

BIBLIOGRAPHY

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- . Australian Audit Office;
- . Commonwealth Government and Parliament;
- . Other.

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Commonwealth Government and Parliament

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APPENDICES

APPENDIX 1

LIST OF SUBMISSIONS TO THE INQUIRY

Commonwealth Government Organisations

ACT Administration, Department of the Arts, Sport, the
Environment, Tourism and Territories
AUSSAT
Australian Broadcasting Corporation
Australian Government Retirement Benefits Office
Australian National Railways Commission
Australian Taxation Office
Commonwealth Scientific and Industrial Research Organisation
Department of the Arts, Sport, the Environment, Tourism and
Territories
Department of Employment, Education and Training
Department of Foreign Affairs and Trade
Department of Primary Industry and Energy
Department of Social Security
Department of Transport and Communications
Department of Veterans' Affairs
Mr C Monaghan, Acting Auditor-General
Parliament House Construction Authority
Qantas
Snowy Mountains Engineering Corporation
Mr J Taylor, Auditor-General
Telecom

Individuals

Ms J Abbott
Mr R Baker
Mr E Cameron former Independent Auditor of the Australian Audit
Office, KPMG Peat Marwick Hungerfords
Mr Leonard
Mr G Lillicrap
Ms M Meyers
Mr J Monaghan former Auditor-General
Mr J Stewart
Captain K Walsh

Other

Mr H Backman, President, Royal Australian Institute of Public
Administration
Mr V Doyle, Auditor-General of Queensland
Mr K Dye, Auditor-General of Canada
Mr R Humphrey, Auditor-General of Victoria
Intsitute of Internal Auditors, Canberra Chapter
Mr E Isaacson, Auditor-General, Northern Territory

Mr E Janssen, Federal Industrial Officer, Professional Officers
Association
Mr D Kirby, Auditor-General of Tasmania
Mr R Lamond, KPMG Peat Marwick Hunderfords
Mr M McKenna National Director, Australian Society of Accountants
Mr J Nethercote, Royal Australian Institute of Public
Administration, Canberra Division
Mr K Robson, Auditor-General of New South Wales
Mr P Robson, National Secretary, Administrative and Clerical
Officers Association
Mr T Sheriden, Auditor-General of South Australia
Mr A Smith, Auditor-General of Western Australia
Mr R Switzer, KPMG Peat Marwick Hungerfords
Mr M Weeks, MWP Management Consultants

APPENDIX 2

PUBLIC HEARINGS AND WITNESSES IN THE INQUIRY¹

<u>Date of Hearing</u>	<u>Witnesses</u>
2 June 1988	AUSTRALIAN AUDIT OFFICE Mr R Alfredson, Project Director, Information Technology Mr E Hay, Assistant Auditor-General, Policy and Development Branch Mr M Jacobs, First Assistant Auditor-General, Audit Division B Mr D McKean, Acting Assistant Auditor-General, Planning and Resource Management Mr C MacPherson, Acting First Assistant Auditor-General, Corporate Management Division Mr C Monaghan, Acting Auditor-General Mr J Riding-Hill, Assistant Auditor-General, Branch 11 Mr M Shanahan, Assistant Auditor-General, Information Technology Branch Mr G Williams, First Assistant Auditor-General, Audit Division A Mr R Humphry, Auditor-General of Victoria Mr J Monaghan, former Auditor-General Mr T Sheridan, Auditor-General for South Australia
14 June 1988	AUSTRALIAN AUDIT OFFICE Mr R Alfredson, Project Director, Information Technology Mr E Hay, Assistant Auditor-General, Policy and Development Branch Mr C MacPherson, Acting First Assistant Auditor-General

1. All hearings were conducted in Canberra

1 July 1988

Mr C Monaghan, First Assistant
Auditor-General, Corporate Management Division

Mr J Taylor, Auditor-General

AUSTRALIAN SOCIETY OF ACCOUNTANTS

Ms E Alexander, National President

Mr C Baragwanath, Deputy President

Mr M McKenna, National Director

ADMINISTRATIVE AND CLERICAL OFFICERS
ASSOCIATION

Mr W Bibby, workplace Delegate and Senior
Auditor, AAO

Mr S Farrer, ACOA Member and Principal
Auditor, AAO

Mr P Hargreaves, Workplace Delegate and
Assistant Director, AAO

Mr R Laphorne, Workplace Delegate and
Assistant Director, AAO

ACT ADMINISTRATION, DEPARTMENT OF THE ARTS,
SPORT, THE ENVIRONMENT, TOURISM AND
TERRITORIES

Mr P Hunt, Assistant Secretary, Management
Improvement Branch

Mr J Peck, First Assistant Secretary, Policy
Planning and Corporate Management Division

Mr B Rae, Director Audit Review

DEPARTMENT OF FINANCE

Dr M Keating, Secretary

Mr I McPhee, Assistant Secretary, Public
Administration and Accounting Development
Branch

Mr D Shand, First Assistant Secretary,
Financial Management and Accounting Policy
Division

21 July 1988

AUSTRALIAN WHEAT BOARD

Mr T Flugge, Board Member

Mr R Paice, General Manager

Mr J Nethercote, Deputy President, Royal
Australian Institute of Public Administration,
Canberra Division

Mr K Robson, Auditor-General of New South
Wales

Professor R Walker, School of Accounting,
Faculty of Commerce and Economics, University
of New South Wales

8 September 1988

TELECOM

Mr G Cameron, Executive Director, Corporate
Finance and Control

Mr S Helfenbaun, Manager, Corporate Accounting

SOCIAL SECURITY

Mr J Cooper, Acting Assistant Secretary,
Internal Audit Branch

Mr V Rogers, First Assistant Secretary,
Performance and Control Division

DEPARTMENT OF EMPLOYMENT, EDUCATION AND
TRAINING

Mr B Coulter, Acting Assistant Secretary

Mr G Lillicrap, Director Risk Management
Section

Mr J Muir, First Assistant Secretary
Management Division

Mr M Sheen, Assistant Director, ADP Risk
Management

AUSTRALIAN BROADCASTING CORPORATION

Mr P Lidbetter, General Manager, Finance

Mr G Meredith, Corporate Chief Accountant

Mr E Hay, Senior Assistant Auditor-General,
Policy and Development Branch, AAO

10 October 1988

DEPARTMENT OF DEFENCE

Mr A Ayres, Secretary

Mr F Harvey, Inspector-General

Mr R Richards, Assistant Secretary, Management
Audit

QANTAS

Mr L Fisk, Corporate Secretary

Mr M Haworth, Acting General Manager, Finance,
and Director, Treasury and Associated
Companies

DEPARTMENT OF FINANCE

Dr M Keating, Secretary

Mr I McPhee, Assistant Secretary, Public
Administration and Accounting Development
Branch

Mr D Shand, First Assistant Secretary,
Financial Management and Accounting Policy
Division

