

**FINANCE MINUTE ON
REPORT 263
ASPECTS OF DEFENCE EQUIPMENT
SUPPORT, VOLUME 2: TECHNICAL
DOCUMENTATION**

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CHAPTER 3
DEPARTMENT OF FINANCE MINUTE

3.1 This Minute has been prepared on the basis of information provided by the Department of Defence.

3.2 In this chapter each of the Committee's recommendations is reproduced in turn and is followed by the response.

Timeliness of Supply

Recommendation (paragraph 1.28 of Volume Two of Report 263)

The Committee recommends that the Department of Defence promulgate instructions to the Services to ensure that the appropriate technical authorities (such as the Aeronautical Research Laboratories) are closely involved in the specification of contract data requirements (including mechanisms to ensure the timely acquisition of relevant data, for example source codes, not able to be specified at the time of contract negotiation but required over the life of the project).

Response

3.3 This recommendation is accepted. Project managers are currently required to consult with appropriate technical authorities at each phase of a project, and initial and ongoing requirements for data and technical documentation are defined. Where the documentation is unable to be specified, alternative action foreshadowing the requirement and the need for ultimate contractual obligation is taken. However, it is not possible to guarantee that in such cases all desired data will always be provided by the equipment manufacturer.

3.4 The Defence Contracting Organisation (DCO) requests client organisations to submit data and technical documentation requirements for major equipment purchases and, for other types of equipment, consults with clients about such requirements. As a result of these processes, the requirements are included in contracts.

3.5 The relevant instructions are contained in the Capital Equipment Procurement Manual, Defence Contracting Instructions and Defence Contracting Circulars, and are updated as necessary.

Recommendation (paragraph 1.28 of Volume Two of Report 263)

The Committee recommends that the Department of Defence develop revised 'pro-forma' contract clauses covering the provision of technical documentation.

Response

3.6 This recommendation is accepted; the contract clauses referred to by the Committee are already in use. Since 1985, the standard Defence tender and contract document has had pro-forma contract clauses covering the provision of technical documentation. Further guidance will also be contained in the planned handbook for project managers on technical data packages which is currently being developed within the Department.

Adequacy of Documentation

Recommendation (paragraph 1.36 of Volume Two of Report 263)

The Committee recommends that the Department of Defence formulate guidelines to determine the minimum standard for technical publications in every instance.

Response

3.7 This recommendation is accepted; in effect such guidance is already available or being prepared. An Australian Defence Standard "Engineering Drawing - Acquisition and Preparation For Defence Equipment Specification" was issued in February 1987 whilst another entitled "Production of Military Technical Manuals" is currently being printed.

3.8 Guidance is also provided in the Defence Standardisation Manual, which includes instructions on the detailed requirements for Defence specifications and standards, and the DCO Specification Handbook, which is designed to assist those responsible for developing specifications which are to be subsequently used in soliciting tenders for supplies to commercial standards. Further guidance will also be contained in the proposed handbook for project managers on technical data packages.

Recommendation (paragraph 1.36 of Volume Two of Report 263)

The Committee recommends that the Department of Defence formulate guidelines to implement universal procedures ensuring that documentation will be made available in time to meet these standards.

Response

3.9 This recommendation is accepted in principle. However, 'universal' procedures might require a degree of uniformity in Service practice which is not always achievable because, for instance, of the size of existing separate systems and differing Service requirements.

3.10 On the issue of timeliness, technical documentation requirements are determined during the Definition phase of a capital acquisition project and incorporated in the prime equipment contract. Documentation standards and delivery times are monitored, but contractors will not necessarily always guarantee that the full range of operational and maintenance documentation will be available at a particular time (eg on equipment delivery).

Recommendation (paragraph 1.36 of Volume Two of Report 263)

The Committee recommends that the Department of Defence formulate guidelines to establish suitable training courses for technical writers.

Response

3.11 This recommendation is accepted. Defence believes that such courses are best conducted by organisations specialising in education/training, and has been investigating establishment of suitable training courses. Negotiations are at an advanced stage with a firm specialising in the writing of technical publications to provide a pilot training course. Candidates would be able to sit for a London City and Guilds Licentiate Certificate in Technical Writing Techniques and Authorship on completion of a two stage training program. Guidelines about the Defence requirements in courses for technical writers will be developed as needed.

Recommendation (paragraph 1.36 of Volume Two of Report 263)

The Committee recommends that the Department of Defence formulate guidelines to expand existing training programs to encompass technical documentation.

