

Report 382

- **Tactical Fighter Operations**
- **Magnetic Resonance Imaging Services**
- **High Wealth Individuals Taskforce**

**Review of Auditor-General's Reports
1999-2000
Fourth Quarter**

Joint Committee of Public Accounts and Audit

June 2001
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Foreword

Report 382 is the outcome of the review by the Joint Committee of Public Accounts and Audit (JCPAA) of the Auditor-General's audit reports tabled in the fourth quarter of 1999-2000. Of the sixteen audit reports reviewed, the Committee selected three for further examination.

Audit Report No. 40, Tactical Fighter Operations; Audit Report No. 42, Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementations; and Audit Report No. 46, High Wealth Individuals Taskforce, were examined at public hearings in Canberra on Friday, 3 November 2000.

Audit Report No 40 reviewed the administration of Tactical Fighter Operations (TFOs) by the Royal Australian Air Force (Air Force). The JCPAA focused its examination on air superiority and regional capabilities, and management of the fast-jet pilot workforce. Air superiority, which encompasses tactical fighter operations, airborne early warning and control (AEW&C), and air-to-air refuelling (AAR) is critical to the defence of Australia.

The JCPAA supports initiatives outlined in the *2000 Defence White Paper* to acquire AEW&C and enhance Air Force's AAR capability.

The management of the fast-jet pilot workforce comprising recruitment, training and retention is a major issue for the Royal Australian Air Force, and ultimately Australia's defence. It is unacceptable that there are insufficient numbers of fast-jet pilots. In a crisis situation, Australia's ability to sustain extended air combat could be under serious pressure. The ANAO should conduct a follow-up audit to assess how Air Force is addressing this issue.

Audit Report No. 42 examined the effectiveness and probity of the policy development processes and implementation involved in improving access to

the Magnetic Resonance Imaging (MRI) Services. The audit concluded that there were areas for improvement by the Department of Health and Aged Care in its policy development, risk management and in its management of negotiations with representatives of the Royal Australasian College. The number of machines for which eligibility for MBS rebates was sought greatly exceeded expectations. The desired distribution of machines was still not fully realised. Expenditure for MRI services also exceeded expectations.

Chief among the ANAO findings was a lack of adequate documentation by departmental officials. The Committee found it unsatisfactory that DHAC was so lacking in rigour in its probity arrangements, given the professional interests involved. The department's open-ended approach to risk management was deficient, especially in its handling of conflicts of interest and its acceptance of statutory declarations at face value as proof of date of order and installation. Until the cut-off date of 10 February 1998 came into effect on 1 November 1999, almost \$46 million had been paid in medical rebates, some to machines subsequently deemed ineligible.

The Committee recommended that the department improve its practices in contract management and urged departmental officers to base its guidelines on the ANAO *Better Practice Guide on Contract Management* (2001). In addition, the Committee has noted that the department has made an effort to improve its record keeping, its risk analysis and risk management. The Committee, however, would have more confidence in improved future performance by DHAC if DHAC frankly recognised and addressed these major flaws.

In *Audit Report No. 46*, the aim of the audit was to examine and report on the management and operations of the High Wealth Individuals (HWI) taskforce established by the Commissioner of Taxation in 1996. The HWI taskforce had been set up to act on tax planning techniques already identified by the Australian Taxation Office (ATO); gain an expanded and comprehensive understanding of the techniques employed by high wealth individuals; and to continue to identify, monitor and address emerging techniques.

The audit report concluded that the management and operations of the taskforce were effective; that the taskforce was achieving the revenue targets set by the government; and that it had contributed to the development of administrative and legislative proposals to address undesirable tax minimisation practices. The audit also found that the taskforce could improve its reporting of taskforce outcomes.

The Committee examined the issues of taskforce resourcing, litigation and settlement. The Committee endorsed the ATO's allocation of resources based on a properly planned risk management approach and noted that the ATO had a fairly rigorous process in place to guide settlements.

Taskforce outcomes and reporting were also examined by the Committee. The Committee agreed with the ANAO that publishing the results of and issues involved in the taskforce's operations are important for community education and compliance. The Committee noted steps taken by the ATO to improve its reporting but made a recommendation aimed at further improving public awareness of the HWI taskforce's activities and achievements.

Bob Charles MP
Chairman



Membership of the Committee

Chair Mr Bob Charles MP

Deputy Chair Mr David Cox MP

Members	Senator Helen Coonan	Mr Kevin Andrews MP
	Senator the Hon Rosemary Crowley (until 28/06/01)	Mr Malcolm Brough MP (until 7/3/00)
	Senator the Hon John Faulkner (until 12/10/00)	Mr Petro Georgiou MP
	Senator the Hon Brian Gibson AM	Ms Julia Gillard MP
	Senator John Hogg	Mr Alan Griffin MP (until 9/8/99)
	Senator Andrew Murray	Mr Peter Lindsay MP (from 7/3/00)
	Senator the Hon Nick Sherry (from 28/06/01)	Ms Tanya Plibersek MP (until 10/4/00)
	Senator John Watson	The Hon Alex Somlyay MP
		Mr Stuart St Clair MP
		Mr Lindsay Tanner MP (from 9/8/99)
		Mr Kelvin Thomson MP (from 10/4/00)