Mr E Hay, Senior Assistant Auditor-general,
Policy and Development Branch, AAO

17 October 1988

COMMONWEALTH BANK

Mr B Barry, Senior Manager, Accounting

Mr I Payne, Deputy Managing Director

Mr S Grant, Partner, Peat Marwick Hungerfords

Mr E Hay, Senior Assistant Auditor-General.
Policy and Development Branch, AAO

26 October 1988

Mr K Dye, Auditor-General of Canada

21 November 1988 Mr D Block, Consultant, Prime Minister and Cabinet

AUSTRALIAN TAXATION OFFICE

Mr T Boucher, Commissioner of Taxation

Mr J Wheeler, Assistant Commissioner,
Management Improvement and Evaluation Branch

19 December 1988 AUSTRALIAN AUDIT OFFICE

Mr E Hay, Senior Assistant Auditor-General,
Policy and Development Branch

Mr M Jacobs, First Assistant Auditor-General,
Audit Division B

Mr C Monaghan, First Assistant
Auditor-General, Corporate Management Division

Mr J Taylor, Auditor-General

Mr G Williams, First Assistant
Auditor-General, Audit Division A

Mr M Sharpe, Independent Auditor, Australian
Audit Office, Coopers and Lybrand

APPENDIX 3
AUDITORS-GENERAL OF AUSTRALIA

Name	Years of Service
J W ISRAEL, ISO	1901-1926
C J CERUTTY, CMG	1926-1935
H C BROWN, CBE	1935-1938
R ABERCROMBIE, OBE	1938-1946
A C JOYCE, CBE	1946-1951
J BROPHY, ISO	1951-1955
H C NEWMAN, CBE	1955-1961
V J W SKERMER, CBE	1961-1973
D R STEELE CRAIK, CB, OBE	1973-1981
K F BRIGDEN, AO	1981-1985
J V MONAGHAN, AO	1985-1987
J C TAYLOR,	1988

APPENDIX 4

COMMONWEALTH SECTOR - RECEIPTS AND EXPENDITURE

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
	\$M	\$M est									
General Government											
Sector	55,191	55,659	58,416	60,155	63,347	68,904	75,054	76,284	75,379	75,084	78,044
Public Trading Enterprises	0	0	0	1,538	1,488	1,665	1,720	1,851	1,697	1,912	2,105
TOTAL CURRENT OUTLAYS	55,191	55,659	58,416	61,693	64,836	70,569	76,774	78,134	77,076	76,996	80,149
General Govt Sector	8,017	7,570	7,315	5,396	6,334	6,480	6,691	6,284	5,487	3,323	3,714
Public Trading Enterprises	0	0	0	2,711	2,495	2,965	2,597	3,330	3,441	1,941	4,234
TOTAL CAPITAL OUTLAYS	8,017	7,570	7,315	8,107	8,828	9,445	9,288	9,615	8,928	5,264	7,948
Public Trading Enterprises	8,034	8,181	8,385	9,806	10,603	10,646	11,393	11,298	11,942	14,023	15,153
OPERATING EXPENDITURE	8,034	8,181	8,385	9,806	10,603	10,646	11,393	11,298	11,942	14,023	15,153
TOTAL EXPENDITURE	71,242	71,409	74,115	79,606	84,267	90,660	97,455	99,047	97,946	96,283	103,250
General Government Sector	53,013	56,134	60,756	64,661	63,264	64,772	73,127	75,724	77,979	80,765	87,539
Public Trading Enterprises	10,664	10,653	10,854	11,684	12,066	12,615	13,943	14,012	14,614	16,656	17,969
TOTAL REVENUE	63,677	66,787	71,610	76,345	75,330	77,387	87,071	89,735	92,592	97,321	105,508
TOTAL EXPENDITURE & REV.	134,920	138,197	145,725	155,951	159,597	168,048	184,526	188,783	190,539	193,604	208,758
TOTAL EXP. + REV. 1977-78 BASE	102.1	104.6	110.3	118.1	120.8	127.2	139.7	142.9	144.3	143.5	145.0

1. Figures are in average 1987-88 prices.
2. Australian Bureau of Statistics Year Books. Australian Bureau of Statistics Government Financial Estimates 1987-88.

APPENDIX 5

COMMONWEALTH ORGANISATIONS WHICH PAY AUDIT FEES TO THE
AUDITOR-GENERAL BY PORTFOLIO

Parliamentary Departments

Nil

Aboriginal Affairs

Aboriginal Development Commission
Edward River Crocodile Farm Pty Ltd
Aboriginal Hostels Ltd

Administrative Services

Commonwealth Accommodation and Catering Services Ltd
Commonwealth Hostels Provident Fund

Arts, Sport, the Environment, Tourism and Territories

ACT Forestry Trust Account
ACT Transport Trust Account
Australian Capital Territory Electricity Authority
Australian Film Commission
Australian Institute of Sport
Building and Construction Industry Long Service Leave Board
Canberra Municipal Accounts
Canberra Public Cemeteries Trust
Canberra Theatre Trust
ACT Health Authority
ACT Rental Housing Operations
Cocos (Keeling) Islands Postal and Philatelic Service
Christmas Island Services Corporation
Festival of Pacific Arts Ltd
Australia Sports Aid Foundation
Phosphate Mining Company of Christmas Island
ACT Gaming and Liquor Authority
Milk Authority of the ACT
National Exhibition Centre Trust
Phosphate Mining Corporation of Christmas Island
Norfolk Island Administration

Attorney-General's

National Companies and Securities Commission

Community Services and Health

Commonwealth Serum Laboratories Commission
Health Insurance Commission

Defence

Army and Air Force Canteen Service
Australian Military Forces Relief Trust Fund
Aerospace Technologies of Australia Pty Ltd
Royal Australian Air Force Welfare Trust Fund
Royal Australian Navy Relief Trust Fund

Employment, Education and Training

Anglo - Australian Telescope Board
AMC Search Ltd

Finance

SFIT (Office of)
Jena (SFIT) Pty Ltd
Jena Unit Trust
The Tubbo Estate Company Pty Ltd
A E Trethowan Pty Ltd
Goolgumbbla Pty Ltd

Foreign Affairs and Trade

Australian High Commission, Great Britain -
Overseas Employees Pension Scheme
Commission for the Conservation of Antarctic Marine Living
Resources

Immigration, Local Government and Ethnic Affairs

Albury Wodonga Development Corporation

Industrial Relations

Stevedoring Industry Finance Committee

Industry, Technology and Commerce

Australian Industry Development Corporation
AIDC Securities Ltd
Southern Alloys Venture Pty Ltd
AIDC Leasing Pty Ltd
Interscan Holdings Pty Ltd
Interscan International Ltd
CSIRO
NASA
National Protocol Support Centre Ltd

SIROTECH Ltd
SMEC Superannuation Pty Ltd
Snowy Mountains Engineering Corporation
Australian Nuclear Science and Technology Organisation
Export Finance and Insurance Fund (Australian Trade Commission)