Response

3.12 This recommendation is accepted in part. It is current practice in the Services for instruction in the use of technical documentation to be included in appropriate training courses. These Service requirements are in effect guidelines on this subject. Improved Navy performance in this area should result from the review of training arrangements being undertaken to determine the adequacy of coverage of technical documentation. Training arrangements are assessed as part of ongoing management and review activity.

Recommendation (paragraph 1.36 of Volume Two of Report 263)

The Committee recommends that the Department of Defence formulate guidelines to ensure that qualified professional staff (and/or technical writers) write, compile and regularly review engineering instructions.

Response

3.13 This recommendation is accepted in principle. Engineering instructions may be prepared by parent equipment manufacturers, local contractors or Service staff. The Department does not control the staff writing instructions for overseas manufacturers, and has only limited influence on the manufacturers' staffing decisions through specification of Defence requirements for documentation. There has been some dissatisfaction with the ability of some local contractors who write technical documentation, but firms employing good technical writers are rare. Short of declining to use their services, there is little that can be done to influence the quality of their staff.

3.14 It should, however, be noted that a Service sponsor will examine technical documentation to ensure that it is of suitable quality. Within the Services, staff engaged in writing, compiling and reviewing engineering instructions are appropriately qualified professionals. Their principal formal qualifications may be in a field such as engineering, rather than writing, but they will have had training in technical writing. In view of these considerations, it is not feasible to produce guidelines as comprehensive as those proposed by the Committee.

Recommendation (paragraph 1.36 of Volume Two of Report 263)

The Committee recommends that the Department of Defence formulate guidelines to encourage operational staff to verify technical documentation and report those matters described in handbooks etc which are ambiguous or not accurate.

Response

3.15 This recommendation is accepted. Operational staff within the Services are actively encouraged to verify technical documentation, and arrangements already exist for reporting documentation deficiencies. These are in effect the type of guidelines proposed by the Committee.

Revision and Updating of Technical Documentation

Recommendation (paragraph 1.42 of Volume Two of Report 263)

The Committee recommends that, for major projects, publication and training provisions not be reduced to make savings in a project.

Response

3.16 This recommendation is accepted in principle. Since the advent of the Capital Procurement Organisation and improved financial management of total project funds, reductions in publication and training provisions have not been necessary. Defence accepts that in principle such reductions are undesirable; however, in times of strict financial constraint no guarantee can be given that cutbacks in this area will not occur. In such a situation, all aspects of a project come under review, and priorities need to be assigned to the competing claims for funds.

Recommendation (paragraph 1.42 of Volume Two of Report 263)

The Committee recommends that, for major projects, the Department ensure flexibility in funding to accommodate rapid changes in publications requirements and costings.

Response

3.17 This recommendation is accepted. As a result of discussions with the Department of Finance, maintenance of technical publications will now be charged against expenditure Division 234-06: "Other Equipment and Stores". This change should provide greater flexibility in the funding of technical publications.

Recommendation (paragraph 1.42 of Volume Two of Report 263)

The Committee recommends that, for major projects, technical documentation be part of the integrated logistic support plan.

Response

3.18 This recommendation is accepted. Technical documentation is already an accepted element in the Integrated Logistic Support (ILS) plans of the three Services, and this requirement is reflected in the ILS section of the Capital Equipment Procurement Manual, which details the technical, industry, financial and procurement policies and procedures to be followed in the acquisition of capital equipment for the Department of Defence.

Recommendation (paragraph 1.42 of Volume Two of Report 263)

The Committee recommends that, for major projects, dedicated staff on project teams be responsible for technical documentation.

Response

3.19 This recommendation is accepted in part. Depending on the nature of the project and staff limits, it may not always be necessary or feasible to have specialist staff dedicated to the technical documentation area. Reliance on Service technical staff who perform a number of functions may be necessary and sufficient.

3.20 The Efficiency Review (ER) of Defence Procedures for the Acquisition, Production and Updating of Technical Publications, which was conducted by a departmental review team, was finalised in March 1986. The ER Report recommended that a specialist group, formed to develop suitable publication guidelines and standards, be available to provide specialist advice to project teams as required. Defence is currently working on the implementation of this recommendation.

Recommendation (paragraph 1.42 of Volume Two of Report 263)

The Committee recommends that, for major projects, contractual arrangements include technical documentation.

