles of sound administrative practice to facilitate improved administrative arrangements for future property sales.

**2.49** The sales program was successful in that total proceeds exceeded revenue targets by \$131 million or 15 per cent. However, specific areas for improvement that were identified included: review of the hurdle rate of return to be applied in the sell/hold decision for property; management of

contractual arrangements with external consultants; tender evaluation, including evaluation against Request for Tender criteria, and management of sale completion risk; and assessment of value for money during tender evaluation in sale and long-term leaseback transactions to the Commonwealth.

**2.50** The ANAO made seven recommendations identifying opportunities for improvement in the management and ongoing implementation of the property divestment process. All seven ANAO recommendations were disagreed by Finance. All seven ANAO recommendations were disagreed by Finance because it considers *‘the concepts that underpin the report are fundamentally flawed.’* However, Finance did not elaborate on its comments in its response, other than the comments provided against each recommendation. It is of some concern to ANAO that the Department did not agree with any of the ANAO recommendations that were framed to achieve improved administrative practices for future property sales. Recommendations for action are only included in the audit report where it is not clear that action has taken place and/or is being contemplated.

**2.51** Audit Report No. 8 *Disposal of Infrastructure, Plant and Equipment* is based on fieldwork undertaken in eight Commonwealth organisations. The objective of the audit was to assess, from initial planning through to the receipt of proceeds and evaluation of the outcome, whether the disposal of infrastructure, plant and equipment was carried out in accordance with government policy and consistent with asset management principles. The internal controls were also examined.

**2.52** The ANAO concluded that organisations were disposing of infrastructure, plant and equipment in accordance with government policy and generally in accordance with asset management principles. As well, applicable internal controls were in place. However, unless they had a significant market value, some assets were held for overly long periods whereas, disposal strategies should exist. The ANAO considers that the organisations could make many improvements to enhance disposal management. The ANAO made eight recommendations for all organisations holding physical assets to consider, all of which were agreed to by the agencies involved. In addition, the audit report highlighted several sound and better practices observed during the audit.

**2.53** The ANAO undertook an audit of the Federation Fund program, a \$1 billion program designed to commemorate the Centenary of Federation in 2001 by providing financial assistance to projects with a national significance. The Commonwealth in consultation with the States identified eligible projects, although proposals nominated from other sources were considered. Commonwealth Ministers were closely involved throughout the identification

and selection process with the final selection process resulting in the recommendation of projects by a Cabinet committee to Cabinet and/or the Prime Minister for approval.

**2.54** Audit Report No.11 *Administration of the Federation Fund Program* found that the proposal assessment undertaken by the Department of the Prime Minister and Cabinet (PM&C) should have been more rigorous and comprehensive. As well, documentation for the Ministerial appraisal process and detailing the reasons particular decisions were made was inadequate. Successive governments have supported the conventions of Cabinet confidentiality and collective responsibility by the practice of not disclosing the deliberations of, or reasons for, decisions by Cabinet and its committees. However, the lack of documentation surrounding the Ministerial appraisal process and reasons for decisions precluded the ANAO from forming an opinion as to whether the Federation Fund proposals that were selected from those considered by the Government were likely to represent best value for money in terms of the program objectives.

**2.55** The ANAO considers that it is important for accountability purposes that critical elements of the appraisal process and reasons for selecting particular projects for funding be appropriately documented. Nonetheless, the ANAO is mindful of the conventions of Cabinet confidentiality and collective responsibility, supported by successive governments, for the practice of not disclosing the deliberations of, or reasons for, decisions by Cabinet and its committees. There is thus a tension between the standards expected for public administration generally and the normal expectation of Cabinet confidentiality. This is a matter for government and Parliament to resolve. Given that the Federation Fund program is unique and program funds have been fully committed, the report does not make any recommendations.

**2.56** In August 1997, Works Australia, a former business unit of the former Department of Administrative Services, was sold by the then Office of Asset Sales (OAS) with assets and certain liabilities going to the purchaser. At the time the sale was completed, Works Australia held funds ('client advances') belonging to Commonwealth agencies that had been provided to Works Australia as an advance payment for work to be undertaken on behalf of the client. These client advances were assigned in trust to the new owners who were obliged to complete the related work.

**2.57** In Audit Report No.15 2001–02 *Agencies' Oversight of Works Australia Client Advances* the ANAO found that the client advances transferred to the purchaser of Works Australia in August 1997 have been effectively accounted for by the Commonwealth agencies concerned. However, there were delays in

returning client advances that were not required and this equated to a lost (interest) opportunity cost of \$1.9 million. However, Finance commented that the transfer of the client advances and the associated interest was an explicit factor in tenders determining their bid prices for Works Australia and that, had these advances been returned prior to sale, it is likely that the sale price would have reduced. The agencies involved agreed with the three recommendations.

**2.58** Defence's ability to manage major acquisition projects to meet military capability requirements on time and within budget has been the focus of ANAO and JCPAA consideration for some time. Audit Report No.24 2001–02 *Status Reporting of Major Defence Acquisition Projects* assessed the status of major acquisition projects and the validity of project status reports provided to Government. This interim report summarised findings from the preliminary phase of this audit.

**2.59** It was concluded that the Defence Materiel Organisation (DMO) is implementing a comprehensive reform program to enhance its capability to deliver material systems to Defence on time and within budget and to provide associated through-life support. The DMO Reform Plan covers organisational and structural change; people reforms; and material reform and process change. In implementing its Reform Plan, DMO is also addressing issues raised in the past about Defence's management of major capital equipment acquisition projects.

**2.60** Periodic and accurate reporting of project status in terms of time, cost and quality is an important element of good project management. At present, DMO project status reports do not always indicate whether major capital equipment acquisition projects are meeting agreed timeliness, cost performance or quality criteria, or report against key performance indicators. As a consequence of this study a full performance audit will be scheduled in 12 to 18 months, subsequent to DMO testing a new system for reporting project progress on cost and schedule performance, and against a properly integrated schedule and project work breakdown structure. The report did not include any recommendations.

## Information technology

**2.61** As discussed in paragraph 1.43, it is Australian government policy to become a leading-edge user of technology by delivering all appropriate government services online via the Internet by December 2001. This policy requires agencies to address contract management and value for money issues in relation to procurement of services and technology from the private sector. Other concerns regarding information technology include the development and use of expert systems, information and knowledge management,

intellectual capital management and good record keeping, security and privacy in an increasingly sophisticated high technology, online environment.

**2.62** The ANAO reported in Audit Report No. 12 *Selection, Implementation and Management of Financial Information Systems (FMIS) in Commonwealth Agencies* that, overall, few agencies examined in the audit selected an FMIS appropriate to their size or complexity and then proceeded to effectively implement the product. As a result, serious gaps emerged in the functionality achieved in some agencies suggesting concerns about the ongoing cost-effectiveness of the implemented FMIS. In addition, most agencies did not proactively manage their systems after the 'go-live' date to address such functionality and cost concerns. The survey undertaken by the ANAO of agencies in the budget sector indicates that some of the problems noted with the management of selection and implementation by agencies in the audit also occurred in other APS agencies. All the agencies involved agreed with the nine recommendations aimed at improving the selection, implementation and management of FMIS.

**2.63** In Audit report No. 13 *Internet Security within Commonwealth Government Agencies*, the ANAO reviewed the management of Internet security across 10 agencies which involved two major strands—a management systems review and physical testing of the security arrangements of selected Internet sites. The ANAO found that the way agencies approached the management of Internet security was broadly consistent with Commonwealth policy directions. Most agencies had adopted a risk management approach to the management of Internet security that integrated well with the agencies' top-level risk management activities. However, while some agencies had produced good threat and risk assessments and documentation generally, these were not always effectively administered. For Internet site testing, the ANAO concluded that security levels across the agencies varied significantly from very good to very poor. For the majority of agency websites, the current level of Internet security was assessed as insufficient, given the threat environment and vulnerability's identified within a number of agency sites. All significant vulnerabilities identified during the audit were promptly addressed. All agencies agreed with the seven recommendations designed to improve Internet security.

**2.64** Audit Report No.27 *Agency Management of Software Licensing* examined the management of software licensing by five Commonwealth agencies. The objective of the audit was to provide assurance that effective controls were in place to ensure the physical security of software media and the risks associated with the use of illegal software were being effectively managed. The audit also examined that compliance with software licence conditions was being



adequately monitored. The ANAO concluded that appropriate physical security arrangements were generally in place and that most audited agencies had implemented a sound control framework to ensure that only licensed software is used. However, the ANAO also found that more comprehensive and regular compliance monitoring activity should be undertaken if agencies are to be adequately assured that preventative controls are effective. The agencies involved agreed with the two recommendations that relate to all agencies.

## Service Delivery

**2.65** Over the last decade the delivery of government services have been influenced and enhanced by a number of factors including government online initiatives; service delivery innovations; whole of government policies; shared service delivery and one-stop shops. Whole of government policies and management of service delivery such as current outcome/output performance information arrangements have contributed to an improved focus on service delivery and requirements for the Public Service Charters clarify what various client groups can expect of an agency and its staff. Innovations in delivery of government services such as outsourcing and cooperative arrangements have enabled agencies to improve client access by increasing the number of service points.

**2.66** In Audit Report No.3 2001–02 *The Australian Taxation Office's Administration of Taxation Rulings* the ANAO assessed the operation of the ATO's administration of taxation rulings to determine if its systems' had the capacity to deliver consistency within a robust corporate governance framework.<sup>33</sup> The ANAO found overall that the mechanisms in place for public rulings substantially provide for consistent and fair treatment for taxpayers. However, for private rulings, at the time of the audit, there was a lack of integration of systems and inadequate systems controls, which undermine the fairness and consistency of treatment for taxpayers. The ANAO concluded that by the ATO managing the taxation rulings systems more actively, such as through enhanced attention to the time, cost and quality aspects of rulings, the ATO would achieve greater effectiveness and efficiency in its administrative system. The ATO agreed with the 12 recommendations relevant to the administration, management and accountability issues.

**2.67** Audit Report No.14 *Client Service Initiatives Follow-up Audit—Australian Trade Commission (Austrade)* assessed Austrade's implementation of the 12

---

<sup>33</sup> This audit was placed in this category because taxation rulings perform a vital role in assuring taxpayers by enhancing the information available to them and thereby enhancing taxpayers' certainty about taxation administration. However, the audit addressed financial governance issues and could have been discussed under that heading.

recommendations contained in ANAO Report No. 4 of 1998–99 *Client Service Initiatives—Australian Trade Commission (Austrade)*, and whether the implementation of the recommendations or appropriate alternative measures has improved the management and delivery of Austrade’s client service. The ANAO found that Austrade had adopted a systematic approach to implementing the recommendations and to monitoring the success of the actions taken. Austrade had fully implemented 10 of the 12 recommendations of the previous audit. The ANAO concluded that implementation of the recommendations had resulted in strengthening of client focus, service delivery and client satisfaction. The report did not include any additional recommendations.

## 3. Financial Statement Audits

---

*This chapter summarises the financial audit activities undertaken by the ANAO during the period July to December 2001.*

**3.1** The ANAO undertakes financial statement audits of all Commonwealth entities each year. The Financial Management and Accountability Act 1997, the Commonwealth Companies and Authorities Act 1997 and the Corporations Act 2001 prescribe the need for entities to prepare financial statements and arrange for their audit.

