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**The Parliament of the
Commonwealth of Australia**

UNFINISHED INQUIRIES REPORT

**House of Representatives
Standing Committee on Expenditure**

September 1980

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MEMBERS OF THE COMMITTEE

Chairman: The Hon. K. M. Cairns, M.P.

Deputy Chairman: Mr J. J. Brown, M.P.

Members: Mr K. J. Aldred, M.P.

Mr R. A. Braithwaite, M.P.¹

Mr D. M. Connolly, M.P.²

Mr J. S. Dawkins, M.P.³

Dr H. R. Edwards, M.P.

Mr K. L. Fry, M.P.⁴

Mr S. A. Lusher, M.P.

Mr R. M. McLean, M.P.

Mr L. B. McLeay, M.P.⁵

Mr P. F. Morris, M.P.

Clerk to the Committee: Mr M. E. Aldons

Adviser to the Committee: Professor C. Walsh

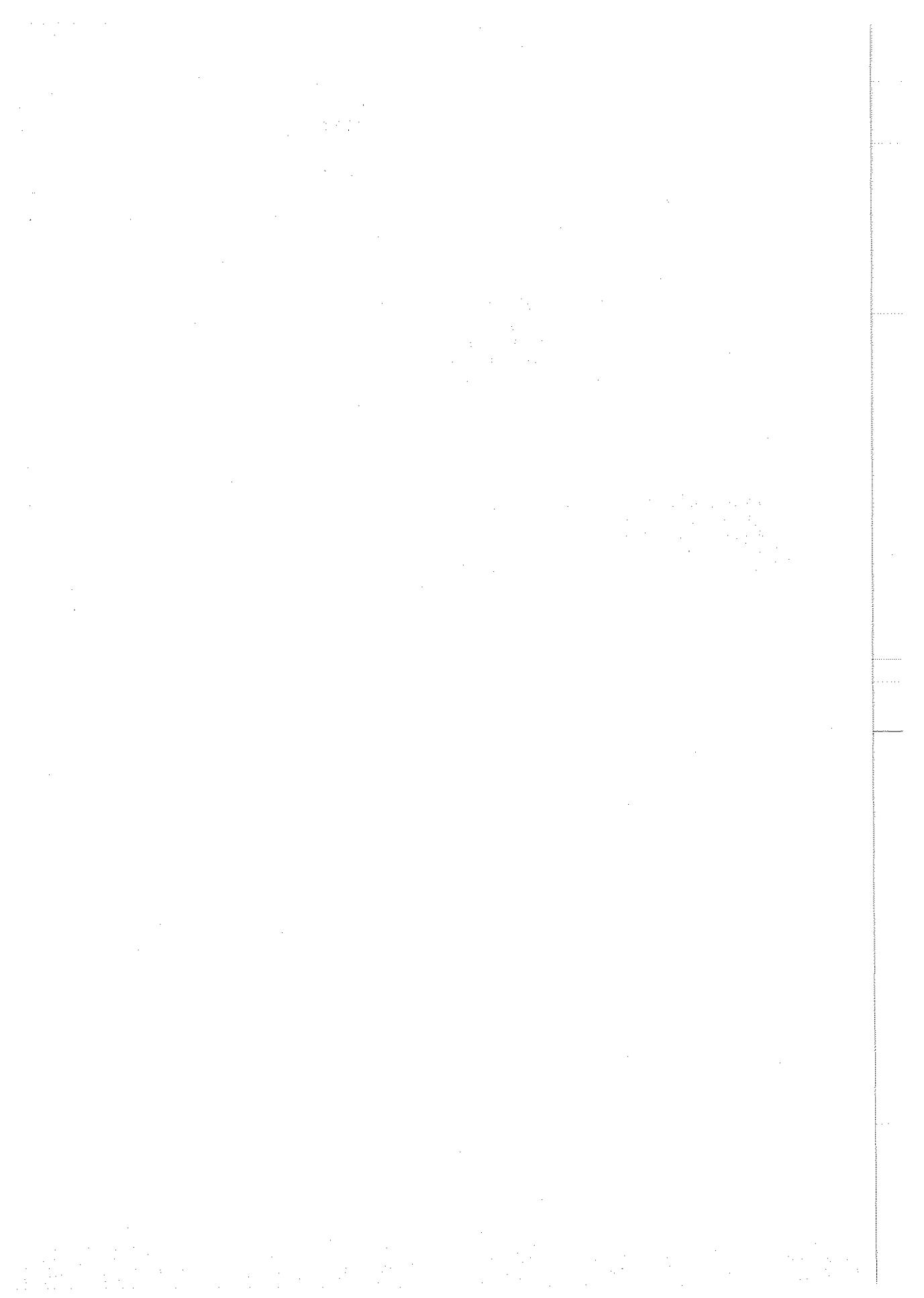
1. Replaced Mr Lloyd M.P. (resigned) on 10 October 1978.