Response

3.21 This recommendation is accepted. Contractual arrangements already deal with technical documentation, as mentioned in paragraph 3.6. Generally, technical documentation is a separately costed item, subject to evaluation in every case, and which becomes a deliverable in the schedule of requirements for the contract.

Recommendation (paragraph 1.42 of Volume Two of Report 263)

The Committee recommends that, for major projects, involvement of technical authorities eg ARL, from the onset of projects, and including support for contract negotiations.

Response

3.22 This recommendation is accepted. Project managers currently consult technical authorities at the "Requirement Determination", "Request for Tender", "Tender Evaluation" and "Contract Negotiation" phases of all major projects. Actual participation by technical staff in contract negotiations would, however, depend on the importance and complexity of the technical documentation aspects of a particular project.

Recommendation (paragraph 1.43 of Volume Two of Report 263)

The Committee recommends that the Department implement technical documentation procedures which use computerized equipment for document management and revision.

Response

3.23 This recommendation is accepted in principle. All Services are working towards greater use of computerised equipment. The rate of progress is limited by manpower and funds availability, and the problem of sourcing equipment from firms and countries with differing standards for computerisation of documentation. Specific procedures governing such use will be implemented as needed.

Recommendation (paragraph 1.43 of Volume Two of Report 263)

The Committee recommends that the Department implement technical documentation procedures which arrange for the electronic distribution of material where possible.

Response

3.24 This recommendation is accepted in principle. As mentioned in paragraph 3.23, all Services are working towards greater use of computerised equipment. It should, however, be noted that distribution of technical documentation in an electronic form to all levels may not always be practical, desirable or cost effective. Specific procedures covering such distribution will be implemented as needed.

Recommendation (paragraph 1.43 of Volume Two of Report 263)

The Committee recommends that the Department implement technical documentation procedures which include proper project evaluation and review techniques.

Response

3.25 This recommendation is accepted. Evaluation and review are already undertaken during the production of technical documentation. Procedures already exist in the Services for reviewing documentation during its service life, evaluating its adequacy, and issuing amendments when necessary.

Recommendation (paragraph 1.43 of Volume Two of Report 263)

The Committee recommends that the Department implement technical documentation procedures which ensure quality assurance.

Response

3.26 This recommendation is accepted in principle. It is current practice for appropriate Service technical staff to check that any supplied documentation or revisions are of suitable quality. Procedures to formalise arrangements to a greater degree will be implemented as needed.

Recommendation (paragraph 1.43 of Volume Two of Report 263)

The Committee recommends that the Department implement technical documentation procedures which train staff in information management.

Response

3.27 This recommendation is accepted in principle. Staff training in information management is an ongoing requirement, dictated by the demands of technology, and the growing range and complexity of technical documentation. Defence therefore considers it to be unnecessary to implement procedures specifying this requirement in greater detail.

Recommendation (paragraph 1.43 of Volume Two of Report 263)

The Committee recommends that the Department implement technical documentation procedures which, as far as possible, simplify and standardise terminology.

Response

3.28 This recommendation is accepted in principle. Defence accepts that those engaged in writing technical documentation should use simple English, and that the smallest appropriate set of standard technical terms should be employed. There are, however, situations where the descriptions necessarily involve technical usage not easily understood by non-specialists. Defence therefore considers it to be unnecessary to implement specific procedures dealing with the standardisation of terminology.

Recommendation (paragraph 1.43 of Volume Two of Report 263)

The Committee recommends that the Department implement technical documentation procedures which ensure complete documentation.

Response

3.29 This recommendation is accepted in principle. The definition and identification of technical documentation required for each project is a task performed by specialist engineers under the control of project management staff. Every effort is made to specify complete documentation requirements for the foreseeable life span of the equipment under consideration, and to ensure its supply in a timely fashion within a technical data package. However, the degree of success depends upon the completeness of engineering support plans, the proprietary rights of the contractor, and Government to Government agreements on the release of technical data.

3.30 Defence accepts that it is desirable that documentation should be completed as early as possible but does not consider it feasible to implement procedures which ensure that complete documentation is available at a particular time.

Recommendation (paragraph 1.43 of Volume Two of Report 263)

The Committee recommends that the Department implement technical documentation procedures which supply user handbooks to all relevant equipment maintainers.

Response

3.31 This recommendation is accepted. It is already Service practice to provide user handbooks to relevant equipment maintainers. Defence therefore considers it to be unnecessary to implement more specific procedures dealing with this aspect.