**3.2** Financial statement audits are an independent examination of the financial accounting and reporting of public sector entities. The results of the examination are presented in a standard format audit report. This report expresses the audit opinion on whether the financial statements as a whole, and the information contained therein, fairly reflect the results of each entity's operation and their financial position. The disclosures and management representations made in the financial statements by the entity are assessed against relevant accounting standards as well as legislative and other reporting requirements.

**3.3** The audit opinion on the financial statements adds credibility to the financial statements. It is not an absolute guarantee of their veracity or reliability and is formed on the basis of reasonable evidence, not certainty. It also does not provide any direct comfort in relation to the absence of fraud or other irregularity.

**3.4** The results of financial audits, together with any important findings arising from the audits, are reported directly to the responsible Minister at the completion of the audit, and progressively to executive management of each entity.

**3.5** The audit report on the financial statements, which contains the audit opinion, is included together with the financial statements of each entity, in its Annual Report tabled in the Parliament. This report is the principal vehicle by which the Parliament and the public are able to hold an entity accountable for its financial performance.

**3.6** The Auditor-General also produces reports to the Parliament that summarise the outcomes of all financial statement audits. The first report, Audit Report No.1 2001–02 *Control Structures as part of the Audits of the Financial Statements of Major Commonwealth Entities for the Year Ended 30 June 2001*,

summarised issues regarding financial systems, controls and processes arising from the interim phase of the financial statement audits of major Commonwealth entities for the year ended 30 June 2001. Audit Report No.29 2001–02 *Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 2001* draws together the overall results of the financial statement audits of Commonwealth agencies and entities. Together these reports summarised the results of the audits of financial statements of all Commonwealth entities for 2000–01.

## **Audits of financial statements**

**3.7** The ANAO formed an opinion and reported on the financial statements of 272 Commonwealth entities for the period ended 30 June 2001, including the Commonwealth Government of Australia Consolidated Financial Statements. These entities are diverse in size, industry and location. As mentioned above, the results of this work were reported in Audit Report No.29 *Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 2001*, tabled on 21 December 2001.

**3.8** Seven qualified audit reports were issued for a variety of reasons, but predominantly for departures from financial reporting requirements and matters relating to limitations of the scope of audits.

**3.9** The ANAO also included ‘matters of emphasis’ in reports on the financial statements of a further seven entities. These references drew attention to issues which would be considered significant to the readers of the financial statements but which did not, of themselves, justify an audit qualification.

## **The consolidated financial statements and the final budget outcome report**

**3.10** At the close of each financial year the Government prepares two key financial reports: the Commonwealth Government of Australia Consolidated Financial Statements (CFS); and the Final Budget Outcome Report (FBO Report). The reports serve different purposes and are based on different sets of external reporting standards. However, a reconciliation is provided in the FBO Report between key Government financial aggregates and their counterparts provided on the basis of Australian Accounting Standards.

## **Harmonisation**

**3.11** The issue of the harmonisation of the CFS and Government Finance Statistics (GFS) frameworks is being discussed by interested parties including the Australian Accounting Standards Board and the Australian Bureau of

Statistics. While a considerable amount has been done to harmonise the reporting frameworks, significant differences remain.

**3.12** Further harmonisation would be useful. However, there are constraints on the rate of progress because both frameworks have different conceptual underpinnings, both with considerable international support. For further progress on harmonisation to be made, there will need to be ongoing national and international support for this goal to be achieved. A major determinant of progress continues to be resolving the different purposes served by the two frameworks.

### **Potential audit of FBO Report**

**3.13** While the CFS is audited, it should be noted that the FBO Report is not subject to audit. In the context of a potential audit of the FBO Report and in evidence to a recent JCPAA hearing, the ANAO confirmed that it is willing to audit the FBO Report if requested to do so but this was a matter for the Government and Parliament to decide. The issue of relevant standards to be used would be central to such an audit.

**3.14** An audit of the FBO Report would entail first a review of the general government sector component of the CFS, to ensure consistency of input to, and presentation of, the FBO Report. Second, a separate audit would need to be undertaken of the GFS to determine adherence with the relevant Australian Bureau of Statistics GFS framework.

### **Outcomes and outputs costing and appropriation reporting framework**

**3.15** As discussed in the previous two chapters, a focus of reforms in the Australian Public Service (APS) over many years has been the establishment of a performance culture supported by clear lines of accountability. Successive governments have had, as an objective, the goal of changing the focus of the public sector towards a more transparent performance culture. In this respect, a critical factor in recent years has been the development of the accrual-based outcomes and outputs budgeting and reporting framework.

### **Moving forward**

**3.16** Revenue recognition principles and expense allocation methodologies provide the basis of measurement for monitoring and enhancing APS performance. So it becomes fundamental for these issues to be worked through as the reform agenda moves forward.

**3.17** Under the Commonwealth framework, a fundamental quantitative performance measure is the full cost of outputs, as identified on an accrual basis, including the allocation of all overheads. The identification of total costs facilitates the improvement of operations and the achievement of efficiency and accountability of such operations.

**3.18** Performance measurement programs vary from entity to entity. At this time, many entities do not have the performance measurement capacity required to report output performance efficiently and reliably. The ANAO, in a separate Performance Audit Report<sup>34</sup> (discussed in paragraphs 1.32, 2.34 and 2.35), concluded that it would be difficult in these circumstances for Parliament and other stakeholders to assess the performance of the audited entities with reasonable assurance. It is a problem that pervades all legislatures that are attempting to focus more on performance measurement and assessment.

## **Overall Observations**

**3.19** Commonwealth financial reporting practices effectively assume the complete delivery of outputs by entities. Appropriation funding flows to entities are generally not tightly linked to the delivery of outputs. This approach reflects the current budgetary framework and represents the current state of performance information in entities. These issues are also reflective of the fact that the outcomes and outputs budgeting and reporting framework, including the notion of the Government as both customer and as owner, is still in its developmental stage and subject to considerable debate.

**3.20** Integral to the success of the outcomes/outputs budgeting and reporting framework will be the consolidation of a performance measurement program which has to be undertaken in a manner that allows for the reliable measurement of all delivered and undelivered output components.

## **Timing for financial statement preparation**

**3.21** The *Charter of Budget Honesty Act 1998* requires the Final Budget Outcome Report to be tabled by 30 September each year. Meeting this deadline required the financial statements of all material entities forming part of the CFS to be prepared and audit cleared by 15 August 2001, a situation that continues to pose significant challenges for all those entities involved, including the ANAO.

**3.22** Generally, lack of timely reconciliations performed regularly throughout the year meant that significant effort was required by entities at the end of the financial year to complete the reconciliations satisfactorily for

---

<sup>34</sup> Ibid 15.

annual financial reporting purposes. As in previous years, there continues to be a need for greater discipline and management involvement in the financial statement preparation process.

**3.23** There has been a slight improvement in the average time taken to prepare financial statements over that achieved last year. However, the performance of individual entities in preparing their financial statements has been mixed, with some entities improving but others deteriorating in performance.

### Summary of control issues

**3.24** The ability to rely upon the strength of the control environment and procedures is integral to the ANAO's risk-based audit approach. Sound controls contribute to the integrity, validity and reliability of the Commonwealth's financial and other data.

**3.25** The internal controls within significant business and accounting processes, and financial systems relating to key financial statement reporting elements were examined for 2000–01. The ANAO's review of these controls identified the following issues:

- Information Technology (IT) controls—security controls need to be improved by, for example, restricting access to authorised personnel. This reduces the possibility that unauthorised access can be gained to confidential and/or private data, including security information, or that unauthorised changes can be made to programs or data;
- business continuity planning also needs to be addressed effectively in a number of entities;
- financial system reconciliation processes relating to bank accounts, payroll processing, appropriations, interface systems and asset registers need to be enhanced. Reconciliations are integral to ensuring the information in financial systems is complete, accurate and valid. Evidence indicates that most entities recognise the need to complete these reconciliations. However, there is inconsistency in the application of end of month procedures to ensure all reconciliations are prepared and reviewed in a timely and complete manner; and
- inadequate segregation of duties and responsibilities where incompatible roles were undertaken by the same staff member.

**3.26** To overcome these issues, entities will need to develop comprehensive IT risk analysis and control systems to mitigate these risks and demonstrate a

sound accountability process as part of good corporate governance. This analysis would have to balance affordable IT security against expected costs.

**3.27** In addition, and in terms of adequate financial reporting, entities will need to introduce greater discipline into end-of-month procedures to ensure that all necessary steps are completed in a timely fashion.

## **Audit of the CFS 2000–01**

**3.28** As mentioned previously (paragraphs 3.10–14), the CFS fulfil a key stewardship obligation of the Government to report its financial performance during the reporting period and, therefore, are an important element of open and accountable government.

**3.29** The Minister for Finance is required under Section 55 and Section 56 of the Financial Management and Accountability Act 1997 to table audited financial statements of the Commonwealth Government of Australia in each House of Parliament, as soon as practicable after the end of the financial year. The CFS for the year ended 30 June 2001 were signed and the audit report was issued on 18 December 2001.

**3.30** In accordance with section 55 of the FMA Act, the Minister for Finance is required to table in Parliament the reasons that the financial statements were not given to the Auditor-General within five months after the end of the financial year. The Minister for Finance presented out of session to the Deputy President of the Senate such a statement indicating that the election process significantly impacted the finalisation of the financial statements and, therefore, he did not have adequate opportunity to review the statements.

## **Audit report**

**3.31** The audit report on the CFS for the year ended 30 June 2001 expressed an opinion containing two qualifications and an 'emphasis of matter', which are explained in detail below. The two qualifications were the result of disagreements on accounting policies and the associated disclosure in the CFS. The 'emphasis of matter' was due to inherent uncertainty regarding a component of the Commonwealth Government's liability position.

## **Qualification—taxation revenue recognised other than on an accrual basis**

**3.32** The taxation revenue reported in the CFS is recognised when tax payments are due and payable according to taxation law or upon assessment by the ATO. This accounting policy was also employed in the preparation of the CFS for the 1999–2000 financial year.



**3.33** The policy does not accord with Australian Accounting Standard AAS 31, *Financial Reporting by Governments*, which requires that all of the Government's assets, liabilities, revenues and expenses be recognised on an accrual basis, that is, in the reporting periods to which they relate, regardless of when cash is received or paid.

**3.34** This policy also does not reflect the provisions of taxation legislation, whereby obligations to pay tax (and hence the Government's control of the right to the taxation revenues) arise at the time of the underlying transactions, which occur prior to assessment or amounts becoming due and payable. The policy also differs from that adopted by the ATO in its financial statements for the year ended 30 June 2001, where taxation revenue has been recognised on the accrual basis.

**3.35** The financial effects of employing this accounting policy are that the result for the year is overstated by \$9.1 billion. In the 1999–2000 financial year, the result was understated by \$3.9 billion. The change from understatement in the 1999–2000 financial year to overstatement in the current year is mainly due to a bringing forward of some company and superannuation fund tax assessments resulting from the introduction of the pay-as-you-go system.