Primary Industries and Energy

Australian Meat and Livestock Resources and Development Corporation
Australian Wheat Board
Coal Mines Insurance Pty Ltd
Joint Coal Board
Pipeline Authority
Snowy Mountains Hydro-Electric Authority
Australian Apple and Pear Corporation
Australian Canned Fruits Corporation
Australian Dairy Corporation
Australian Honey Board
Australian Dried Fruits Corporation
(Australian Horticultural Corporation)
Australian Meat and Livestock Corporation
Australian Pork Corporation
Australian Tobacco Board
Australian Wine and Brandy Corporation
Australian Wool Corporation
Murray - Darling Basin Commission
(River Murray Commission)

Prime Minister and Cabinet

Australian Bicentennial Authority
Australian Bicentennial Authority Superannuation Fund

Social Security

Nil

Transport and Communications

Australian National Railways Commission
Australian Postal Commission
Australian Shipping Commission
Australian Telecommunications Commission
Omega Navigational Facility
Qantas (UK) Retirement Benefits Scheme
Qantas Staff Provident Fund
Qantas Airways Limited
Qantair Limited
Qantas Info Tech Ltd
Q.H. Tours Limited
Aussat Pty Ltd
Aussat Finance Ltd
Telecom Aust (International) Ltd

Telecom Technologies Pty Ltd
 QPSX Communications Pty Ltd
 OTC (International) Ltd
 Sprintpak Pty Ltd
 ANL Cargo Operations Pty Ltd
 Australian National Shipping Agencies Pty Ltd (ANSA)
 Australian National Container Management Pty Ltd (ANCM)
 Australian Airlines Ltd
 Australian Regional Airlines Pty Ltd
 Air Queensland Pty Ltd
 Air Queensland Engineering Pty Ltd
 Air Queensland Investments Pty Ltd
 Aerial Investments Pty Ltd
 B.P.A. Pty Ltd
 Bush Pilots Airways (Charter) Pty Ltd
 Lizard Island Lodge Pty Ltd
 Cape York Wilderness Lodge Pty Ltd
 Air Queensland Travel World Pty Ltd
 Queensland Airlines Pty Ltd
 Bush Pilots Airways (PNG) Pty Ltd
 Australian Regional Airlines (Queensland) Pty Ltd
 Australian Resorts Pty Ltd
 Parkview (Keppel) Pty Ltd
 Great Keppel Holdings Pty Ltd
 Great Keppel Island Pty Ltd
 Keppel Investments Pty Ltd
 Great Barrier Reef Hotel Pty Ltd
 Bedarra Island Resort Pty Ltd
 Hideway Island Pty Ltd
 Bingal Bay Cruises Pty Ltd
 Brampton Island Pty Ltd
 Silverwake Reef Pty Ltd
 Thrinakia Pty Ltd
 The Charybdis Trust
 TAA Aviation Pty Ltd
 Danrule Pty Ltd
 Denmell Pty Ltd
 Denmint Pty Ltd
 Denmost Pty Ltd
 Denold Pty Ltd
 Denpen Pty Ltd
 Denpet Pty Ltd
 Denpost Pty Ltd
 Denrac Pty Ltd
 Denroll Pty Ltd
 Densale Pty Ltd
 Denseed Pty Ltd
 Denshore Pty Ltd
 Densip Pty Ltd
 Densound Pty Ltd
 Olenya Holding Pty Ltd
 Olerano Holdings Pty Ltd
 Olesa Holdings Pty Ltd
 Olfusa Holdings Pty Ltd

Olgiv Holdings Pty Ltd
Oliana Holdings Pty Ltd
Overseas Telecommunications Commission (Australia)
Keylink
Australia/Indonesia/Singapore Cable System Management Committee
ABC - Senior Executive Superannuation Fund

Treasury

CBFC Ltd
Housing Loans Insurance Corporation
Commonwealth Development Bank of Australia
Commonwealth Bank of Australia
Commonwealth Savings Bank of Australia
Commonwealth Management Services
Corporation Properties Ltd
CTB Australia Ltd
Collateral Leasing Pty Ltd
Collateral Leasing (No.2) Pty Ltd
Collateral Leasing (No.3) Pty Ltd
Collateral Leasing (No 4) Pty Ltd
Collateral Leasing (No 5) Pty Ltd
Collateral Leasing (No 6) Pty Ltd
Collateral Leasing (No 7) Pty Ltd
CTB Leasing Pty Ltd
CTB Leasing (No 3) Pty Ltd
CTB Nominees Ltd
Pluteus (No 194) Pty Ltd
Pluteus (No 195) Pty Ltd
Pluteus (No 206) Pty Ltd
Pluteus (No 218) Pty Ltd
Satellites No 2 Pty Ltd
Commonwealth Savings Bank Approved Deposit Fund
CBFC Leasing Pty Ltd
CBFC Properties Pty Ltd
Australian European Finance Corporation Ltd
AEFC Equities Ltd
AEFC Investments Pty Ltd
AEFC Leasing Pty Ltd
AEFC Nominees Pty Ltd
AEFC Securities Pty Ltd
Travelstrength Ltd
Travelstrength Services Pty Ltd
Manors of Mosman
Commonwealth Banking Corporation Officers' Superannuation Fund
Prudential Supervision
Reserve Bank of Australia
Reserve Bank of Australia Officers' Superannuation Fund

Veterans' Affairs

Defence Service Homes Insurance Trust Account

APPENDIX 6

APPOINTMENT OF AUDITORS IN THE PRIVATE SECTOR

In the private sector, the usual practice for appointment of an auditor to a new company is for the company's chief executive officer to recommend a choice of auditor to the board of directors. Alternatively, the board of directors may establish an audit committee to select the auditor. The auditor retires at the company's first annual general meeting and shareholders vote on his or her re-appointment. Shareholders have the ultimate say in the choice of auditor.

Where a change of auditors occurs for an established company, the auditor resigns although he or she maintains the right to seek re-appointment at the annual general meeting. On the auditor's resignation, the directors start the search for a new auditor. Their recommendation must be approved at the next annual general meeting of shareholders.

APPENDIX 7

EFFICIENCY AUDITS COMPLETED BY 31 DECEMBER 1988²

<u>Title</u>	<u>Date of Report</u>
1. Department of Administrative Services:	
- Australian Property Function	17 April 1980
2. Department of Health:	
- Administration of Nursing Home Programs	3 February 1981
3. Department of Foreign Affairs:	
- Australian Development Assistance Bureau, Administration of Australia's Bilateral Overseas Aid Program	28 October 1981
4. Department of Business and Consumer Affairs:	
- The Collection of Excise Duties and Deferred Customs Duties	11 March 1982
5. Capital Territory Health Commission:	
- Administration of Public Hospitals	3 May 1983
6. Department of Defence:	
- The Management of the Main Battle Tank	3 May 1983
7. Department of Employment and Industrial Relations:	
- Special Youth Employment Training Program	11 October 1983
8. Department of Aviation:	
- The Installation and Maintenance of Airway Facilities	27 June 1984
9. Department of Immigration and Ethnic Affairs:	
- Control of Prohibited Immigration	27 June 1984