Navy Shipboard Fire and Gas Control Systems

Conclusion (paragraphs 1.48 and 1.49 of Volume Two of Report 263)

The Committee notes that no matters appear to be materially at issue or in conflict in the Department's responses to Mr Parkinson's reports.

The Committee believes that publication of these reports and responses is important in this instance because of public concern about accidents on HMAS Tobruk and HMAS Stalwart. The Department's current general position on these matters should be accounted for publicly.

Response

3.32 Defence accepts that the fatal accident on HMS STALWART was caused by a significant deficiency in carrying out the approved procedure, in that the sequence of actions actually performed was different from the correct sequence in the approved procedure for pumping out the sullage tank. The accident would not have occurred if the approved procedure had been followed.

3.33 Navy implemented measures (including arrangements to enforce the carrying out of the approved procedures) to prevent a recurrence of the accident soon after it happened, and before Mr Parkinson's investigation. Consequently, Defence does not accept that, at the time of the Committee's inquiry, there were significant deficiencies in Navy procedures. Defence does accept that, at the time of the accident, there was a need for stronger enforcement of the carrying out of the approved procedures.

3.34 Defence does not accept the Committee's view that there are no material differences between Mr Parkinson's reports and the Defence responses. There are a number of material differences of opinion (notably in Appendix B to Report 263), such as:

- . In question 19 on page 61, Mr Parkinson stated that "STALWART is equipped with alternative tankage such that aqueous and oily wastes could be kept separate". Navy responded that there "are - no separate aqueous and oily waste systems".
- . In remark 36 on page 85, Mr Parkinson referred to "the real problem, namely the defect in basic procedure". Navy responded that there "is no defect in procedure, only that it was not observed".
- . On page 90, Mr Parkinson stated that the ignoring of offensive odours "may also be related to Naval discipline". Navy responded that to imply that "this is a direct result of Naval Discipline is absurd".

3.35 Defence believes that the current position on Navy gas and fire safety matters has been set out in sufficient detail in Navy contributions to the Committee. However, in summary, Navy is determined to prevent a recurrence of the TOBRUK and STALWART accidents, and has taken prompt action to prevent such events. For instance, after the previous accidents, Navy obtained gas detection equipment, changed procedures, promulgated warnings, and introduced technical modifications to improve safety. Navy will take necessary action whenever there is an indication of a safety deficiency.

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**FINANCE MINUTE ON
REPORT 270
IMPLEMENTATION OF THE
OFFSETS PROGRAM**

This Finance Minute is not reproduced in this volume but is available in the Committee's Report No. 304: Review of the Finance Minute on Report 270 - Implementation of the Offsets Program

**FINANCE MINUTE ON
REPORT 272
ADMINISTRATION OF THE
COMMONWEALTH'S PROPERTY FUNCTIONS**

DEPARTMENT OF FINANCE MINUTE

1. This Minute has been prepared on the basis of responses received from the Departments of Administrative Services, Finance, Industrial Relations and the Prime Minister and Cabinet and the Attorney-General's Department.

2. In this Minute, each of the Committee's recommendations is reproduced in turn and is followed by the response.

Department of Administrative Services

Central Property Agency

Recommendation 1 (paragraph 5.7 of Report 272)

The Committee recommends that a Central Property Agency be established as the central body responsible for the administration of the Commonwealth's property functions, with overall policy control.

Response

3. The Government has affirmed the role of the Australian Property Group (APG), within the portfolio structure of the Department of Administrative Services (DAS), as the central body responsible for administering the Commonwealth's property functions.

Recommendation 2 (paragraph 5.7 of Report 272)

The Committee recommends that the Central Property Agency be established as an independent, Ministerially accountable agency within a portfolio, and within the Central Property Agency regulatory and service functions to be separated.

Response

4. This recommendation has been implemented. The Government has affirmed the role of APG as a separate group within the portfolio structure of DAS and has established two distinct "programs" within DAS with separate functions:

- (i) the estate management function aimed at improving the Commonwealth's accommodation strategies and land use policies; and
- (ii) the property services function aimed at providing property services to meet clients' needs.