**3.36** In addition, there are understatements, as at 30 June 2001, in accrued revenues of \$21.6 billion (30 June 2000: understatement of \$29.5 billion) and in liabilities of \$16.8 billion (30 June 2000: \$15.6 billion). Reported net liabilities are overstated by \$4.8 billion (30 June 2000: \$13.9 billion).

### **Qualification—a New Tax System (Goods and Service Tax)**

**3.37** Constitutionally, the Goods and Service Tax (GST), which came into operation on 1 July 2000, is a Commonwealth tax as it is imposed under Commonwealth legislation and the Commonwealth Government controls the revenue raised. The CFS do not recognise, as revenue, the taxes associated with the GST nor do they recognise, as expenses, the associated payments to the States and Territories of the moneys raised through this tax.

**3.38** This accounting policy does not accord with Australian Accounting Standard AAS 31, *Financial Reporting by Governments*, which requires that all of the Government's assets, liabilities, revenues and expenses be recognised in its financial statements. The policy also differs from the policies adopted by the ATO and the Department of the Treasury in their financial statements for the year ended 30 June 2001 whereby, respectively, the GST is recognised as a Commonwealth revenue when the tax is imposed, and the associated amounts payable to the States and Territories are recognised as grant expenses for the period.

**3.39** The financial effects of not recognising the GST as a Commonwealth tax are to understate the result for the period and to overstate net liabilities as at period end. These effects, calculated by reference to the amounts that would have been recognised had all other tax revenue been recognised on an accrual basis (refer to first mentioned qualification paragraph), are:

- an understatement of revenues by \$27.5 billion, expenses by \$23.8 billion and hence the overall result by \$3.7 billion;
- an understatement of accrued revenues by \$3.8 billion and liabilities by \$0.1 billion, and hence an overstatement of net liabilities by \$3.7 billion; and
- total operating cash inflows and outflows are each understated by \$19.2 billion (a difference which takes account of GST-related cash flows within the Commonwealth Government).

**3.40** The combined financial effects of recognising taxation revenue, other than on an accrual basis, and of not recognising revenue and associated expenses under the New Tax System are:

- the result for the 2000–2001 financial year reported in the consolidated statement of financial performance of \$8.1 billion is overstated by \$5.4 billion;
- the net liabilities recognised as at 30 June 2001 in the consolidated statement of financial position of \$28.4 billion are overstated by \$8.5 billion; and
- total operating cash inflows and outflows are each understated by \$19.2 billion.

### **Emphasis of Matter—Inherent uncertainty regarding the Commonwealth Government’s liability position**

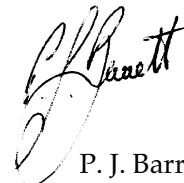
**3.41** The collapse of the HIH insurance group during the 2000–01 financial year prompted the Commonwealth Government to implement the HIH Claims Support Program. The Department of the Treasury is administering the program. As part of the activities of the program, the Government has committed to future payments to policyholders in accordance with established criteria.

**3.42** The Commonwealth Government recognised a liability of \$640 million in relation to the HIH Claims Support Program. This figure was an estimate determined following an assessment and advice by the provisional liquidator, as at 25 May 2001.

**3.43** There is inherent uncertainty regarding the measurement of the estimate of the Commonwealth's liability and further analysis of the estimate was not available at the time of preparation of this report.

---

Canberra ACT  
13 February 2002



P. J. Barrett  
Auditor-General



# **Appendices**



## Appendix 1

### Audit Reports tabled in the period 1 July to 31 December 2001

#### Audit Report No.1 2001–02

##### *Financial statement audit*

### Control Structures as part of the Audits of the Financial Statements of Major Commonwealth Entities for the Year Ended 30 June 2001.

#### Cross Agency

This report summarises issues relating to internal control structures, financial systems, controls and processes arising from the interim phase of the financial statement audits of major Commonwealth entities for 2000–2001. Examinations of such issues are designed to assess the reliance that can be placed on control structures, systems, specific controls and processes to produce complete, accurate and valid information for financial reporting purposes<sup>35</sup>.

Internal control structures have been enhanced in most entities during 2001. Entities have consolidated their activities following the implementation of suitable financial systems, covering, for example, banking, payroll and accrual based financial reporting. Improvements are still required, with all entities generally acknowledging that enhancements are necessary in areas such as: building risk awareness and better management of operational processes; achieving consistency in systems of authorisation; enhancing the quality of financial reporting; and integrating financial and non-financial data as part of the development of performance measurement frameworks.

In respect of control over financial systems and processes, key findings include:

- security controls need to be improved through, for example, restricting access to authorised personnel only;
- business continuity planning needs to be addressed effectively in a number of entities; and

---

<sup>35</sup> Paragraphs 3.24–27 provide more information on the issues relevant to control structures identified by the ANAO and, therefore, areas that the ANAO will focus on in the last half of 2001–02.

- financial system reconciliation processes need to be enhanced relating to bank accounts, payroll processing, appropriations, interface systems and asset registers.

Commonwealth activity not only has to be controlled, it has to meet efficiency, effectiveness and ethical tests. For this to be achieved, there is a fundamental issue involving performance measurement. In this latter area, and in so far as financial stewardship is concerned, there is a need for entities to enhance performance information over time, particularly relating to program effectiveness or outcome measures and the contribution of outputs to intermediate and final outcomes.

The ANAO will monitor the reporting regimes for the following aspects of IT security:

- virus protection, detection and occurrence;
- firewall architecture, unauthorised access and denial of services;
- password management and violation reporting;
- privileged access, procedures and monitoring; and
- security and audit trail logging, reporting and monitoring.



## **Audit Report No.2 2001–02**

### *Performance audit*

## **Examination of Allegations Relating to Sales Tax Fraud**

### **Australian Taxation Office (ATO)**

The objective of the audit was to investigate matters relating to allegations made to the Senate Economics References Committee that the ATO and Customs failed to pursue several cases of detected sales tax fraud. As well, the audit looked at coordination arrangements between the ATO and Customs and whether any issues arising from these matters had been addressed in implementing the GST.

The ANAO concluded that the ATO did not pursue a number of detected sales tax fraud cases in a timely manner and that investigations were poorly managed. Analysis of the sales tax fraud cases also highlighted systemic case management problems within both the Sales Tax Prosecution Unit and Small Business Prosecution Investigation Unit. The ANAO identified deficiencies in the management of the sales tax fraud cases that needed to be addressed by the ATO if fraud investigations are to be properly managed in the future.

No evidence was found to support allegations that there was a lack of coordination between the ATO and Customs in these particular cases. The ANAO did find, in one case, that Customs had made a refund payment using a method of payment that was contrary to applicable legislative requirements.

The establishment of a National Liaison Committee supported by an memorandum of understanding that clearly defined roles and responsibilities improved the coordination arrangements between the ATO and Customs with regard to sales tax. This relationship has strengthened with the implementation of the New Tax System as both agencies recognised the importance of establishing an effective, ongoing partnership.

The ATO and Customs have developed, and implemented, systems and processes for collecting, deferring and processing the GST, Luxury Car Tax and Wine Equalisation Tax. However, as these systems are in the relatively early stages of implementation and changes continue to be made to GST processes, they are still being evaluated and refined by both agencies.

The ANAO made two recommendations aimed at improving the ATO's management of fraud investigations. The ATO agreed with both recommendations.

## **Audit Report No.3 2001–02**

### *Performance audit*

## **The Australian Taxation Office's Administration of Taxation Rulings**

### **Australian Taxation Office (ATO)**

The ATO uses taxation rulings to disseminate the Commissioner of Taxation's interpretative advice on the Australian taxation law. The objective of the audit was to report to Parliament on the ATO's administration of taxation rulings (public, private and oral rulings) and to recommend improvements. Factors considered were the efficiency and effectiveness of the ATO's administration of the ruling system; the ATO's systems capacity to deliver consistency and fairness for taxpayers; and good corporate governance.

The ANAO observed that the Sherman review of the private rulings system was conducted during the course of the audit and this had a significant effect on the shape and scope of the rulings systems and may lead to changes in the future.

The audit concluded that:

- the processes for the production of public rulings of high technical quality operate effectively, but the administrative processes for private rulings have operated poorly in many respects (confirming the findings of administrative inefficiencies in reports for the ATO over a number of years);
- the systems operating for public rulings substantially provide for consistent and fair treatment for taxpayers but the lack of integration of systems and inadequate systems controls in relation to private rulings undermine certainty, fairness and consistency of treatment for taxpayers;
- with more active management of the rulings systems by the ATO such as enhanced attention to the time, cost and quality aspects of rulings, the ATO would be better placed to gain the assurance and performance benefits of its corporate governance framework; and
- the overall management of the public and private rulings systems continues to be an area requiring careful ATO attention.

The ATO agreed to all 12 recommendations that were made in relation to the administration, management and accountability issues associated with public and private rulings.

## **Audit Report No.4 2001–02**

### *Performance audit*

## **Commonwealth Estate Property Sales**

### **Department of Finance and Administration (Finance)**

The objective of the audit was to review the management of the Commonwealth Estate Property Sales process by the Department of Finance and Administration (Finance). In particular, the audit sought to:

- assess the effectiveness of the management of the sales process for selected property sales, including the extent to which the Government's sale objectives have been achieved;
- review the long-term sale/leaseback arrangements for selected divested properties and whether they adequately protect the Commonwealth's interests; and
- identify principles of sound administrative practice to facilitate improved administrative arrangements for future property sales.

Commonwealth Property Principles provided that all properties not meeting a hurdle rate of return (15 per cent) should not be retained in Commonwealth ownership. Following review of the Commercial Office Estate against those principles, the Government announced in the 1997–98 Budget that 57 domestic properties would be listed for sale over the three-year period 1997–98 to 1999–00. Total proceeds from the sale of those properties were almost \$1 billion for the three-year divestment program, exceeding revenue targets by \$130 million (or 15 per cent). The audit found that the hurdle rate of return applied overwhelmingly favoured the divestment of property (99 per cent) over retention. The application of a high hurdle rate of return for the divestment decision, combined with long term leaseback arrangements to the Commonwealth has resulted in a sub-optimal investment outcome, with potential negative returns to the Commonwealth over the terms of those long term leases.

ANAO made seven recommendations identifying opportunities for improvement in the management and ongoing implementation of the property divestment process. Specific areas for improvement included: review of the hurdle rate of return to be applied in the sell/hold decision for property; management of contractual arrangements with external consultants; tender evaluation, including evaluation against tender criteria, and management of sale completion risk; and assessment of value for money during tender evaluation in sale and long term leaseback transactions to the Commonwealth. All seven recommendations were disagreed by Finance because it considers *'the concepts that underpin the report are fundamentally flawed.'* However, Finance

did not elaborate on its comments in its response, other than the comments provided against each recommendation. It is of some concern to ANAO that the Department did not agree with any of the ANAO recommendations that were framed to achieve improved administrative practices for future property sales. Recommendations for action are only included in the audit

## **Audit Report No.5 2001–02**

### *Performance audit*

## **Parliamentarians' Entitlements: 1999–2000**

### **Cross Agency**

The Senate requested the Auditor-General to undertake a review, covering the 1999–2000 financial year, of all expenditures and entitlements accruing to Parliamentarians and Ministers as administered by the Department of Finance and Administration, the Parliamentary Departments and, in the case of Ministers, their home departments.