Membership of the Sectional Committee

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Deputy Chair Mr David Cox MP

Members Mr Petro Georgiou MP Senator the Hon Brian Gibson AM
Ms Julia Gillard MP Senator Andrew Murray
Mr Peter Lindsay MP
Mr Alex Somlyay MP
Mr Lindsay Tanner MP

Committee Secretariat

Secretary Dr Margot Kerley

Research Officers Ms Maureen Chan
Mr Stephen Boyd
Ms Jennifer Hughson

Administrative Officer Ms Maria Pappas
Ms Tiana Gray
Ms Nina Franklin



Duties of the Committee

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

Section 8(1) of the Act describes the Committee's duties as being:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth, including the financial statements given to the Auditor-General under subsections 49(1) and 55(2) of the *Financial Management and Accountability Act 1997*;
- (b) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
- (c) to examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each House of the Parliament;
- (d) to report to both Houses of the Parliament, with any comment it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, that the Committee thinks should be drawn to the attention of the Parliament;
- (e) to report to both Houses of the Parliament any alteration that the Committee thinks desirable in:
 - (i) the form of the public accounts or in the method of keeping them; or
 - (ii) the mode of receipt, control, issue or payment of public moneys;
- (f) to inquire into any question connected with the public accounts which is referred to the Committee by either House of the Parliament, and to report to that House on that question;

- (g) to consider:
 - (i) the operations of the Audit Office;
 - (ii) the resources of the Audit Office, including funding, staff and information technology;
 - (iii) reports of the Independent Auditor on operations of the Audit Office;
- (h) to report to both Houses of the Parliament on any matter arising out of the Committee's consideration of the matters listed in paragraph (g), or on any other matter relating to the Auditor-General's functions and powers, that the Committee considers should be drawn to the attention of the Parliament;
- (i) to report to both Houses of the Parliament on the performance of the Audit Office at any time;
- (j) to consider draft estimates for the Audit Office submitted under section 53 of the *Auditor-General Act 1997*;
- (k) to consider the level of fees determined by the Auditor-General under subsection 14(1) of the *Auditor-General Act 1997*;
- (l) to make recommendations to both Houses of Parliament, and to the Minister who administers the *Auditor-General Act 1997*, on draft estimates referred to in paragraph (j);
- (m) to determine the audit priorities of the Parliament and to advise the Auditor-General of those priorities;
- (n) to determine the audit priorities of the Parliament for audits of the Audit Office and to advise the Independent Auditor of those priorities; and
- (o) any other duties given to the Committee by this Act, by any other law or by Joint Standing Orders approved by both Houses of the Parliament.



List of abbreviations

AAR	Air-to-air refuelling
ADF	Australian Defence Force
AEW&C	Airborne early warning and control
AHTAC	Australian Health Technology Advisory Committee
ANAO	Australian National Audit Office
ATO	Australian Taxation Office
CT	Computerised Tomography
DHAC	Department of Health and Aged Care
DI	Diagnostic imaging
DoFA	Department of Finance and Administration
DPP	Director of Public Prosecutions
HIC	Health Insurance Commission
HPG	Health Program Grants
HRM	Human resource management
HTAC	[Australian] Health Technology Advisory Committee
HUG	Hornet Upgrade program

HWI	High Wealth Individuals
JCPAA	Joint Committee of Public Accounts and Audit
MBS	Medical Benefits Schedule
MoU	Memorandum of Understanding
MRI	Magnetic Resonance Imaging
PRB	Pilot Retention Bonus
RACR	Royal Australian College of Radiologists [The College]
RAAF	Royal Australian Air Force
TFG	Tactical Fighter Group
TFOs	Tactical Fighter Operations



List of recommendations

Audit Report No. 40, Tactical Fighter Operations

Recommendation 1 [paragraph 2.55]

The Committee recommends that the ANAO should conduct a follow-up audit in two to three years focusing on Air Force management of the fast-jet pilot workforce.

Audit Report No. 42, Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementations

Recommendation 2 [paragraph 3.76]

The Committee recommends that the Department of Health and Aged Care develop clear guidelines—informed by appropriate legal advice—to assist its staff (a) in the negotiation and management of valid contracts; and (b) in their assessment of existing statutory declarations and contracts.

Recommendation 3 [paragraph 3.77]

The Committee recommends that in its development of clear contract guidelines, the Department of Health and Aged Care base its guidelines on the *Better Practice Guide on Contract Management* issued by the Australian National Audit Office in 2001.

Audit Report No. 46, High Wealth Individuals Taskforce,

Recommendation 4 [paragraph 4.77]

The Committee recommends that the Australian Taxation Office make further efforts to promote greater public awareness of the High Wealth Individuals Taskforce's activities and achievements by disseminating more widely the information contained in the Commissioner's annual report.