5. APG has overall estate management responsibilities for all interests in real property used by departments and budget-funded statutory authorities, the objective being to:

- minimise the cost of Commonwealth office accommodation and associated facilities by coordinated planning and systematic acquisition, development, management and disposal strategies;

- . maximise revenue and economic return from property by the adoption of tailored financial and land use management approaches, and supportive performance reporting mechanisms; and
 - . maximise efficiency in the achievement of property related environmental, heritage and social policy goals through the establishment of cost-effective and socially responsible standards and procedures.
6. APG's property services role has been streamlined:
- . From 1 July 1988, all departments and budget-funded agencies are required to use APG for property acquisitions, accommodation and associated services and disposals, except for all activities associated with staff housing (excluding compulsory acquisitions) and lease and fitout of networked offices of a number of departments outside of central business districts of capital cities;
 - . Government Business Enterprises (GBEs) and the Australian Broadcasting Corporation (ABC) are free to choose the delivery agency for their property services;
 - . Simple property services, other than in owned and leased Commonwealth Centres, are to be devolved to departments and budget-funded statutory authorities; and
 - . In all cases where services have been freed up, APG is able to compete for that business.

Recommendation 3 (paragraph 5.7 of Report 272)

The Committee recommends that the Central Property Agency have responsibility for the management of the Commonwealth owned estate.

Response

7. The Government agreed that estate management covers all interests in real property used by departments and budget-funded statutory authorities. As noted in paragraph 6, GBEs and the ABC are now free to choose the delivery agency for their property services.

Recommendation 4 (paragraph 5.7 of Report 272)

The Committee recommends that, in order to speed up response times, the Central Property Agency have the option of using central agencies, "in-house" expertise, or private firms for selected legal, valuation, construction and fitout activities when necessary.

Response

8. The Government has decided that, until 30 June 1991, all departments will be required to use DAS' Australian Construction Services (ACS) for project management services including planning, design and construction supervision of new works and fitout. From 1 July 1991, departments will be free to engage private sector resources where ACS is less competitive. The Government has decided that ACS should retain responsibility for delivery of asset management services (planning and delivery of maintenance) to departments. No decisions have been taken at this stage in respect of legal and valuation services.

9. Reforms to the operation of APG, particularly the establishment of a separate property services function, are, however, designed to significantly enhance service delivery, including response times.

Recommendation 5 (paragraph 5.7 of Report 272)

The Committee recommends that, in order to release the Departments of Local Government and Administrative Services and Housing and Construction from such routine repairs and maintenance services, that the upper limit for such works be raised from the current limit of \$1500 to the tender threshold, currently \$20000, to enable client departments to undertake such functions on their own behalf.

Response

10. The Government has decided that responsibility for simple works (ie those works that do not impact on building services or structure) and maintenance services be delegated to client departments, to the extent that it is consistent with cost effectiveness and employment considerations. In some instances this may mean greater delegations than envisaged in the recommendation.

11. ACS will, over the next few months, enter into negotiations with clients to determine the extent to which responsibility might be delegated consistent with this decision, and consultation will take place between Ministers to determine the dollar limit. Any disputes as to the level of financial delegations are to be settled by consultation between the relevant Minister and the Minister for Finance. That process is still under way.

Recommendation 6 (paragraph 5.11 of Report 272)

The Committee recommends that routine servicing functions be devolved to clients.

Response

12. DAS is implementing this recommendation. Simple property services such as contract cleaning, electricity, fuel, gas, security, toilet materials, hygiene services, office waste disposal and pest control are to be devolved to clients with the exception of those clients occupying Commonwealth centres and, in the case of contract cleaning, in the Australian Capital Territory.

Recommendation 7 (paragraph 5.11 of Report 272)

The Committee recommends that clients have the option of using outside expertise for such services.

Response

13. Clients will have the option of using APG or contracting outside expertise.

14. See also the response provided in paragraph 12.

Recommendation 8 (paragraph 5.11 of Report 272)

The Committee recommends that, if there exist special circumstances which necessitate repairs and maintenance work under the tender threshold to be undertaken by the Department of Housing and Construction, then such work should be undertaken on a fee-for-service basis.

Response

15. The Government has decided that ACS will charge departments commercially competitive fees for its asset management services from 1 July 1989. Other clients are already charged such fees.

Property Advisory Board

Recommendations 9, 10 and 11 (paragraph 5.18 of Report 272)

The Committee recommends that:

- . a Property Advisory Board be established, with Commonwealth Government, private sector and other expert representation;
- . the Board is to advise the Minister responsible for the Central Property Agency on methods and criteria to ensure that the objectives of the property function are met; and
- . the Property Advisory Board be set up for an initial period of 2 years only, any extension of such time to be subject to review.