The scope of the audit covered the support services provided by Finance, particularly the Ministerial and Parliamentary Services (M&PS) Group; additional Ministerial expenditures administered by agencies within Ministers' portfolios; and the services provided by the Department of the Senate (DoS) and the Department of the House of Representatives (DHR). The objectives of the audit were to:

- provide assurance to the Parliament regarding the administration by Finance, the chamber departments and the portfolio departments of all expenditures and entitlements accruing to Parliamentarians, including Ministers, in 1999–2000;
- assess the administrative and control structures governing expenditures and entitlements accruing to Parliamentarians and Ministers in 1999–2000; and
- identify opportunities to improve the current framework.

The ANAO concluded that Senators and Members of Parliament, particularly Ministers, require a variety of support services to carry out their various responsibilities effectively. Current arrangements have evolved in a piecemeal manner and it is timely to re-evaluate the current entitlements model and the provision of services by agencies to support Parliamentarians.

There would be merit in a comprehensive review of the framework for Senators' and Members' entitlements using as benchmarks to improve flexibility, transparency and accountability, approaches adopted in similar jurisdictions. The report highlights areas where improvements can be made to the entitlements framework in response to the Senate resolution.

ANAO made 28 recommendations aimed at strengthening the stewardship of public money, improving the services provided to Parliamentarians and enhancing public disclosure within the current Parliamentary entitlements

system. Finance disagreed with 25 of these recommendations including all six relating to the administration of Ministerial entitlements by home departments, and agreed with qualification with three recommendations. The Parliamentary chamber departments, DoS and DHR, and 16 agencies with responsibility for the administration of Ministerial entitlements agreed, or agreed with qualification, to all relevant recommendations. The Department of Immigration and Multicultural Affairs provided comments but did not respond directly to the recommendations.

Finance advised the ANAO that it disagreed with many of the recommendations because they had already been implemented, were not necessary, or were a matter for government. The ANAO, however, considers that the general agreement by the other agencies involved in the audit further reinforces the thrust of the recommendations. The views presented by Finance in response to the ANAO recommendations do not negate, and at times, even reinforce the ANAO recommendations.

## **Audit Report No.6 2001–02**

### *Performance audit*

## **Commonwealth Fisheries Management: Follow-up**

### **Australian Fisheries Management Authority (AMFA)**

The objective of this audit was to assess the extent to which the AFMA has addressed the issues that gave rise to the recommendations of ANAO Report No.32 1995–96, *Commonwealth Fisheries Management—Australian Fisheries Management Authority*, and the related recommendations of the House of Representatives Standing Committee Report 1997, *Managing Commonwealth Fisheries: The Last Frontier*, that were supported by the government and did not require legislative or government policy changes.

The audit concluded that over the last four to five years, AFMA had developed fisheries management and addressed areas for improvement identified by the previous audit and the Standing Committee. In particular, effective administration of the Commonwealth's fisheries management model had benefited because input to, and support for, the advisory process has been broadened. In addition, most fisheries production (on a value basis) is undertaken in accordance with the preferred fisheries management methods; responsibilities for managing fisheries in accordance with the principles of ecologically sustainable development are now integrated into its management processes; and there are strengthened arrangements for managing compliance, monitoring and enforcement responsibilities.

However, progress in some other areas warranting administrative improvement has been limited. AFMA does not systematically monitor its progress in addressing the recommendations in the two reports. In particular, the need to cost effectively improve data that supports fisheries management.

Data on the status of the marine environment and related performance information is inadequate and, as a consequence, the ANAO could not assess if the improved management arrangements had an impact on outcomes. Progress in implementing Statutory Management Plans had not met AFMA's own expectations. As well, operational guidance requires strengthening.

Furthermore, while aspects of AFMA's operations are supported by risk assessments, AFMA does not have an overall structured risk management framework to support its fisheries management responsibilities. The audit identified several areas of AFMA's operations that would benefit from a more systematic approach to risk management.

The ANAO made five further recommendations aimed at strengthening guidance and support for: Management Advisory Committee members and Fisheries Assessment Groups; project management; information to support catch management; and data collection and information generally. All five recommendations were accepted by AFMA.



## **Audit Report No.7 2001–02**

### *Summary of Outcomes*

## **Audit Activity Report: January to June 2001**

### **Cross Agency**

The report summarised the audit and other related activities of the ANAO in the period January to June 2001. Key issues arising from performance audits tabled in this period were summarised against ANAO themes of:

- corporate governance including human resource management, financial management, and performance information;
- service delivery including the impact of e-government;
- procurement and contract management; and
- information technology.

The Activity Report also summarised Audit Report No.1 2001–02 *Control Structures as part of the Audit of Financial Statements of Major Commonwealth Agencies for the Period ended 30 June 2001*. This report examined issues relating to internal control structures, financial systems, controls and processes arising from the interim phase of the financial statement audits of major Commonwealth entities for 2000–2001. Examinations of such issues are designed to assess the reliance that can be placed on control structures, systems, specific controls and processes to produce complete, accurate and valid information for financial reporting purposes.

Appendix 1 of the Activity Report provided a short summary of each of the performance audits tabled between 1 January 2001 and 30 June 2001.

## Audit Report No.8 2001–02

### *Assurance and Control Assessment Audit*

## Disposal of Infrastructure, Plant and Equipment

### Cross Agency

The audit of the disposal of infrastructure, plant and equipment was undertaken in eight organisations to:

- assess whether the disposal of ‘infrastructure, plant and equipment’ assets was being carried out in accordance with Government policy, relevant aspects of the asset management principles, and applicable internal controls;
- identify better practices in the management of asset disposals; and
- as necessary, recommend improvements in the controls and practices relating to the asset disposal process.

The ANAO concluded that organisations were disposing of assets in accordance with government policy and mostly in accordance with relevant aspects of the asset management principles and applicable internal controls. However, organisations often held certain assets for long periods and placed relatively low priority on the disposal of such assets, unless they were of significant market value. The ANAO considered that organisations could make many improvements to enhance disposal management, where justified, so as to achieve more effective internal control and better disposal outcomes. These areas included:

- conduct of a *risk assessment* to identify asset management risks and to implement planning and controls that mitigate the identified risks;
- establishment of an asset management *control environment* providing for appropriate responsibilities, policies and procedures for disposal management and a high level of staff awareness of the requirements;
- maintenance of *specific internal controls* to readily identify assets for disposal, consider available disposal options, fully document the disposal process, and properly account for each disposal transaction;
- use of *asset accounting systems* for management purposes; and
- implementation of *monitoring and review processes* to measure disposal performance and the suitability of disposal policies.

The ANAO made eight recommendations relevant to asset control for all organisations holding physical assets. All eight were agreed. In addition, the audit report highlighted several better practices that were observed during the audit.

## **Audit Report No.9 2001–02**

### *Performance audit*

## **Learning for Skills and Knowledge—Customer Service Officers**

### **Centrelink**

The objective of the audit was to determine if Centrelink had appropriate systems and strategies in place to ensure that its Customer Service Officers (CSOs) had the skills and knowledge necessary to meet expected levels of performance and customer service. In particular, the audit examined Centrelink's:

- learning plans and structures for their implementation;
- training needs analysis systems;
- approach to developing technical training in product knowledge and Information and Technology (IT) skills; and
- competency based learning through accredited courses.

The audit examined of the skilling of CSOs in both Customer Service and Call Centres.

The ANAO concluded that there was a diversity of approaches to the development of officer skills at the operational level and that this situation existed because the responsibility for the planning of learning had been devolved to network managers. Therefore, Centrelink was not able to compare the effectiveness of its learning strategies across different areas within the agency except by using overall business performance indicators. However, Centrelink was not collecting, collating and analysing the results from either Team or Individual Learning Plans on a national basis and Centrelink did not have access to standardised data across its network in regard to its CSOs' training needs.

In relation to the provision of technical training in product knowledge and IT, Centrelink needed to have more regard to CSOs in Customer Service Centres having access to:

- technical training prior to assuming duties;
- appropriate courses and/or training materials in regard to both new initiatives and to maintain existing technical knowledge; and
- sufficient training in the reference tools needed to carry out their duties.

Significant numbers of CSOs also considered that their workload often precluded them from availing themselves of learning time. CSOs in Call Centres were better served in regard to technical training having access to an intensive induction program of between four and six weeks duration which provided basic technical training.

Another factor requiring attention was the need to improve competency-based learning consistent with the Australian Recognition Framework standards for its CSO Business Certificate IV. Under the current arrangements it is likely that only a minority of Centrelink's CSOs will acquire this accredited qualification.

Since the audit fieldwork was completed, Centrelink has either taken steps to address almost all of the above weaknesses or outlined plans to do so. Centrelink agreed with all three recommendations made by the ANAO in relation to activities designed to improve training and learning.

## **Audit Report No.10 2001–02**

### *Assurance and Control Assessment Audit*

## **Management of Bank Accounts by Agencies**

### **Cross Agency**

The audit was undertaken in seven Financial Management and Accountability Act (FMA) agencies and covered the operation of the new agency banking arrangements that were introduced in July 1999. An audit of agencies' implementation of the transactional banking requirements is the subject of a separate performance audit.

The main objectives of the audit were to determine if agencies had implemented appropriate risk management strategies for the new banking arrangements. As well, the audit sought to determine if cash funds were being managed in accordance with the appropriate legislation, the Commonwealth's agency banking guidance and generally accepted accounting practices.

The ANAO concluded that, in respect to the day-to-day operation of bank accounts, the internal control framework established by agencies was generally satisfactory. However, the Chief Executive's Instructions (CEIs) related to banking had not been updated in some agencies to reflect the new arrangements. The audit found that agencies' practices were not always consistent with the policies and procedures established by their internal control frameworks. In addition, better practices could be achieved by agencies through improvements in their internal control framework, including the adoption of process risk assessments, the development of appropriate performance measures and increased use of monitoring and review mechanisms.

The audit also concluded that, when the new banking arrangements were introduced, agencies' investment strategies were initially conservative and were more related to earning sufficient interest to make up for reductions in their appropriations. In addition, as the cash-flow management processes required further development and enhancement, the quality of information initially provided on future cash needs was fairly basic. As agencies became more settled with the new banking arrangements and their internal processes developed, the level of funds, and the period of investment, increased significantly reflecting, inter alia, more active cash management.

The ANAO made seven recommendations in relation to risk assessment, control framework for agency banking, control activities, information and communication and monitoring and review. The audit also highlighted several better practices observed during the audit. The agencies agreed with all seven recommendations.

## **Audit Report No.11 2001–02**

### *Performance audit*

## **Administration of the Federation Fund Program**

### **Cross Agency**

The Federation Fund was announced in the 1997–98 Budget as a one-off program to celebrate the Centenary of Federation. One component, the Federation Fund Major Projects, was to provide financial assistance to a number of major projects of national significance by generating jobs in the construction industry and by making a significant and ongoing contribution to Australia and the Australian economy. Projects were expected to be spread around Australia and be well advanced, but not necessarily complete, by 2001. Commonwealth monies were intended to fully fund projects; augment existing funding; or match funding from other sources. Government Ministers were closely involved throughout the selection process, culminating in the recommendation of projects by a Cabinet committee to Cabinet and/or the Prime Minister for approval.