2. These efficiency audits were carried out under Division 2 of Part VI of the Audit Act 1901.

10. Department of Social Security:
- Administration of Widows' Pensions and Supporting Parents' Benefits 27 June 1984
11. Australian Taxation Office:
- Collection of Sales Tax 27 June 1984
12. Department of Veterans' Affairs:
- Administration of the Disability Pension and Service Pension Schemes by the Repatriation Commission and the Department 27 June 1984
13. Bureau of Meteorology (part of Dept of Science and Technology):
- Observation Program 4 October 1984
14. Overseas Telecommunications Commission (Aust):
- Control over Manpower and Property 4 September 1984
15. Export Development Grants Board:
- Administration of the Export Market Development Grants Act 1974 4 September 1984
16. Department of Defence Support:
- Administration of the Offsets Policy 4 October 1984
17. Department of Defence:
- Administration of the Australian Industry Participation Program in Relation to Overseas Procurement 4 October 1984
- Australian Taxation Office:
18. - Controls over Processing of Income Tax Assessments 7 December 1984
19. - Processing and Assessment of Income Tax Returns 7 December 1984
20. - Checking of Dividends and Interest Disclosed in Income Tax Returns 7 December 1984
21. - Processing of Income Tax Instalment Declarations 7 December 1984

22. Department of Primary Industries:
 - Administration of Quarantine Services 26 November 1985
23. Australian Wool Corporation:
 - Property Operations 26 November 1985
24. Department of Territories:
 - ACT Internal Omnibus Network 26 November 1985
25. Department of Housing and Construction:
 - Construction Project Management 28 November 1985
 - The National Acoustics Laboratory and Ultrasonics Institute 28 November 1985
 - The Australian Defence Force Academy 28 November 1985
26. Defence Science and Technology Organisation:
 - Task Cost Management 19 March 1986
- Australian Taxation Office:
27. - External Sources of Information 19 March 1986
28. - Disclosure of Diesel Fuel Rebates 19 March 1986
29. - Partnership and Trust Distribution 19 March 1986
30. - Late Lodgment Penalties 19 March 1986
31. Department of Primary Industry:
 - Administration of Meat Inspection Services by the Export Inspection Services 5 June 1986
32. Australian Taxation Office:
 - Unpresented Group Certificates 21 August 1986
33. Commonwealth Schools Commission:
 - Administration of Capital Grants to Non-Government Schools 23 September 1986
34. Australian Taxation Office:
 - Prescribed Payments System 25 September 1986

35. Department of Defence:
 - Principal Item Stock Control and Entitlement System 18 November 1986
36. Australian Telecommunications Commission
 - Vehicle Fleet Management 31 March 1987
37. Department of Housing and Construction:
 - Repairs and Maintenance of Commonwealth Assets 7 May 1987
38. Parliament House Construction Authority:
 - Construction Project Management 2 June 1987
39. Australian Customs Service:
 - Licensing and Administration of Customs Agents 3 June 1987
40. Department of Employment and Industrial Relations:
 - Community Employment Program 3 June 1987
41. Department of Resources and Energy:
 - Offshore Petroleum Royalties and Excise 4 June 1987
42. Department of Defence:
 - Army Mapping 4 June 1987
43. Australian Government Publishing Service 18 November 1987
44. Australian Taxation Office:
 - International Profit Shifting 26 November 1987
45. Australian Taxation Office:
 - Taxpayers in Unincorporated Businesses 4 December 1987
46. Department of Defence:
 - RAAF Explosives Ordnance 4 December 1987
47. Australian National Railways Commission:
 - Commission Traffic 24 March 1988

48. Department of Defence:
- Safety Principles for Explosives 18 April 1988
49. Department of Community Services and Health:
- Home and Community Care Program 24 May 1988
50. Australian Postal Commission:
- Administration of Philatelic Services 24 May 1988
51. Department of Social Security:
- Review of Continuing Entitlement to Unemployment Benefit 1 November 1988
52. Department of Arts, Sport, the Environment, Tourism, and Territories:
- ACT Administration: Building Control 29 November 1988

APPENDIX 8

ACHIEVEMENTS OF EFFICIENCY AUDITS

The AAO was asked to provide examples of where efficiency audits had led:

to major improvements and reforms in Commonwealth management and administration;

to significant cost savings;

to increased government outlays in order to overcome administrative deficiencies.

The AAO's reply comprises Appendix 8.

1. Notable Achievements of Efficiency Audits

Effects of Efficiency Audits on Australian Taxation Office - summary of various audits

Commonwealth Administration of Nursing Home Programs - 13 February 1981.

Administration of Australia's Bilateral Overseas Aid Program - 28 October 1981.

Collection of Excise Duties - 11 March 1982.

Administration of the Offsets Policy - 4 October 1984.

Australian Wool Corporation - Property Operations - 26 November 1985.

Defence Science and Technology Organisation - Task Cost Management - 19 March 1986.

Commonwealth Schools Commission - Administration of Capital Grants to Non-Government Schools - 22 September 1986.

Department of Defence - Safety Principles for Explosives - 18 April 1988.

Department of Community Services and Health - Home and Community Care Program - 24 May 1988.

1. NOTABLE ACHIEVEMENTS OF EFFICIENCY AUDITSEffects of Efficiency Audits on Australian Taxation Office (ATO)
- summary of various audits

The combined effect of 13 efficiency audits and the consequential scrutiny by Parliamentary Committees into ATO operations which had never before been subjected to external review has been commonly acknowledged as having provided a catalyst accelerating the change initiatives which have produced a marked improvement in the ATO's performance. It is extremely difficult if not impossible to ascribe particular improvements to specific causes and views will always differ. The audits have however made a large number of worthwhile recommendations which have been accepted and implemented by the ATO.

There is a view that the spate of artificial tax-avoidance schemes of the late 1970's had compelled ATO to misallocate its resources and by the early 1980's it was again on the right path and generating internally the impetus for performance improvement. However, given the state of its systems which had never previously been reviewed by an agency external to the ATO, and the severe criticism resulting from the audits, it must be at least very doubtful that it would be in the position it is now if the efficiency audits had not taken place.

Commonwealth Administration of Nursing Home Programs
- 13 February 1981

Two substantial issues were control over the growth in nursing home beds and the determination of nursing home fees and these were dealt with by 1984 amendments to the Nursing Homes Assistance Act and the National Health Act which were aimed at providing more effective ministerial and departmental control.

In a paper on the evaluation of social programs given to the ACT Bicentennial Accounting Congress on 17 November 1988 the Deputy Secretary of the Department saw the Nursing Homes and Hostels review in 1985-86 which flowed from the efficiency audit and the parliamentary reports as a significant example of a review which led to major program change.

Administration of Australia's Bilateral Overseas Aid Program
- 28 October 1981

The audit set up a management model for the administration of aid and set out administrative changes which would lead to improved effectiveness and efficiency in aid delivery. Changes in expenditure levels were not considered in view of the way in which aggregate aid expenditure was set. The Department of Foreign Affairs accepted and implemented the majority of some 35 recommendations. Particular attention was given to increased aid effectiveness with key developments including strengthened appraisal and evaluation functions.