Response

16. These recommendations were not included in the Government's recent reforms to APG. APG's estate management will provide independent advice to government on property use and APG will adopt commercial practices to measure efficiencies. APG's property services function will operate on a commercial basis with associated accountability and performance objectives.

Staffing

Recommendation 12 (paragraph 5.21 of Report 272)

The Committee recommends that the Public Service Board investigate the implementation of a career structure, with appropriate qualification requirements and commensurate salary scales, for property specialists within the Australian Public Service.

Response by the Department of Industrial Relations

17. This recommendation is not accepted. The Department of Industrial Relations (DIR) considers that the existing classification structure arrangements are satisfactory. They provide adequate flexibility in DAS's organisational structure and in job design and recruitment, and facilitate an appropriate mix of qualifications, expertise and experience in the APG.

18. Staff of the APG engaged in the acquisition, leasing, disposal, management and development of the Commonwealth's holdings of property are presently classified in the new Administrative Service Officer (ASO) structure for which there are no mandatory qualifications prescribed. It is open to a department or authority to specify selection criteria for ASO positions such as special qualifications, knowledge, experience, skills or personal qualities which it considers desirable or highly desirable but not essential for the efficient discharge of the duties.

19. DIR is not convinced that a separate classification structure for property officers with mandatory qualifications is justified for the following reasons:

- . The work currently performed by these officers is covered by the Work Level Standards for the ASO group;
- . There is already a separate and identifiable career 'stream' for property officers within the Service, based on ASO classifications. Providing there is a proper matching between classification levels and the work to be performed, there is no barrier to the Department concerned ensuring an adequate career structure within this 'stream'; and
- . Whilst tertiary qualifications in property management, real estate or valuation may be recognised as being of some direct relevance to the work performed in some APG positions, such qualifications are by no means essential. The prescription of formal tertiary qualifications as mandatory would act as a barrier to the recruitment of unqualified persons with relevant skills and experience who are fully capable of effectively performing the work of the property officer group.

Response by the Department of Administrative Services

20. The Government agreed that Average Staffing Levels and profile controls be removed for all services not currently attracting a service charge as from 1 July 1989. Controls on resources for which fees are already charged were removed as from 1 July 1988. This increased flexibility will ensure that property needs will be met by appropriately trained staff.

The Budget Process

Recommendation 13 (paragraph 5.24 of Report 272)

The Committee recommends that all revised Administrative Arrangements Orders and New Policy Proposals provide details on consequential property/accommodation requirements.

Response by the Department of Finance

21. In its Report, the Committee stated that it felt that there were problems inherent in the Budget process which was unable to cope adequately with unforeseen accommodation requirements, which most often arise from revised Administrative Arrangements Orders or New Policy Proposals which may not have taken into account accommodation implications.

22. The present arrangements, in accordance with a Government decision, require that all New Policy Proposals provide details of full resource implications, including any property or accommodation implications. Departments must now bid for all new lease and fitout expenditure in the budget context.

Response by the Department of the Prime Minister and Cabinet

23. Administrative Arrangements Orders are not considered as part of the Budget process. They are Executive Council documents showing the allocation of responsibilities to portfolios, recommended from time to time by the Prime Minister and approved by the Governor-General in Council.

24. Inevitably, on some occasions, the need to change administrative arrangements arises unforeseen and other considerations take precedence over accommodation requirements. The changes introduced in July 1987 caused some disruption but the new arrangements have increased both flexibility and stability, and have already demonstrated their capacity to accommodate changes in the Ministry or in priorities without causing upheaval in the broad framework of government operations.

Recommendation 14 (paragraph 5.27 of Report 272)

The Committee recommends that Trust Account funding arrangements be instituted to allow the Central Property Agency to fulfil its stated objectives, particularly in relation to the sale, purchase and redevelopment of the Commonwealth's property portfolio.

Response

25. APG's property services function will operate through a Group 2 Trust Account to be established by 1 July 1989. All revenue received for property services, including rent and fees for service, will be paid into the Trust Account and all operating costs, including the payment to the Consolidated Revenue Fund of interest on capital employed, will be met from the Account. The sale, purchase and redevelopment of the Commonwealth's property estate is to be a "public interest" function funded from the Budget.