The objective of the audit was to determine the extent to which the administration of the Federation Fund program met identified better practice in relation to policy development and program planning; the process of calling for, assessing, approving and announcing proposals; and ongoing program and project management.

The audit concluded that:

- the assessment of proposals undertaken by the Department of the Prime Minister and Cabinet (PM&C) may have been more helpful to the Cabinet committee in making well-informed decisions if it had been more rigorous and comprehensive; and
- the management of approved Federation Fund projects by administering departments has generally been sound, which is creditable given the complexity of many projects and the general lack of additional resources allocated to the task.

Successive governments have supported the conventions of Cabinet confidentiality and collective responsibility by the practice of not disclosing the deliberations of, or reasons for, decisions by Cabinet and its committees. However, the lack of documentation surrounding the Ministerial appraisal process and reasons for decisions precluded the ANAO from forming an opinion as to whether the Federation Fund proposals that were selected from those considered by the Government were likely to represent best value for money in terms of the program objectives.

This report draws attention to the tension between the standards of documentation normally expected with administrative decision-making and the conventions of the confidentiality of Cabinet deliberations. While recognising that this issue is a matter for government and Parliament to resolve, the report sets out a range of administrative improvement opportunities to enhance the achievement of program outcomes for any future financial assistance program of a similar nature to the Federation Fund.

The report did not make any recommendations.

## **Audit Report No.12 2001–02**

### *Financial Control and Administration Audit*

## **Selection, Implementation and Management of Financial Information Systems in Commonwealth Agencies**

### **Cross Agency**

The objective of the audit was to provide assurance to Parliament on the effectiveness of Financial Management Information Systems (FMIS) implementations by evaluating the effectiveness of selection and implementation management and determining whether the implemented FMIS met the needs of agencies.

The audit was designed to draw out the experience with agencies' FMIS implementations and to reflect in recommendations the factors that make a difference in successful systems' acquisitions, implementations and management.

Overall, the ANAO concluded that few agencies included in the audit selected an FMIS appropriate to their size or complexity and effectively implemented the system. As a result, serious gaps emerged in the functionality achieved in some agencies suggesting concerns about the ongoing cost-effectiveness of the implemented FMIS. In addition, most agencies did not pro-actively manage their systems after the 'go-live' date to address such functionality and cost concerns. A survey of agencies in the budget sector undertaken by the ANAO indicated that some of the problems noted with the management of selection and implementation of FMIS by agencies included in the audit are common to other Australian Public Service (APS) agencies.

The ANAO made nine recommendations aimed at improving the selection, implementation and management of FMIS. Agencies agreed with the recommendations, indicating corrective action had been undertaken since completion of audit fieldwork. Agencies indicated that recommendations represented aspects of better practice in relation to FMIS implementations and, more generally, in relation to procurement, project management and IT management for high-value IT assets. It was also considered that the recommendations provided a framework that would help to optimise outcomes for agencies and Government in the future.



## **Audit Report No.13 2001–02**

### *Performance audit*

## **Internet Security within Commonwealth Government Agencies**

### **Cross Agency**

The principal objective of the audit was to form an opinion on the adequacy of Commonwealth agencies' management of Internet security. In order to achieve this objective, the audit addressed Internet security risk assessments, policies and plans, agencies' Internet security management procedures, Internet site management and test performances of selected sites. The ANAO conducted this audit with the assistance of the Defence Signals Directorate (DSD). Ten agencies were selected to provide a broad coverage of small and larger agencies, outsourced and in-house IT management, data holdings of both personal and organisational information and agencies operating static and transactional websites.

The ANAO and DSD concluded that security levels across the audited agencies varied significantly from very good to very poor. For the majority of agency websites in the audit, the current level of Internet security is insufficient, given the threat environment and vulnerabilities identified within a number of agency sites. Further, while some agencies had produced good threat and risk assessments and documentation generally, these were not always effectively administered. Overall, a number of agencies could improve performance in some key areas and all agencies could improve performance in one or more aspects of managing Internet security.

Issues papers, including specifically tailored recommendations, were presented to each of the agencies. Each agency provided a written response to ANAO in relation to the recommendations and all agencies agreed with the recommendations. Agencies informed the ANAO that action on many recommendations had been completed by the end of July 2001.

The report contains seven recommendations that have general application to all agencies. These include a structured approach to Internet security, appropriate risk assessments, the avoidance of default installation of operating system and web service software, the timely installation of security patches, regular review of logs by security administrators, review of applications for secure coding practices and up to date documentation. The agencies involved in the audit agreed with all seven recommendations contained in the audit report.

## **Audit Report No.14 2001–02**

### *Performance audit*

### **Client Service Initiatives Follow-up Audit**

#### **Australian Trade Commission (Austrade)**

The objective of the follow-up audit was to assess Austrade's implementation of the 12 recommendations contained in ANAO Report No.4 of 1998–99 (*Client Service Initiatives—Australian Trade Commission (Austrade)*). As well, the ANAO examined whether the implementation of the recommendations or appropriate alternative measures had improved the management and delivery of Austrade's client service.

The ANAO concluded that Austrade had given a high priority to addressing the issues and recommendations raised by the previous audit and had adopted a systematic approach to implementing the recommendations and to monitoring the success of the actions taken. Consequently, Austrade had fully implemented 10 of the 12 recommendations of the previous audit. The remaining two recommendations have been substantially progressed but, because they have involved systems and other changes that require longer timeframes, management attention and related actions have been continuing. Implementation of the recommendations has resulted in strengthening of client focus, service delivery and client satisfaction.

The report included no additional recommendations.

## **Audit Report No.15 2001–02**

### *Performance audit*

## **Agencies' Oversight of Works Australia Client Advances Initiatives**

### **Cross Agency**

In August 1997, Works Australia, a former business unit of the former Department of Administrative Services, was sold by the then Office of Asset Sales for a price of \$4.2 million. The audit examined oversight of the post-sale contractual arrangements for each of the 307 Commonwealth client advances totalling \$43.7 million transferred to the purchaser of Works Australia.

The specific objectives of the audit were to:

- assess compliance with the relevant terms of the sale agreement;
- assess the risk management framework put into place by Commonwealth agencies to protect these public monies; and
- identify opportunities for improvements to administrative processes.

The audit concluded that most (99.7 per cent) of the \$43.7 million transferred to the purchaser of Works Australia in August 1997 has been accounted for as of July 2001 by the Commonwealth agencies concerned. Nevertheless, at least \$11.3 million (26 per cent) of the \$43.7 million in Works Australia client advances should have been returned to the relevant agencies prior to the 1997 sale as it was not needed for the projects in respect of which the advances had originally been made. In addition, given the long delay in the use of some funds, it is arguable that some of the advanced funds eventually spent should have been returned to the Commonwealth prior to the sale and only paid out closer to the time when they were actually required. The ANAO found that the lost (interest) opportunity cost to the Commonwealth because of the delay in using the advances amounted to some \$1.9 million.

The ANAO made three recommendations to agencies in relation to all sales of former Department of Administrative Services business units that addressed the recover any outstanding, unspent public money; future advance payments; and the resolution of outstanding client advances. As applicable, the agencies involved in the audit agreed with all three recommendations.

## **Audit Report No.16 2001–02**

### *Performance audit*

## **Defence Reforms Program Management and Outcomes**

### **Department of Defence**

The Government introduced the Defence Reform Program (DRP) in 1997 to enable Defence's resources to be focused more efficiently and effectively on its core functions. The objective of the ANAO audit was to assess Defence's management and implementation of DRP and the extent to which it achieved savings for reinvestment in the operational capabilities of the ADF.

DRP encountered numerous problems as a change program because the major focus was on savings and not on the initiatives themselves and their successful implementation. In practice, target savings were often taken from the Groups' budgets ahead of the initiatives that were to produce the savings. Further, the Groups were not held directly responsible for ensuring implementation of specified initiatives.

Defence has recognised that DRP could have been better managed. A central implementation team would have enhanced Defence's ability to manage, control and report DRP's implementation and progress at a Group and corporate level. A comprehensive communication strategy for DRP would also have helped to gain Defence personnel's acceptance of DRP.

Defence reported that, by March 2001, DRP had already achieved \$644.4 million in recurrent annual savings. In order to assess the level of confidence that could be placed on the reported savings, the ANAO examined the ten largest DRP reported recurrent annual savings, totalling \$482.4 million. The ANAO found adequate supporting documentation for \$412.5 million of that amount. In addition, the ANAO examined, and found adequate supporting documentation to support, the five largest DRP reported one-off savings, totalling \$48.3 million.

The audit concluded that although there were significant issues arising from its management and implementation that the DRP was successful in enhancing the ADF's operational capability. Given the one-off nature of the DRP, the audit did not make recommendations but did identify some lessons to be learned from the implementation of the program.

## **Audit Report No.17 2001–02**

### *Performance audit*

## **Administration of Petroleum Excise Collections**

### **Australian Taxation Office**

The objective of the audit was to assess, and report to Parliament on, the ATO's administration of petroleum excise collections. The audit examined whether the ATO had implemented effective administrative arrangements for the collection of petroleum excise since the transfer of the function from Customs in 1999. In doing so, the ANAO examined the following areas relating to administration of petroleum excise: governance arrangements; licensing arrangement; compliance management; investigations and revenue management.

The audit also reviewed the role of Customs in performing functions directly related to petroleum excise collections and key elements of the management relationship between the ATO and Customs in this area. In providing feedback to the ANAO on its 2000–01 annual audit work program, the Joint Committee of Public Accounts and Audit (JCPAA) requested that the ANAO assign this audit high priority.

The audit concluded that the ATO is implementing effective administrative arrangements for the collection of petroleum excise, and has implemented several management initiatives to strengthen the administration of the excise function.

However, the ANAO also found that there was scope for the ATO to further improve its administration of petroleum excise collections. The ANAO observed a number of gaps in strategic management and identified areas for improvement in operational management. Particular areas identified were:

- a less than comprehensive and considered approach to risk management for petroleum excise collections;
- incomplete partnership arrangements, with Customs as an agency continuing to perform relevant functions both under the ATO's and Customs' legislative responsibilities;
- inefficiencies in the operation of the petroleum licensing systems and associated processes;
- insufficient integration of compliance and investigations functions into the overall governance of petroleum excise collections; and

- inadequate assessment of the ATO's continuing exposure to fuel substitution activities that impact on petroleum excise revenue collections.

The ANAO made twelve recommendations to enhance the administrative effectiveness of the petroleum excise function. The ATO agreed to all the recommendations. One recommendation was directed to both the ATO and Customs. Customs also agreed to that recommendation.

## **Audit Report No.18 2001–02**

### *Performance audit*

## **Performance Information in Portfolio Budget Statements**

### **Cross Agency**

The objective of the audit was to assess the appropriateness of the performance information in a selection of PBS and annual reports and agency arrangements to identify and collect this information.