Collection of Excise Duties - 11 March 1982

The audit recommended the creation of management and control programs based on assessments of the risk to revenue for each excisable commodity. The then Department of Business these Consumer Affairs Customs Bureau developed a systems based investigation methodology aimed at evaluating firms' reporting and control systems and checking points of revenue risk. It was expected that commodity risk management policies would evolve when information flowed from investigations of companies.

Administration of the Offsets Policy - 4 October 1984

This audit identified shortcomings involving lack of administrative control, non-compliance by suppliers and poor administrative records. During the course of the audit the Government formed an independent committee to review the operation and effectiveness of the existing offsets policy. The report of this committee which was published in 1985 took into

4.

account some of the efficiency audit recommendations and the recommendations of the committee formed the basis for the revised offsets policy announced by the Government in January 1986.

Australian Wool Corporation Property Operations
- 26 November 1985

The AAO recommended that the Corporation seek to have its responsibilities for the operation of its property function on a commercial basis clearly defined. Although this recommendation was initially not accepted by the Corporation an amendment to the Wool Marketing Act in 1987 established full ownership and control and set up the Wool Stores Board of Management to manage these stores, including the demolition of uneconomic wool stores, and the redevelopment and purchase of new wool stores.

Defence Science and Technology Organisation -
Task Cost Management - 19 March 1986

The audit outlined cases where expenditure limits were circumvented and disclosed inadequacies in procedures for estimating, allocating and controlling the use of resources within the organisation. This, combined with the absence of an effective management information system at DSTO's Central Office, reduced management's ability to monitor and control the deployment of resources effectively at its laboratories. The recommendations were aimed at improving DSTO's management procedures and systems for directing and monitoring resources used in its research and development program and were all accepted by the Department.

The Joint Committee of Public Accounts supported the recommendations (Report 280, 2 June 1987) and the Chairman, Mr R.E. Tickner, MP noted that many of the Auditor-General's criticisms of DSTO's management procedures and systems had been addressed with significant improvements in the administration of DSTO's resources.

Commonwealth Schools Commission - Administration of Capital
Grants to Non-Government Schools - 22 September 1986

The Department of Education considered that the experience gained in responding to the observations made in the audit report had been very useful in the preparation and refinement of administrative procedures for the introduction of block capital grants in 1988. It said that the report proved a useful reference point against which to assess proposals for fundamental changes in the approach to the delivery of Commonwealth financial assistance to non-government schools for building and equipment projects. The report also served a similar purpose in relation to new program responsibilities acquired after the audit had been completed.

Department of Defence -
Safety Principles for Explosives - 18 April 1988

The audit reviewed the administrative effectiveness of the Department's procedures and practices relating to its operations involving the storage and handling of explosives.

Notable achievements of the audit included actions taken to improve safety at numerous locations, including Sydney Harbour, increased departmental and public awareness of safety in relation to explosives storage and handling, increased departmental compliance with its adopted safety principles and the submission of Public Risk Waiver applications to the Minister. The audit has also resulted in a complete revision of the departmental instructions relating to safety principles and has led to the clarification of the legal status of Defence Instructions. Issues of public accountability and responsibility have also been raised. Further structural or organisational changes are anticipated.

Department of Community Services and Health -
Home and Community Care Program - May 1988

The audit found that the Program, which had commenced more than two years previously, was not yet achieving its objectives and that the Department still did not have data from the States about services actually provided under the Program.

Audit made numerous recommendations to improve Program operations. The Department agreed to implement many of them. The audit report is now being examined by a Parliamentary committee. The audit recommendations will be further considered in the Joint Ministerial review of the Program this year.

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2. Significant Cost Savings Arising from Efficiency Audits

Capital Territory Health Commission - Administration of Public Hospitals - 3 May 1983.

Department of Employment and Industrial Relations - Special Youth Employment Training Program - 11 October 1983.

Australian Taxation Office - Collection of Sales Tax - 27 June 1984.

Department of Social Security - Administration of Widows' Pension and Supporting Parents' Benefits - 27 June 1984.

Overseas Telecommunications Commission - Control over Manpower and Property - 4 September 1984.

Bureau of Meteorology - Observation Program - 4 October 1984.

Australian Taxation Office - Processing and Assessment of Income Tax Returns - 7 December 1984.

Australian Taxation Office - Checking of Dividends and Interest Disclosed in Income Tax Returns - 7 December 1984.

Australian Taxation Office - Processing of Income Tax Instalment Declarations - 7 December 1984.

Department of Primary Industries - Administration of Quarantine Services - 26 November 1985.

Australian Taxation Office - External Sources of Information - 19 March 1986.

Australian Taxation Office - Unpresented Group Certificates - 21 August 1986.

8.

Australian Taxation Office - Prescribed Payments System
- 25 September 1986.

Department of Defence - Principal Item Stock Control
and Entitlement System - 18 November 1986.

Australian Telecommunications Commission - Vehicle
Fleet Management - 31 March 1987.

Department of Employment and Industrial Relations -
Community Employment Program - 3 June 1987.

Australian Government Publishing Service -
18 November 1987.

Australian Taxation Office - Taxpayers in
Unincorporated Businesses (Additional Revenue) -
4 December 1987.

Australian National Railways Commission - Commission
Traffic - 24 March 1988.

Australian Post - Administration of Philatelic Services
- 24 May 1988.

2. SIGNIFICANT COST SAVINGS ARISING FROM EFFICIENCY AUDITSAdministration of Public Hospitals in the ACT - 3 May 1983

The most important areas of improvement identified in the audit report related to improved procedures for bed planning and for peer review of clinician utilisation of hospital facilities. The report indicated that closer adherence to achievable bed norms would reduce patient length of stay by 11-15%. The JCPA enquiry found that whilst the ACT Health Authority generally supported the audit recommendations there had been only limited substantive changes in administration. Following its own Report (Report 238, 9 October 1985) however, the Committee was able to find itself satisfied with implementation of recommendations (Report 275, 6 May 1987). Revised bed planning, peer review and length-of-stay monitoring procedures had been introduced.

Special Youth Employment Training Program - Department of Employment and Industrial Relations - 11 October 1983

The audit found that a majority of the placements in an audit sample failed to meet the criteria for eligibility. The need for tightened management control and avoidance of such payments was evident.

The audit made a variety of recommendations to more closely target and thereby reduce program expenditure and to improve program administration. The 1984-85 Annual Report of the Department of Employment and Industrial Relations noted that placements and expenditure (\$98m) were lower than the previous year (\$120m) because of the improved labour market and measures introduced in early 1984-85 to improve the cost-effectiveness of the program. The modifications followed the efficiency audit recommendations and took account of recommendations of the Interim Report of the Kirby Committee of Inquiry into Labour Market Programs. Factors leading to expenditure reduction included amendments to the guidelines on use of the scheme and vacancy receipt procedures which were designed to further protect against possible misuse of the scheme by employers.