2. Chairman of the Joint Committee of Public Accounts, who, in accordance with Clause (2) of the Resolution of Appointment, is a member of the Expenditure Committee.

3. Replaced Mr Stewart, M.P. (deceased) on 10 May 1979.

4. Replaced Mr Dawkins, M.P. (resigned) on 24 May 1978.

5. Replaced Dr Klugman, M.P. (resigned) on 19 September 1979.



REPORT ON UNFINISHED INQUIRIES

Commonwealth Government Purchasing Inquiry

1. On 25 October 1978 the Committee resolved to inquire into and report on Commonwealth Government purchasing and appointed a subcommittee comprising Mr K. J. Aldred (Chairman), the late Hon. F. E. Stewart (replaced by Mr L. B. McLeay) and Mr R. A. Braithwaite. The objectives of the inquiry were to examine the efficiency of administrative procedures and the effectiveness of the purchasing program in meeting its stated objectives. A report issued by the United States General Accounting Office, entitled *Audit of the Procurement System of the State of Oregon*, was used as a guide in setting the scope of the inquiry.

2. Submissions were invited from departments and industry organisations relating to various aspects of government purchasing policy and procedures. Two hundred and twenty-nine submissions were received by the subcommittee and seventy-five witnesses representing departments, statutory authorities, industry organisations and private firms gave evidence.

3. Since the establishment of this inquiry in October 1978, the subcommittee met on thirty occasions. Ten of these meetings were in the form of public hearings at which 923 pages of evidence were taken.

4. During the course of the inquiry it was decided to concentrate on twenty-five specific aspects of purchasing, grouped in the following way:

- statutory and regulatory framework of government purchasing;
- the determination of requirements for goods and services;
- the tendering process;
- the types and ways of administering contracts; and
- management of the purchasing function.

5. Tentative conclusions were compiled for each aspect of the inquiry. These findings were forwarded to relevant departments and authorities and a series of public hearings were held to discuss the findings. Public hearings were also held with private industry organisations in July 1980 to ascertain the possible effects of the emerging conclusions.

6. The drafting of the report is now in an advanced stage and the report should be ready for tabling early in the Thirty-Second Parliament. Mr K. Newbold and Mr R. Harlow assisted the subcommittee on this inquiry.

Australian National Railways Commission Inquiry

7. On 28 March 1979 the Committee resolved that it inquire into the operations of the Australian National Railways Commission (ANR). The broad inquiry objectives were to:

- find out the reasons for the large subsidies the Parliament votes every year to meet the operating losses of ANR; and
- ascertain and examine critically what ANR was doing to meet these losses in both the short and longer terms.

8. The Committee held eight meetings on this inquiry—from September 1979 to August 1980. The first four were with ANR (one *in camera*), the National Freight Forwarders Association, the Australian Federation of Construction Contractors, the Department of Transport and the Public Service Board. At the conclusion of this phase of the inquiry the Committee drew up a list of matters that require attention by ANR and government, sent the list to witnesses and discussed these

emerging conclusions at *in camera* hearings in June and August 1980. The emerging conclusions procedure gives organisations the opportunity to respond to Committee views and the Committee the chance to assess these responses. The *in camera* evidence is published when the report is tabled in the House.

9. The Committee also divided into three subcommittees which conducted inspections of various parts of the ANR system. The inspections have brought to light certain aspects of ANR's operations which the Committee will follow up with the Commission at a later date.

10. The Committee is in the process of drafting its report which should be ready for tabling early in the life of the Thirty-Second Parliament. The specialist adviser on this inquiry is Professor H. M. Kolsen.

Efficiency Audit Report Inquiry

11. On 17 April 1980 the House referred to the Expenditure Committee for inquiry and report the Auditor-General's Efficiency Audit Report on the Australian Property Function of the Department of Administrative Services. The Government has stated that efficiency audit reports will be referred for examination to the Expenditure Committee or the Joint Committee of Public Accounts. The first of these reports has been referred to the Expenditure Committee.

12. The Committee sees the efficiency audit function as an important means by which the Public Service can be made more accountable to the Parliament for economical and efficient administration. A subcommittee comprising Mr J. J. Brown (Chairman), Mr K. M. Cairns, Dr H. R. Edwards, Mr S. A. Lusher and Mr L. B. McLeay was appointed to conduct the inquiry. The Committee is being assisted by its general adviser, Professor C. Walsh.