The ANAO examined the performance information in the 2000–01 PBS and the reporting of performance information in 1999–2000 annual reports in a mix of ten small and large public sector agencies. As well, the ANAO looked at each agency's PBS performance information review processes. The focus of the audit was how the allocation of resources detailed in the PBS was supported by agency performance information and whether this information was used to assess actual results and was appropriately reported in annual reports. The audit did not examine the performance information that agencies use for program management purposes or financial information.

The ANAO concluded that, overall, performance information in the PBS should be improved to enable agencies to establish and demonstrate the links between outcomes, outputs and performance indicators. A common limitation in the performance information in all ten audited agencies' PBS and annual reports was the use of effectiveness indicators that were influenced by factors beyond the agencies' control to a degree that could mask the determination of agency. The ANAO also concluded that it would be difficult for Parliament and other stakeholders to assess agency performance with reasonable assurance because the PBS performance information did not always include targets, or the targets that were provided were often vague and/or ambiguous. The performance information requirements for the 1999–2000 annual reports were complied with. However, it would be difficult to reach an informed judgement in relation to agency performance using the performance information included in the 1999–2000 annual report because of problems identified by this audit.

Agencies generally had adequate organisational arrangements to support the PBS performance information and reporting. However, in many cases, the current performance information arrangements were developed for internal operational purposes without consideration of the higher PBS accountability requirements. In particular, minimum PBS data quality standards should be established and monitored to ensure that data supplied to Parliament are valid, reliable and accurate.

The ANAO made three recommendations in relation to effectiveness indicators, targets, and data validity, reliability and accuracy. All agencies agreed, or agreed in principle, with the recommendations.



## **Audit Report No.19 2001–02**

### *Assurance and Control Assessment Audit*

## **Payroll Management**

### **Cross Agency**

By its nature, payroll processing is considered by management as a lower risk area given the prevalence of routine transactions associated with such processing. Notwithstanding this risk assessment, payroll management arrangements have not been exempt from the drivers of change within the public sector which present challenges for Chief Executive Officers (CEOs), relevant management and other staff concerned. In this context, an ACA audit was undertaken in six organisations with objectives to:

- determine whether organisations have established effective internal control frameworks for the management of payroll operations;
- assess whether payment of salaries and related expenditures is made in accordance with the relevant terms and conditions of employment; and
- identify better practices in the management and operation of payroll systems.

The ANAO concluded that the robustness of the control framework for the management of payroll operations varied across the organisations reviewed, although most met what could be considered minimum performance standards. The audit highlighted that there is scope for all organisations to improve and enhance their risk assessment arrangements and internal control frameworks. Further, on the basis of limited testing, the audit did not identify any instances of payments that were not made in accordance with relevant employment terms and conditions. The better practice elements of the payroll function were generally evident in those organisations which, in considering whether there was a case for, or as a result of, outsourcing the payroll function, had identified its essential elements and established a control framework for the effective operation of the payroll function. While agencies' consideration of the case for outsourcing was a positive stimulus for enhancing the control environment, this outcome can also be achieved by enhanced management attention to the payroll function.

Recommendations were made in relation to each component of the control framework. Organisations generally agreed with each of the nine recommendations, with a number indicating remedial action had been initiated following the audit.

## **Audit Report No.20 2001–02**

### *Performance audit*

## **Fraud Control Arrangements in the Department of Agriculture, Fisheries and Forestry—Australia**

### **Department of Agriculture, Fisheries and Forestry—Australia (AFFA)**

This audit of AFFA is one of a series of fraud control audits, including a survey of fraud control arrangements in the APS, undertaken by the ANAO.

The objective of the audit was to assess whether AFFA has implemented appropriate fraud control arrangements in line with the Fraud Control Policy of the Commonwealth and whether these arrangements operate effectively in practice.

The ANAO reviewed arrangements for the development of the department's fraud policy, fraud risk assessment and fraud control plan within the core functional areas of the department that are responsible for these activities. The audit also examined the operational procedures and guidelines that were in place to implement the department's fraud policy.

The ANAO concluded that AFFA has developed an appropriate fraud control policy, with supporting fraud risk assessments and operational procedures that are consistent with the requirements of the Fraud Control Policy of the Commonwealth.

The department is also taking action to enhance the training of its officers in contract management skills and to ensure that external service providers are more clearly aware of their contractual obligations and ethical responsibilities when providing services under contracts with the Commonwealth. However, a specific performance assessment framework that included appropriate performance indicators, which the department could then use to assess its performance in controlling fraud on an ongoing basis, had not been developed.

The ANAO made two recommendations aimed at improving the efficiency and effectiveness of the fraud control arrangements in AFFA. These recommendations address issues covering fraud, ethics and security training and the development of appropriate fraud performance information for inclusion in management reports in the department. AFFA agreed with these recommendations.

## **Audit Report No.21 2001–02**

### *Performance audit*

## **Developing Policy Advice**

### **Cross Agency**

The audit reviewed the policy advising functions of the Departments of Education, Training and Youth Affairs (DETYA), Employment, Workplace Relations and Small Business (DEWRSB), and Family and Community Services (FaCS). The objective of the audit was to determine whether departmental quality management systems for policy advising were appropriate and the advice provided met expected standards for policy outputs.

The audit assessed the three agencies' frameworks and processes for policy advising in the areas of planning systems and performance information; project management, quality control and client involvement; information gathering; stakeholder consultation and coordination; professional development; and review mechanisms. As well as examining the overall agency arrangements for policy advising, the audit examined six case studies to assess how quality management arrangements in departments actually worked in practice.

The audit concluded that the agencies had appropriate elements of a sound quality management system for developing policy advice for high order strategic issues. However, quality assurance procedures were not used consistently in all the policy advising projects examined. The agencies audited could strengthen their management systems for providing policy advice by implementing consistently a range of procedures which were undertaken only implicitly, or with varying degrees of rigour, in the six policy case studies.

The ANAO did not make any recommendations, but included a section on Better Practice Principles at the end of each chapter of the report. These Better Practice Principles are also found in a separate booklet *Developing Policy Advice: Better Practice Principles* which was released in November, 2001.

## **Audit Report No.22 2001–02**

### *Performance audit*

## **Personnel Security—Management of Security Clearances**

### **Cross Agency**

The objective of the audit was to determine if organisations were managing security clearance and vetting processes effectively and efficiently and in accordance with Commonwealth policy, as outlined in the Protective Security Manual (PSM) released in December 2000. It was also intended that the audit provide recommendations for improvement (where necessary) and identify better practice.

The audit evaluated the security clearance and vetting policies and practices of seven organisations against the following audit criteria:

- general management: position assessments, policies and procedures, risk management, quality control processes, and qualifications and capabilities of security and vetting staff;
- pre-screening and employment: clearance portability, clearance eligibility standards, pre-clearance access controls, and contractor clearances;
- assessment and decision processes: documentation and record-keeping, minimum standards, decision and appeal processes; and
- maintenance, monitoring and review: clearance maintenance and review, information management, security awareness and education programs.

The audit concluded that whilst security clearance procedures in the organisations audited were consistent with the requirements of the PSM overall, there were shortcomings in relation to the management, resourcing and operation of personnel security. A backlog of initial clearances was encountered, along with poor clearance aftercare processes, inadequate security information management and a failure to establish and enforce appropriate procedures to re-validate initial clearances in an acceptable timeframe.

As a result, these organisations are exposed to breakdowns in the effectiveness of their personnel security process which, among other things, may lead to inappropriate access to classified information. This problem is compounded when these issues occur in organisations which have not prepared, or which have inadequate risk management plans to appropriately integrate, protective

security risk management priorities into the organisation's overall risk management requirements.

The ANAO made ten recommendations, which are considered applicable to all Commonwealth organisations with a requirement for security clearances. All recommendations were agreed. Many of the recommendations are designed to assist organisations develop and adopt processes consistent with the requirements of the new PSM.

## **Audit Report No.23 2001–02**

### *Performance audit*

## **Broadcasting Planning and Licensing**

### **Australian Broadcasting Authority**

The objective of the audit was to assess the Australian Broadcasting Authority's (ABA's) management of licence area planning and the subsequent issue of broadcasting licences and to identify potential areas for improvement in administrative practices. The audit also assessed accountability arrangements including transparency of the ABA's processes and sought to identify the main factors that have contributed to the failure to meet the planning timetable. Priorities for the Australia-wide planning of licence areas were determined by the ABA in 1993 and a timetable was set that envisaged completion by 30 June 1996. The expected completion date is now December 2003.

This audit was undertaken in response to a recommendation by the House of Representatives Standing Committee on Communications, Transport and the Arts following its Inquiry into Radio Racing Services. The audit focused mainly on licence area planning and particularly on radio and also covered licensing functions. Lessons learned from the analog planning process are generally applicable to the digital planning process as the processes involved are similar.

The ANAO concluded that a range of factors has contributed to delays in the planning of broadcasting licence areas. The Broadcasting Services Act requires the ABA to take a range of complex matters into account although the ABA has the discretion to determine to what extent these are considered. Complexity of the process is also exacerbated by competing interests and the commercial or community value of acquiring or delaying the allocation of a new broadcasting licence.

Although this audit was conducted towards the end of the licence area planning cycle, it found there are several opportunities to improve the overall management of planning and licensing functions that remain relevant to the ABA's current and future operations. Specifically, improvement could be made to:

- risk management;
- project management, including planning, resource allocation and monitoring;
- continuous improvement practices, including benchmarking; and

- reporting, accountability and transparency.

The ANAO made seven recommendations aimed at improving the ABA's management of broadcasting planning and licensing and all were accepted by the ABA. The report also acknowledges the work the ABA has already undertaken towards improving its processes and systems.

## **Audit Report No.24 2001–02**

### *Performance audit*

## **Status Reporting of Major Defence Acquisition Projects**

### **Department of Defence**

The Defence Materiel Organisation (DMO) is the new Defence organisation responsible for the acquisition and through-life support of Defence equipment and systems. DMO's stated purpose is to equip and sustain the Australian Defence Force. In 2001–02 Defence will spend \$2.9 billion on about 270 major capital equipment acquisition projects.

Defence's ability to manage major acquisition projects to meet military capability requirements on time and within budget has been the focus of ANAO and JCPAA consideration for some time. The ANAO therefore scheduled a performance audit to assess the status of major acquisition projects, and the validity of project status reports provided to Government. The study concluded that there was sufficient basis to proceed to a performance audit. When the audit was first proposed the DMO expressed the desire to progress its reform agenda, including reporting initiatives, prior to the performance audit being conducted. On the basis of information provided by DMO about its reform agenda, the ANAO agreed with DMO's request to postpone the audit to enable the reforms to be implemented.

An interim report was produced based on findings from the preliminary study and information provided by DMO. The report concluded that a sound project reporting system would assist in assessing DMO's progress in implementing its broader reform objectives. It would also assist in managing the very significant risks in major capital equipment acquisition projects. In implementing its Reform Plan, DMO is also addressing issues raised in the past about Defence's management of major capital equipment acquisition projects.

The ANAO will monitor the situation in the coming year, and will consider scheduling a performance audit of the status of major Defence capital equipment acquisition projects at a more appropriate time. A full audit would include in-depth examination of the status of a sample of the larger acquisition projects in order to verify the accuracy and completeness of Defence's project status reporting.