The JCPA's report on its review of the audit (Report 277, 6 May 1987) noted that Audit's findings and recommendations regarding program deficiencies appeared to have had considerable impact on the revised JOBSTART program set up to replace the Special Youth Employment Training Program.

Collection of Sales Tax by the Australian Taxation Office - 27 June 1984

This audit report drew attention to the slow reaction to sales tax avoidance and evasion and the absence of a clear policy for the selection of high risk cases as part of the regular investigation program. In its review of this audit the House of Representative Standing Committee on Expenditure in 1986 stated that "Shortly after the (efficiency audit) report's release, ATO established a Sales Tax Working Party to review all aspects of sales tax operations incorporating those points raised by the Auditor-General. This party has since introduced a two volume report, the recommendations of which are currently being implemented".

The Commissioner's 1986-87 Report stated that the implementation of the findings of the Sales Tax Review Committee has resulted in a more efficient and cost effective enforcement program and that, in all, tax and penalties from sales tax audit related activities increased to \$89 million in 1986-87 from \$48.5 million in 1985-86.

Administration of Widows Pensions and Supporting Parents' Benefits - 27 June 1984

In respect of payments the audit recommended that the use of direct credit would reduce problems of dual negotiation of benefit cheques (96 000 in NSW in 1981-82 of which 50% were dual negotiations). JCPA Report 277 indicated that 94% of payments are now made by direct credit.

Control over Manpower and Property by the Overseas
Telecommunications Commission - 4 September 1984

In respect of property the audit found that procedures for control and reporting on resources did not provide an adequate review mechanism to ensure properties were being utilised economically. The Report on the audit by the House of Representative Standing Committee on Expenditure (Call us Again, November 1986) noted "It does appear that the audit was a catalyst that has resulted in OTC disposing of 16 surplus properties the total value of which amounted to \$1.3 million and in taking action to dispose of a further 11 properties."

Observation Program of the Bureau of Meteorology - 4 October
1984

The audit found that the Bureau had not maximised the quantum and quality of meteorological information obtained with minimum duplication, redundancy and resource use generally.

Opportunities for cost effective application of technology had not been taken up. The Bureau needed to improve its recruitment, training and monitoring procedures in order to reduce the incidence of errors in the labour intensive co-operative observer network. The Bureau agreed with the thrust of the report and accepted most of the recommendations.

Processing and Assessment of Income Tax Returns -
7 December 1984

The audit found that there was a fundamental weakness in the process of assessing returns in that the taxpayer's statement of gross income was generally accepted without check, and that there was a high cost benefit ratio from the assessing function. Audit concluded that the Taxation Office should move to greater computerisation of the assessing function in order to release assessors for deployment on more productive tax auditing and investigation work.

At the time of the audit, the ATO indicated that it had reservations about Audit's conclusions but said that it had the assessing function under review. More recently, however, the ATO has adopted greater computerisation of assessing in the move to self-assessing procedures and has expanded the resources applied to tax auditing. It appears that about half of the total staff of 2500 assessors will be moved to tax auditing activities.

This audit, and two of the other audits in ATO also reported in December 1984, were the first efficiency audits of income tax operations and the audits disclosed significant weaknesses in ATO revenue collection procedures and failure to take advantage of computer capabilities.

Checking of Dividends and Interest disclosed in Income Tax Returns - 7 December 1984

The audit found that, because of deficiencies in checking procedures, the ATO had little prospect of collecting some \$300-\$500 million p.a. in evaded tax on interest income omitted from individuals' tax returns. The ATO replied that there would be some improvement in the situation from an increase in penalties and the number of staff applied to the tax checking process.

When reviewing the audit the House of Representatives Standing Committee on Expenditure said that it was astounded by the ATO's labour intensive approach and that the inadequacy of the ATO approach was distressing.

More recently, the ATO has indicated that it will be giving greater attention to its procedures for checking disclosure of interest income. This should have significant benefits for revenue.

Processing of Income Tax Instalment Declarations - 7 December 1984

The audit found that employees' instalment declarations, which given employees significant tax savings, routinely were destroyed by the ATO without checking their validity. The ATO was aware that some declarations were false but had found it too costly to check all declarations to discover the false declarations. Audit proposed that the ATO should check a sample of the declarations each year from employees in selected industries.

More recently the ATO has acknowledged the benefit of checking a sample of instalment declarations and has begun operations which have brought to light numerous false declarations by part-time or casual employees in Sydney.

Administration of Quarantine Services - 26 November 1985

The Department agreed with the general thrust of the report which, inter alia, was to ensure that the animal and plant quarantine services are delivered in an efficient and cost effective manner by the States with clear control procedures emanating from the Commonwealth. Action by the Department was expected to result in organisational and administrative changes to allow delivery of a better coordinated and quality service at a reduced cost, and increased revenue via more efficient cost recovery for services then provided either free or at below cost.

Australian Taxation Office - External Sources of Information - 19 March 1986

The ATO had estimated that unincorporated businesses disclosed in their returns no more than 75% of reportable income. The audit found, however, that the ATO did little to check the validity of the income disclosed by taxpayers. Audit proposed that the ATO should adopt a program to tap sources of external information to check the validity of returns, and that these

might include collecting details of the owners of luxury cars and boats and other indicators of income.

At the time of the audit the ATO showed little inclination to adopt such a program but more recently it has said publicly that it is moving to check that the owners of luxury cars and boats and other 'life style' assets have disclosed incomes that are commensurate with those assets.

Australian Taxation Office -
Unpresented Group Certificates - 21 August 1986

This audit sought to determine the validity of ATO's conclusion that it was not cost effective to take regular action to seek returns from employees who had not presented their group certificates. As a result, Audit concluded that previous ATO projects had resulted in more refunds than debit assessments because of cursory procedures by ATO. Investigations of the sample selected by Audit returned net additional revenue of more than \$200 000.

Audit recommended that ATO should institute a program to clear selected categories of unpresented group certificates and amend the Income Tax legislation to require employees to provide their tax file number to employers, to require employers to enter that number on group certificates and to require employers to deduct tax at standard rates where employees fail to provide their tax file number.

Publicity in mid 1988 attached to an investigation by ATO's Chatswood Branch of unpresented group certificates in the cleaning and hotel industries (which were two nominated by Audit) have reported spectacularly successful results with the discovery of a large proportion of employees with false names. These results indicate not only the soundness of the Audit recommendation but also that ATO is now implementing it.

Other Audit recommendations are now reflected in the new tax file number policy and legislation. The inclusion of the tax file numbers together with automated matching suggested in other audits has the potential to recover tax due in this area.

Australian Taxation Office -

Prescribed Payments System (PPS) - 25 September 1986

Income Checks

The audit report recommended that tax returns lodged for the first time as a result of the PPS should be examined carefully for indications of omitted income. Statistics collected by the ATO indicated that returns from previous non-lodgers generally disclosed income lower than that disclosed by normal regular lodgers. Audit found that returns from previous non-lodgers were still accepted at face value and subjected to only the normal assessing procedures in practice at that time.