13. Given the importance of the function given to the Committee by the House, the subcommittee has given considerable attention to formulating its role in relation to efficiency audit reports. The inquiry objectives that have been set include:

- examination of the overall quality of efficiency audit reports in order to ascertain the contribution each report makes to increasing efficiency in the subject area of the report;
- examination of whether the organisation audited is implementing audit findings that that organisation accepts;
- adjudication on issues where Audit and the audited organisation disagree.

14. Having obtained the response of the Department of Administrative Services (DAS) to the Efficiency Audit Report on the Australian Property Function, the subcommittee took evidence from DAS on 26 August 1980. The subcommittee has also sought submissions from organisations mentioned in the report and will take evidence from the Public Service Board on its role in relation to efficiency audit reports. The Committee is in the process of resolving with the Auditor-General the question of whether the Auditor-General should make a submission to and appear before the subcommittee at a public hearing.

15. As stated earlier, the Committee attaches great importance to parliamentary examination of efficiency audit report. The Committee recommends that:

Immediately after the Expenditure Committee has been appointed in the Thirty-Second Parliament, the House refer to the Committee for inquiry and report the Auditor-General's Efficiency Audit Report, Australian Property Function, Department of Administrative Services, dated 17 April 1980.

Other inquiries

16. On 15 March 1978 the Committee appointed a subcommittee to examine and propose new references for consideration by the Committee. Membership of that

subcommittee is the Hon. K. M. Cairns (Chairman), Mr J. J. Brown and Mr K. J. Aldred. During the 1980 Autumn sittings of the Parliament, the New References Subcommittee considered fourteen inquiry proposals put forward by Committee members and submitted to the Committee for its consideration six of these proposals. Of these, three were chosen for inquiry.

17. On 21 May 1980 the Committee resolved to inquire into the Monitoring of Program Statements. The need for the Parliament to receive Program Statements which showed the objectives (purposes) cost and results (effectiveness indicators) of programs was a recommendation in the Committee's report, *Parliament and Public Expenditure* (Parl. Paper No. 66/1979). In its response of 4 March 1980, the Government informed the House that work would commence on the development of Program Statements (*House of Representative Hansard*, 4 March 1979, p. 584).

18. Given the importance attached to program statements as a significant contribution to parliamentary scrutiny of expenditure, the Committee decided to monitor the development of such statements. The intention was to speak to the Department of Finance on this matter during the 1980 Budget sittings. In this connection the Committee welcomes the paper, Functional Classification of Outlays—Departmental Estimates 1980/81, presented in the House on 26 August 1980 by the Minister for Finance. The paper is designed to assist Parliament in its examination of estimates by providing data on Ministerial responsibilities in respect of each function and is, in a sense, a further response to the Committee's report, *Parliament and Public Expenditure*.

19. On 21 May 1980 the Committee also resolved to inquire into the Accommodation and Home Care Programs for the Aged. The inquiry is being conducted by a subcommittee comprising the Hon. K. M. Cairns (Chairman), Mr K. J. Aldred, Mr J. S. Dawkins, Mr S. A. Lusher and Mr L. B. McLeay. The inquiry is at its commencement stage only.

20. On 21 May 1980 the Committee further resolved to inquire into Monitoring of Programs Financed by the Commonwealth Government and delivered by Non-Government Agencies. The inquiry is being conducted by a subcommittee comprising Mr K. L. Fry (Chairman), Mr R. A. Braithwaite, Mr J. J. Brown, Dr H. R. Edwards and Mr R. M. McLean. Once again, this inquiry is at commencement stage.

Proposed Amendment to Standing Orders

21. When the Prime Minister introduced the motion to establish the Expenditure Committee he expressed the hope that within the life of the Thirtieth Parliament the continuing existence of the Committee would be assured by an appropriate amendment to Standing Orders. He said it should not be left to decisions of governments at the beginning of each Parliament to determine whether a committee of this type should be reconstituted (*House of Representatives Hansard*, 8 April 1976, p. 1498). Given the importance that is attached to financial scrutiny by the Parliament, the place of the House in that scrutiny and the position of the Expenditure Committee as an agent of the House, the Committee is of the opinion that its resolution of appointment should become part of the Standing Orders. Accordingly, the Committee recommends that:

During the life of the Thirty-Second Parliament the Resolution of Appointment of the Standing Committee on Expenditure become part of the Standing Orders.

Condolences

22. On 9 May 1979 the Committee resolved as follows:

That the Committee record its formal appreciation of the significant contribution made to the work of the Committee by the late Hon. F. E. Stewart, Deputy Chairman of the Committee.

Staff

23. The Committee places on record its appreciation of the work done by staff and advisers during the workings of the Thirty-First Parliament.

Tuesday
16 September 1980

KEVIN M. CAIRNS
Chairman