The report does not include any recommendations.



## **Audit Report No.25 2001–02**

### *Assurance and Control Assessment Audit*

#### **Accounts Receivable**

##### **Cross Agency**

Accounts receivable make up a significant proportion of the Commonwealth's financial assets at any point in time. At 30 June 2001, total accounts receivable amounted to \$36 billion of taxes, advances and loans and other receivables owed to the Commonwealth. The scope of this ACA audit related to \$44.6 million of receivables in eight Commonwealth organisations.

The objectives of the audit were to:

- assess whether the processing, collection and overall management of the accounts receivable function was being performed in accordance with applicable legislation, government policy and applicable internal controls;
- identify better practices in accounts receivable activities; and
- as necessary, recommend improvements in the controls and practices relating to accounts receivable.

The ANAO concluded that the Commonwealth organisations that were audited were generally processing, collecting and managing the accounts receivable function in accordance with applicable legislation, government policy and applicable internal controls. The ANAO nevertheless considered that improvements could be made to achieve more effective control in the accounts receivable function. The key improvements include:

- specific control activities should be introduced to ensure the completeness of revenue and accounts receivable balances. In particular, controls should be established to better manage the distribution of saleable data and information external to the organisation via e-mail and the recording of related revenue and accounts receivable;
- Financial Management Information Systems (FMIS) should be used to the full extent of their capabilities to facilitate the streamlined processing of revenue and accounts receivable; and
- appropriate monitoring and review procedures should be put into place to assess ongoing performance.

All organisations agreed with the seven audit recommendations that are relevant to the above issues and a number indicated that corrective action had been undertaken before the audit was completed.

## **Audit Report No.26 2001–02**

### *Performance Audit*

## **Management of Fraud and Incorrect Payment in Centrelink**

### **Centrelink**

This audit is one in a series of fraud control audits undertaken by the ANAO. The audit focussed on Centrelink's arrangements for the prevention, detection and treatment of incorrect payments to its customers.

The objective of the audit was to assess whether Centrelink had implemented appropriate fraud control arrangements in line with the Fraud Control Policy of the Commonwealth.

In order to determine Centrelink's arrangements for the prevention, detection and treatment of incorrect payments, the ANAO established a framework for analysing the effectiveness of Centrelink's fraud control arrangements. The framework included an examination of Centrelink's governance arrangements that are designed to assist in the management of its fraud control framework. The audit recognised that Centrelink is a major provider of services on behalf of FaCS, and that through their Business Partnership Agreement and under the FMA Act, both FaCS and Centrelink are dependent on each other for delivering a satisfactory level of performance in the area of fraud control.

The ANAO concluded that, overall, Centrelink had implemented fraud control arrangements in line with the Fraud Control Policy of the Commonwealth. Centrelink had a clear focus on preventing fraud and had established appropriate procedures in relation to proof of identity (POI), however, there were POI coding errors in 22% of the claims reviewed which adversely impacts on the quality of Centrelink's electronic records. Current compliance activities, including an extensive data-matching program, would detect a significant proportion of fraud an error when it occurs.

Centrelink has a number of remedies available to treat fraud and error when detected, including breaches, formal warning letters and prosecution. The ANAO concluded that these remedies were used inconsistently. As well, performance indicators and targets in the Business Partnership Agreement between Centrelink and FaCS were found to place too much emphasis on inputs and processes, rather than measuring reductions in the level of fraud and incorrect payment. Centrelink had only undertaken limited analysis of the large amount of data relating to the review results it collects and of the strategies used to prevent and detect fraud. The impact of penalties on compliance had not been assessed and it was not possible to determine

whether the value of penalties and the circumstances in which they were imposed provided an effective deterrent to non-compliance.

The ANAO made five recommendations aimed at improving Centrelink's management of fraud and incorrect payment. When developing these recommendations, the ANAO took into account that Centrelink implements compliance strategies, activities and performance benchmarks on behalf of its client agency, FaCS. Both Centrelink and FaCS agreed with the recommendations.

## **Audit Report No.27 2001–02**

### *Assurance and Control Assessment Audit*

## **Agency Management of Software Licensing**

### **Cross Agency**

As at 30 June 2001, the Commonwealth's computer software assets were valued at more than \$2.7 billion. Computer software is generally provided under licence. In effect, users are purchasing an agreement to use a licensed product under the terms and conditions of a software licence.

The ANAO undertook an audit of the management of software licensing by five Commonwealth agencies. The audit objective was to provide assurance to these agencies and the Parliament that effective controls are in place to ensure the physical security of software media; the risks associated with the use of illegal software are being effectively managed; and compliance with software licence conditions is being adequately monitored.

The ANAO concluded that:

- appropriate physical security arrangements were generally in place;
- most audited agencies had implemented a sound control framework to ensure that only licensed software is used within the agency; and
- more comprehensive and regular compliance monitoring activity should be undertaken if agencies are to be adequately assured that preventative controls are effective.

The ANAO made two recommendations that are applicable to all agencies. These recommendations relate to the implementation of software registers and improved compliance monitoring strategies. All the agencies involved in the audit agreed with these two recommendations.

## **Audit Report No.28 2001–02**

### *Benchmarking study*

## **An Analysis of the Chief Financial Officer Function in Commonwealth Organisations**

### **Cross Agency**

The ANAO undertook this benchmark study to provide information on a range of relevant Chief Financial Officer (CFO) functions in Commonwealth organisations. In particular the study sought to identify CFO:

- skills, qualifications and experience;
- perceptions of their roles, responsibilities and priorities, and how these have changed;
- views and how they used IT to achieve their financial management objectives; and
- contributions to improved financial management.

Commonwealth CFOs indicated that they were undertaking financial management responsibilities that were consistent with achieving the objectives of the Commonwealth financial management model. Relative to previous benchmarking activities, the CFOs reported that they have more appropriate and varied experience; higher qualifications; roles and responsibilities that encompass both strategic and operational financial management; and more prominence in the senior management of the organisation.

The Commonwealth organisations' results are generally comparable to a number of the benchmark metric results in the Andersens' Global Best Practices® knowledge base. However, agencies can make further progress by enhancing financial management performance. The CFOs considered increasing management understanding of financial management issues and more closely linking financial and management reporting were the changes that would have the greatest influence on their role in the medium-term. The CFOs also identified that the key drivers of change were the better use of technology and demands from management for knowledge, not just information or financial data.

The results of the study suggest that CFOs consider their role to be mainly focussed on the broader financial management of the organisation. The results also indicate that CFOs are now better able to address a range of contemporary financial management issues. A number of key areas were identified by the study where there is likely to be opportunities for some CFOs to enhance the financial management and performance of their organisation in the current environment. The audit did not make any recommendations.

## **Audit Report No.29 2001–02**

### *Financial statement audit*

## **Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 2001**

### **Cross Agency**

This report is the second report for the financial year ending 30 June 2001 and it summarises the final results of the audits of the financial statements of Commonwealth entities. It complements Audit Report No.1 2001–02, *Control Structures as Part of the Audits of Financial Statements of Major Commonwealth Agencies for the Period Ended 30 June 2001*.

The report has the following five parts:

1. a discussion of Commonwealth financial management and reporting and a commentary on the structure of the Commonwealth's financial framework. Related issues discussed include developments in relation to the outcomes and outputs costing and appropriation framework. Comment is also made on the quality and timeliness of the preparation of entities' annual financial statements;
2. details of the audit of the Commonwealth's Consolidated Financial Statements for 2000–01;
3. an overview of the current control issues identified in the financial statement audits of Commonwealth entities;
4. a discussion of the summary final results of the audits of the financial statements and details on qualifications and any matters emphasised in audit reports; and
5. the results of the individual financial statement audits and any additional significant control matters identified since Audit Report No.1 2001–02.

Under the *Financial Management and Accountability Act 1997*, and the *Commonwealth Authorities and Companies Act 1997* for agencies and other bodies respectively, the Auditor-General is required, annually, to report to the relevant Minister on whether the entity's financial statements have been prepared in accordance with the Finance Minister's Orders and whether they give a true and fair view of the matters required by those orders.

Since the mid-year Controls Report was issued in June 2001, the ANAO has updated its understanding of the business and corporate governance arrangements; confirmed audit risk; completed audit testing; and largely completed its program of final audits. All ANAO findings have been reported to entities' management and reported, in summary, to the responsible Minister(s).

The number of Commonwealth entities that were subject to ANAO audits of their financial statements fell from 293 to 272 entities last year, largely because of the reclassification under the *Corporations Act 2001* of a number of small entities as non-reporting entities for the 2000–01 financial year. Such entities do not require audit opinions to be issued in relation to their annual financial statements.

The bulk of the Commonwealth's revenues, expenses, assets and liabilities in the 2000–2001 financial year are accounted for by a relatively small number of Commonwealth entities. Notable among the latter are the Departments of Defence, Family and Community Services, Health and Aged Care and the Australian Taxation Office (ATO). The focus of the report is on the final results of the financial statement audits for the 2000–01 financial year. Financial management issues (where relevant) arising out of the audits and their relationship to internal control structures are also reported.

## Appendix 2

### Better practice guides completed in the period 1 July to 31 December 2001

#### Developing Policy Advice Better Practice Principles

The Better Practice Guide, *Developing Policy Advice Better Practice Principles*, is based on better practice principles that have been identified after an investigation of issues raised during the conduct of the audit *Developing Policy Advice*<sup>36</sup>, a review of policy advising literature and discussions with officials and other relevant experts.

The guide, which takes the form of a booklet, aims to enhance management and quality assurance of the policy advising function across the APS. It contains the better practice principles and a policy development checklist. Issues addressed in the guide include:

- agency management of the policy advising function;
- managing policy projects;
- information gathering;
- consultation and coordination;
- professional development; and
- review of the policy process.

---

<sup>36</sup> Audit Report No.21, 2001-02.



## Life-cycle Costing

The Better Practice Guide, *Life-cycle Costing*, arose from the ANAO's 1998 report on life-cycle costing in Defence<sup>37</sup>. It is intended to assist APS managers responsible for decisions relating to acquiring, owning, operating and using major assets or products, such as buildings, vehicles and major plant. The guide can also assist in decision-making when multiple items of equipment of lower cost items such as IT equipment, photocopy machines and the like are under consideration.

The guide aims to:

- raise awareness of the need to consider future costs associated with asset or product acquisition;
- complement and expand on the life-cycle costing information presented in the ANAO's Asset Management Handbook<sup>38</sup>;
- assist in making decisions on acquiring an asset or a product, particularly through an economic evaluation process; and
- assist in assessing or auditing the decision-making process for significant acquisitions.

---

<sup>37</sup> ANAO Audit Report No.43, 1997–98 *Life-cycle Costing in the Department of Defence*—Canberra 1998.

<sup>38</sup> ANAO—*Asset Management Handbook*—Canberra, 1996.