Subsequent to the Audit recommendation, ATO applied approximately 25% of its national audit resources to the follow-up check of PPS cases for seven months. By March 1987, approximately half way into the investigation, it had completed 61 cases for total additional revenue of \$2.1 million.

Department of Defence -

Principal Item Stock Control and Entitlement System (PISCES) -
18 November 1986

The audit highlighted delays and deficiencies in the development and implementation of the computer based stock control and entitlement system that prevented early realisation of expected major benefits.

The Department accepted most of the recommendations and the JCPA noted that the problems with development and implementation of PISCES identified by Audit have been resolved (Report 294, 23 November 1988).

Vehicle Fleet Management in the Australian Telecommunications
Commission - 31 March 1987

This audit referred to a number of problems associated with the determination and control of vehicle numbers in Telecom. The audit report suggested that most States are approaching or have reached saturation point in respect of vehicles and Telecom should review the productivity benefits arising from the present number of vehicles and consider whether there is justification for retaining the present fleet strength. The report contained recommendations aimed at achieving better control over vehicle numbers and these recommendations were accepted by Telecom.

Tables contained in the efficiency audit report showed that in the four years prior to the report vehicle numbers had increased at an average rate of almost 800 per year. In the two years since the report was completed the number of vehicles has declined by 500. At an average cost per vehicle in 1985 of \$10 000 the new level of vehicles was \$20 million lower than the previous trend.

Department of Employment and Industrial Relations - Community
Employment Program (CEP) - 2 June 1987

The CEP was a program to help the long-term unemployed and other disadvantaged unemployed people gain permanent employment and this Commonwealth/State program financed mainly by the Commonwealth cost the Commonwealth about \$1,100 million in the three years before the audit. Using surveys by the former Bureau of Labour Market Research, Audit found that the CEP was of doubtful value in achieving its objective - it seemed that less than 6% of participants gained employment as a result of the CEP. Audit also found that the projects lacked training for participants and that there were various program inefficiencies.

Although the CEP had been extended for a further three years during the course of the audit, the Government announced shortly after the audit results were put to the Department that the CEP would be abolished. It was replaced by employment programs involving less expenditure by the Commonwealth and more training for participants.

It seems clear that the audit resulted in a significant saving in Commonwealth expenditure and a better focus for employment programs.

Australian Government Publishing Service -
18 November 1987

This audit examined the costs of printing in the Government Printing Office and concluded that a significant volume of printing work being undertaken by the Printing Office could have been performed by commercial printers at a reduction in cost of \$5 million.

The Report of the Joint Committee on Publications of November 1988 noted that the AGPS reaction to the efficiency audit supported this conclusion and recommended that there should be some freeing up of the present system requiring Commonwealth bodies to use AGPS. The Committee also supported other audit recommendations aimed at reducing costs in the Printing Office and achieving more efficient operations.

Australian Taxation Office -
Taxpayers in Unincorporated Businesses - 4 December 1987

Additional revenue

This audit initiated the investigation by ATO of a sample of taxpayers from three groupings - owners of luxury Gold Coast units, Canberra builders and Hobart restaurants. Audit made a preliminary analysis of taxpayers chosen at random and from that

recommended to the ATO certain avenues of enquiry in respect of each case selected for the sample. Investigations of the cases selected by Audit have returned almost \$4 million in additional tax and penalty with several of the larger more complicated cases, which are expected to return proportionately more revenue, still to be finalised.

The sample detected the inadequacy of ATO procedures for ensuring its records of taxpayers are complete and that each taxpayer pay the due tax. The audit report made 54 recommendations, a large proportion of which were directed at improvements in the selection, management, review and quality assurance of tax audit cases and supporting processes and procedures.

Almost all the recommendations were either absorbed into ATO system improvements initiated while the audit was in progress or accepted and implemented after the report was tabled.

Australian National Railways Commission (AN) - Commission
Traffic - 24 March 1988

The audit examined Commission traffic - the way it transports its own staff, stores and equipment. Although only a small component of its operations, Commission traffic has an influence on AN's operating performance disproportionate to its size. Audit found that management controls were weak and that there was considerable scope for improving productivity and reducing costs.

Audit recommended that rolling-stock used for Commission traffic should be rationalised and that management of this area should be revised with a view to reducing costs. AN agreed to implement many of the recommendations. The House of Representatives Standing Committee on Transport, Communications and Infrastructure, which reviewed the audit, generally supported the findings.

Australia Post - Administration of Philatelic Services -
24 May 1988

Audit estimated that philatelic products with an average production cost of approximately \$1.5 million were returned unsold during 1985-86. That represented about 30% of philatelic production for that year. Audit recommended that with improved management information the level of returns can be minimised with a corresponding, and ongoing impact on profits. Australia Post has undertaken to determine an appropriate level of wastage and action will be taken to enhance the Postmasters Stock Movements system to provide reports on wastage levels.

3. Examples of Greater Expenditure to Overcome
Deficiencies

Effects of Efficiency Audits on Australian Taxation Office - summary of various audits.

Department of Social Security - Administration of Widows' Pensions and Supporting Parents' Benefits - 27 June 1984.

Department of Housing and Construction - Repairs and Maintenance of Commonwealth Assets - 7 May 1987.

Department of Resources and Energy - Offshore Petroleum Royalties and Excise - 4 June 1987.

Australian Taxation Office - International Profit Shifting - 26 November 1987.

Department of Defence - RAAF Explosives Ordnance - 4 December 1987.

Australian Taxation Office - Taxpayers in Unincorporated Businesses (Management of Audits) - 4 December 1987.

3. EXAMPLES OF GREATER EXPENDITURE TO OVERCOME
DEFICIENCIES

Effects of Efficiency Audits on Australian Taxation Office -
summary of various audits

The audits in the ATO of assessment of tax returns, checking of dividends and interest and processing of tax instalment declarations urged the ATO to make greater use of computer capabilities. This has led the ATO to incur significant expenditure on computer facilities in the interests of gaining a far greater return in tax revenue.

The ATO is currently at the stage of allocating contracts for the complete re-equipment of its central computer installation and the redevelopment and expansion of its DP systems which is expected to cost in total approximately \$667 million over 12 years (net project benefit of \$588 million). Such expansion of computerisation of its processes is overdue and DP capacity has been a severely constricting influence on its system development for some years. The matching of dividend and interest income with taxpayers and the operation of its national taxpayer register are two in which needed improvements have been constricted. The pressure arising from Audit's criticism of current practices and recommendations for improvements reinforced by comment from Parliamentary Committees have provided a great deal of weight to the case for allocation of additional resources.

Administration of Widows' Pensions and Supporting Parents'
Benefits - 27 June 1984

Because of difficulties occasioned by legislation, AAT decisions and Federal Court judgements in determining a recipient's domestic circumstances, Audit recommended that the Department increase its emphasis on confirming a recipient's income by undertaking more field officer and office reviews for recipients whose circumstances as identified by risk analysis are likely to have changed.