## Appendix 3

### Performance audit and other audit services in progress as at 31 December 2001

Ministerial Portfolio	Audit Title
Agriculture, Fisheries and Forestry—Australia	Transactional Banking Practices in Selected Agencies
Attorney-General	Australian Customs Service Drug Detection ATO's Implementation of its Cash Economy Task Force Recommendations Detection and Prevention of Unauthorised Entrants Transactional Banking Practices in Selected Agencies ATO Administration of Tobacco Excise ATO Management of Taxation Practitioners
Communications and Information Technology	Corporate Governance of the ABC Benchmarking—Finance Function (2 <sup>nd</sup> Year)
Defence	Defence Property Management Defence Equipment Test and Evaluation HMAS Cerberus Contract Management Fuel Supplies for the ADF Management of Deployment to East Timor Better Practice Guide on Life-Cycle Costing
Education, Science and Training	Indigenous Education Strategies Transactional Banking Practices in Selected Agencies
Employment and Workplace Relations	Regional Assistance Program Management of the Provision of Employment Services Information to the Unemployed Employee Entitlements Support Scheme
Environment and Heritage	Agencies' Oversight of Works Australia Advances Management of National Parks
Family and Community Services	Age Pension Reviews Review of Centrelink's Balanced Scorecard Centrelink's Staffing/Funding Arrangements: Follow-Up audit Child Support Agency (CSA) Client Service
Finance and Administration	Commonwealth Estate Property Sales Agencies' Oversight of Works Australia Advances Integrity of the Electoral Roll Transactional Banking Practices in Selected Agencies

Ministerial Portfolio	Audit Title
	Management of Commonwealth Superannuation Benefits to Members Management of the DASFLEET Tied Contract
Foreign Affairs and Trade	AusAID Contract Management
Health and Ageing	Selected Aspects of Corporate Governance in Health Agencies' Oversight of Works Australia Advances Private Health Insurance Rebate Scheme Selection Process for Preferred Tenders for the Health IT Outsourcing Group Australian Health Care Agreements Administration and Use of Health Care Data Home and Community Care Follow-up Medicare—Client Services to the Australian Public Information Technology at the Department of Health and Aged Care Private Health Insurance Rebate Scheme Purchase of Hospital Services from State Governments Follow-up
Immigration and Multicultural and Indigenous Affairs	Workforce Planning Detection and Prevention of Unauthorised Entrants Transactional Banking Practices in Selected Agencies Indigenous Education Strategies Agencies' Oversight of Works Australia Advances The Administration of the Grants Management System
Industry, Tourism and Resources	Innovation Investment Fund Research Project Management in CSIRO R&D Tax Concession arrangements
Prime Minister and Cabinet	Transactional Banking Practices in Selected Agencies
Transport and Regional Services	Transactional Banking Practices in Selected Agencies Aviation Safety Compliance follow-up
Treasury	Transactional Banking Practices in Selected Agencies The Implementation of the Recommendations of the Report of the Cash Economy Task Force by the ATO ATO's Management of its Relationship with Tax Practitioners

Ministerial Portfolio	Audit Title
	Private Health Insurance Rebate Scheme Management of Commonwealth Superannuation Benefits to Members R&D Tax Concession arrangements Treasury International Financial Commitments ATO Administration of Tobacco Excise Child Support Agency (CSA) Client Service Treasury Multilateral Financial Commitments
Veterans' Affairs	DVA's Administration of its IT Contract for Service Delivery Fraud Control Arrangements in DVA Purchase of Public Hospital Services Follow up
General Performance Audits: cross-agency	Learning and Development in the APS Better Practice Guide for the Administration of Grants Better Practice Guide—Performance Information Management of Guarantees, Warranties and Indemnities
Performance Audit and Other Audit Services: <ul style="list-style-type: none"> <li>• financial control and administration audits</li> <li>• benchmarking studies</li> <li>• better practice guides</li> </ul>	FCA Audit—Internal Budgeting FCA Audit—FMIS Implementation Benchmarking—Finance Function (2 <sup>nd</sup> Year) Benchmarking—Human Resource Management—(1 <sup>st</sup> Year) Benchmarking—Controllership Better Practice Guide—Administration of Grants
Assurance Audit and Other Services: <ul style="list-style-type: none"> <li>• financial statement audits</li> <li>• assurance control and assessment audits</li> <li>• protective security audits</li> </ul>	ACA Audit—Management of Travel (Taxis) ACA Audit—Senate Order of 20 June 2001 ACA Audit—GST Processes ACA Audit—Recordkeeping

## **Appendix 4**

### **Presentations and papers given by the Auditor-General and ANAO staff during the period July to December 2001**

Mr P.J. Barrett AM

*The Role of Watchdogs in this New Era of Partnerships*

Sydney, 30 November 2001

Mr P.J. Barrett AM

*Some Recent Professional Initiatives and Issues in Risk Management*

Canberra, 20 November 2001

Mr P.J. Barrett AM

*Corporate Governance—More than Good Management and Financial Reporting by Governments—the Road to Damascus?*

South Australia, 16 November 2001

Mr P.J. Barrett AM

*Auditing in an Environment of Public/Private Partnership and Greater Collaboration in the Provision of Public Services*

Japan, 18 October 2001

Mr P.J. Barrett AM

*Evaluation and Performance Auditing: Sharing the Common Ground*

Canberra, 10 October 2001

Mr P.J. Barrett AM

*Some Current Issue Impacting on Performance Audits*

Canberra, 8 October 2001

Mr Ian McPhee, Deputy Auditor-General

*Financial Management Reform - From Rhetoric to Results and Getting Back to the Basics*

Canberra, 19 September 2001

Mr Ian McPhee, Deputy Auditor-General

*Strategies for Better Governance*

Canberra, 17 August 2001

Mr P.J. Barrett AM

*Some Current Issues in Accountability*

Canberra, 24 July 2001

Mr P.J. Barrett AM

*Intellectual Property in the Public Sector*

Canberra, 24 July 2001

## Series Titles

---

Audit Report No. 30 Performance Audit  
*Test and Evaluation of Major Defence Equipment Acquisitions*  
Department of Defence

Audit Report No.29 Financial Statement Audit  
*Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 2001*

Audit Report No.28 Information Support Services  
*An Analysis of the Chief Financial Officer Function in Commonwealth Organisations*  
Benchmark Study

Audit Report No.27 Assurance and Control Assessment Audit  
*Agency Management of Software Licensing*

Audit Report No.26 Performance Audit  
*Management of Fraud and Incorrect Payment in Centrelink*

Audit Report No.25 Assurance and Control Assessment Audit  
*Accounts Receivable*

Audit Report No.24 Performance Audit  
*Status Reporting of Major Defence Acquisition Projects*  
Department of Defence

Audit Report No.23 Performance Audit  
*Broadcasting Planning and Licensing*  
The Australian Broadcasting Authority

Audit Report No.22 Protective Security Audit  
*Personnel Security—Management of Security Clearances*

Audit Report No.21 Performance Audit  
*Developing Policy Advice*  
Department of Education, Training and Youth Affairs, Department of Employment, Workplace Relations and Small Business, Department of Family and Community Services

Audit Report No.20 Performance Audit  
*Fraud Control Arrangements in the Department of Agriculture, Fisheries and Forestry—Australia (AFFA)*  
Department of Agriculture, Fisheries and Forestry—Australia

Audit Report No.19 Assurance and Control Assessment Audit  
*Payroll Management*

Audit Report No.18 Performance Audit  
*Performance Information in Portfolio Budget Statements*

Audit Report No.17 Performance Audit  
*Administration of Petroleum Excise Collections*  
Australian Taxation Office

Audit Report No.16 Performance Audit  
*Defence Reform Program Management and Outcomes*  
Department of Defence

Audit Report No.15 Performance Audit  
*Agencies' Oversight of Works Australia Client Advances*

Audit Report No.14 Performance Audit  
*Client Service Initiatives Follow-up Audit*  
Australian Trade Commission (Austrade)

Audit Report No.13 Performance Audit  
*Internet Security within Commonwealth Government Agencies*

Audit Report No.12 Financial Control and Administration Audit  
*Selection, Implementation and Management of Financial Management Information Systems in Commonwealth Agencies*

Audit Report No.11 Performance Audit  
*Administration of the Federation Fund Programme*

Audit Report No.10 Assurance and Control Assessment Audit  
*Management of Bank Accounts by Agencies*

Audit Report No.9 Performance Audit  
*Learning for Skills and Knowledge—Customer Service Officers*  
Centrelink

Audit Report No.8 Assurance and Control Assessment Audit  
*Disposal of Infrastructure, Plant and Equipment*

Audit Report No.7 Audit Activity Report  
*Audit Activity Report: January to June 2001*  
Summary of Outcomes

Audit Report No.6 Performance Audit  
*Commonwealth Fisheries Management: Follow-up Audit*  
Australian Fisheries Management Authority

Audit Report No.5 Performance Audit  
*Parliamentarians' Entitlements: 1999–2000*

Audit Report No.4 Performance Audit  
*Commonwealth Estate Property Sales*  
Department of Finance and Administration

Audit Report No.3 Performance Audit  
*The Australian Taxation Office's Administration of Taxation Rulings*  
Australian Taxation Office

Audit Report No.2 Performance Audit  
*Examination of Allegations Relating to Sales Tax Fraud*  
Australian Taxation Office

Audit Report No.1 Financial Statement Audit  
*Control Structures as part of the Audits of the Financial Statements of Major Commonwealth Entities for the Year Ended 30 June 2001*



## Better Practice Guide

---

Life-Cycle Costing	Dec 2001
Some Better Practice Principles for Developing Policy Advice	Nov 2001
Rehabilitation: Managing Return to Work	Jun 2001
Internet Delivery Decisions	Apr 2001
Planning for the Workforce of the Future	Mar 2001
Contract Management	Feb 2001
AMODEL Illustrative Financial Statements 2001	May 2001
Business Continuity Management	Jan 2000
Building a Better Financial Management Framework	Nov 1999
Building Better Financial Management Support	Nov 1999
Managing APS Staff Reductions (in Audit Report No.47 1998–99)	Jun 1999
Commonwealth Agency Energy Management	Jun 1999
Corporate Governance in Commonwealth Authorities and Companies—Principles and Better Practices	Jun 1999
Managing Parliamentary Workflow	Jun 1999
Cash Management	Mar 1999
Management of Occupational Stress in Commonwealth Agencies	Dec 1998
Security and Control for SAP R/3	Oct 1998
Selecting Suppliers: Managing the Risk	Oct 1998
New Directions in Internal Audit	Jul 1998
Life-cycle Costing (in Audit Report No.43 1997–98)	May 1998
Controlling Performance and Outcomes	Dec 1997
Management of Accounts Receivable	Dec 1997
Protective Security Principles (in Audit Report No.21 1997–98)	Dec 1997
Public Sector Travel	Dec 1997

Audit Committees	Jul 1997
Core Public Sector Corporate Governance (includes Applying Principles and Practice of Corporate Governance in Budget Funded Agencies)	Jun 1997
Administration of Grants	May 1997
Management of Corporate Sponsorship	Apr 1997
Telephone Call Centres	Dec 1996
Telephone Call Centres Handbook	Dec 1996
Paying Accounts	Nov 1996
Performance Information Principles	Nov 1996
Asset Management	Jun 1996
Asset Management Handbook	Jun 1996
Managing APS Staff Reductions	Jun 1996