Repairs and Maintenance of Commonwealth Assets - May 1987

The audit identified a significant maintenance backlog (\$134 million in 1985-86). Recommendations were aimed at reducing the time frame involved in the planning and execution of planned specific maintenance. A reduction in the backlog, as recommended by Audit and the Finance and Public Administration Committee, would require additional expenditure by the Government, particularly in the Defence area.

A precise estimate of any increase in expenditure cannot be given but could conceivably involve expenditure in the order of \$50-\$60 million.

Department of Resources and Energy -Offshore Petroleum royalties and Excise - 4 June 1987

Royalties are payable on the 'net well-head value' of petroleum production and it is necessary that the production from each of the 12 offshore platforms is determined. The producer uses a computer program to carry out the required production calculations and also to calculate the royalty payment. A copy of the program is maintained and operated by the Department as its check on the royalty calculation.

The audit found deficiencies in the Department's verification of the program, controls over development and testing of program changes, and the accumulation of serious processing backlogs. Recommendations were made for independent verification of the computer program, review of the Department's system for operation and maintenance of the program, and removal of processing backlog by allocation of appropriate priority.

These recommendations resulted in the short term retention of consultants and the allocation of additional resources for development of procedures and overcoming the processing backlog but were acknowledged as necessary by the Department.

Australian Taxation Office -
International Profit Shifting - 26 November 1987

The objective of this audit was to assess the effectiveness and efficiency of the ATO's coverage of international profit shifting. The audit has been successful in providing a focus for examination of the problems of profit shifting, tax havens and transfer pricing.

The audit concluded that there was prima facie evidence that the profit shifting problem warranted greater attention than the ATO had previously allocated to it. In 1986 ATO had estimated there were 40,000 corporations in Australia with the structural or organisational potential to shift profits although this figure has since been refined to 12,000 - 18,000. During 1985-86 only 13 determinations were made under the specific profit shifting legislation. These 13 cases yielded more than \$300 million in additional tax and penalties.

In 1984 ATO had only 30 staff working on international cases but by the end of 1985-86 staff assigned to this area had been increased to 103 and again to 161 in 1986-87.

This audit also produced recommendations directed at improvements in resource management and training and development of auditing skills particularly in computer use. While there is an addition to expenditure on these resources, there will be a positive return in the increased additional tax obtained from audit cases.

Department of Defence -
RAAF Explosive Ordnance - 4 December 1987

This audit involved a review of selected management aspects relating to the procurement, storage and issue of RAAF explosive ordnance. Having regard to the nature of the material examined during the audit, the Minister for Defence sought and obtained a certificate from the Attorney-General under sub-section 48F(5) of the Audit Act 1901, on the basis that disclosure of certain information contained in the proposed report would be contrary to the public interest, in that it would prejudice the security and defence of Australia. Accordingly, a restricted report was issued in accordance with the Act, and a separate report that did not contain details of a classified nature was prepared and transmitted to Parliament.

That report led to reductions in holdings of condemned explosives awaiting demolition and, together with the restricted report and the later Efficiency Audit report on Safety Principles for Explosives, led to the initiation of a Defence Facilities Policy Committee Review of requirements for storage of explosives. Other achievements of the audit included improvements in provisioning systems and stimulation of proposals to computerise some labour intensive stock recording functions.

Australian Taxation Office -
Taxpayers in Unincorporated Businesses - 4 December 1987

Management of audits

This audit in part reviewed the methods by which tax audits are selected and carried out and made a series of recommendations (30 to 43) aimed at correcting various observed deficiencies in the management, coordination and review of audit tasks. Many of these were incorporated in the new Audit Management System which first commenced operation in November 1986 and was further refined and developed during 1987. Others were incorporated in other initiatives. Additional expenditure was incurred on DP

25.

hardware and software as well as on personnel but a more effective administrative mechanism resulted to manage the rapidly increasing volume of tax audits which followed the introduction of self assessment.

APPENDIX 9

AAO USAGE OF CONSULTANTS FOR EFFICIENCY AUDITS

Audit Title	Consultants' Tasks
Department of Health - Commonwealth Administration of Nursing Home Programs (May 1983)	To provide professional advice upon certain medical and welfare aspects related to the administration of the nursing home program.
Capital Territory Health Commission - Administration of Public Hospitals by the Capital Territory Health Commission (May 1983)	To undertake an objective analysis of clinical performance in terms of practical length of stay and selected clinical activities.
Department of Defence - Management of the Main Battle Tank (May 1983)	To provide technical advice and comment on technical aspects of draft report.
Australian Taxation Office - International Profit Shifting (November 1987)	Expert appraisal of final audit report, AAO recommendations and ATO responses.

APPENDIX 10

PARLIAMENTARY COMMITTEES WITH RESPONSIBILITY FOR
REVIEWING EFFICIENCY AUDIT REPORTS TABLED IN 1987-88

PUBLIC ACCOUNTS

- Department of Defence
 - . RAAF explosives ordnance
 - Safety principles for explosives

FINANCE AND PUBLIC ADMINISTRATION

- Australian Taxation Office
 - . International profit shifting
 - . Taxpayers in unincorporated businesses
- Department of Community Services and Health
 - . Home and Community Care Program

TRANSPORT, COMMUNICATIONS AND INFRASTRUCTURE

- Australian Postal Commission
 - . Philatelic services
- Australian National Railways Commission
 - Commission traffic

PUBLICATIONS (of both Houses)

- Department of Administrative Services
 - . Australian Government Publishing Service

APPENDIX 11

EFFICIENCY AUDITS TABLED BY 30 JUNE 1987 AND NEVER REVIEWED BY
PARLIAMENTARY COMMITTEES

Observation Program of the Bureau of Meteorology

Australian Telecommunications Commission - Vehicle fleet
management

Parliament House Construction Authority - Construction project
management

Department of Employment and Industrial Relations - Community
Employment Program

APPENDIX 12³

REPORT OF THE INDEPENDENT AUDITOR UNDER THE AUDIT
ACT 1901 FOR THE YEAR ENDED 30 JUNE 1986

In compliance with sub-section 48N (1) of the Audit Act 1901, I have examined the part of the statement prepared by the Minister for Finance under sub-section 50 (1) of the Act for the year ended 30 June 1986 that related to the Auditor-General's Office as furnished to me in accordance with sub-section 48L (3) of the Act. This part shows total receipts of \$6 689 034 and total expenditure of \$22 225 366.

In my opinion, this part of the statement agrees with the accounts and records of the Auditor-General's Office kept in accordance with section 40 of the Act.

I did not carry out an efficiency audit during the year 30 June 1986.

(Sgd) EVAN DUFF CAMERON

Independent Auditor
Appointed under Section 48K
of the Audit Act 1901

7 November 1986

Canberra, A.C.T.
17 November 1986

J.V.Monaghan
Auditor-General

3. The Auditor-General, Report on the Financial Statements prepared by the Minister for Finance for the year ended 30 June 1986, AGPS, Canberra 1986.