26. The estate management program of DAS will continue to be budget-funded. It will purchase services from the Property Services Trust Account to implement its estate management strategies and revenue from sales will be returned to the Consolidated Revenue Fund through the estate management program. There will be increased emphasis on property performance and rent received from use of owned property and APG will thereby be better able to maximise the Government's investment in real property.

Recommendation 15 (paragraph 5.29 of Report 272)

The Committee recommends that the Central Property Agency have strong reporting requirements by presenting an annual report prepared according to the Guidelines for Annual Reports of Statutory Authorities and Departments and that the financial statements therein conform to the Form and Standard of Financial Statements for Commonwealth Undertakings as issued by the Department of Finance from time to time.

Response

27. Once the Trust Account for APG's property services function is established, a determination will be made under section 41D of the Audit Act. As a result, APG will be required to prepare financial statements in such form as the Minister for Finance determines and in accordance with the Guidelines for the Form and Standard of Financial Statements of Commonwealth Undertakings. These financial statements will be incorporated into DAS's annual report.

Disposals

Recommendation 16 (paragraph 5.31 of Report 272)

The Committee recommends that where revenue from disposals is to go into the Trust Account or the Consolidated Revenue Fund, responsibility for disposals is to remain with the Central Property Agency.

Response

28. DAS agrees with this recommendation, which has been implemented. APG is responsible for the disposal of property used by all departments and budget-funded statutory authorities. Proceeds of sale will be paid into the Consolidated Revenue Fund.

Recommendation 17 (paragraph 5.33 of Report 272)

The Committee recommends that disposals on behalf of statutory authorities be approved by the Central Property Agency.

Response

29. In line with the Government's decisions on the reform of GBEs, there has been a reduction in direct control over the day-to-day operation of enterprises and they are now able to undertake their own property disposals. APG retains responsibility for the disposal of property for budget-funded statutory authorities, except for the Australian Broadcasting Corporation which is required to report property dealings to the Minister for Administrative Services every six months.

Recommendation 18 (paragraph 5.35 of Report 272)

The Committee recommends that a register of core office accommodation properties be identified, such properties having the potential for sale.

Response

30. Following decisions on changes to the responsibilities and operations of APG, a major review of information needs is presently underway to ensure that it has all necessary information to support its commercial and estate management responsibilities. This recommendation will be considered as part of this review.

Recommendation 19 (paragraph 5.35 of Report 272)

The Committee recommends that revenue from disposal of these properties to be credited to the Trust Account, unless the Government specifically decides otherwise.

Response

31. The Government has decided that proceeds from the disposal of properties be paid into the Consolidated Revenue Fund.

Recommendation 20 (paragraph 5.37 of Report 272)

The Committee recommends that all Commonwealth departments, statutory authorities and undertakings be required to conduct annual reviews of their property holdings, maintain current assets registers which are publicly available, provide information on vacant properties in their annual reports, and advise the Central Property Agency of the result of these reviews for strategic purposes.

Response

32. The recent Government decision gave a clear mandate to APG, in terms of its estate management function, for strategic control of the Commonwealth-owned estate, on behalf of Government departments and Budget-funded statutory authorities. The APG is seen to be the 'owner' of the Commonwealth estate, with departments and authorities being property users and responsible for reporting on vacant accommodation within their control to APG.

33. The introduction of charges for this use, to apply from 1 July 1989, is to provide the incentive for property users to:

- . conduct reviews of and rationalise use of their property holdings; and
- . to advise the APG of their revised needs in relation to property use.

34. In the context of APG's move towards a more commercial style of operations, individual property performance will be measured along commercial lines. This means, in effect, that all properties within APG's estate management responsibilities will be the subject of review of financial performance based on percentage returns on the Government's capital investment. GBEs and the ABC now manage their own property businesses.

35. No formal directive has been given to departments to date telling them they must conduct annual reviews of their property holdings, maintain registers on their current use of Commonwealth assets, or provide information on vacant properties in annual reports.

Performance Indicators

Recommendation 21 (paragraph 5.40 of Report 272)

The Committee recommends that an efficient management information system and property data base be put in place as quickly as possible.

Response

36. See the response provided in paragraph 30.

Recommendation 22 (paragraph 5.40 of Report 272)

The Committee recommends that the Central Property Agency develop performance indicators, if necessary using consultants, such performance indicators to be specific, dated, testable and quantifiable. These performance indicators will necessarily be related to the Central Property Agency's corporate objectives and program budgeting.

Response

37. This recommendation is being implemented and will be continuously reviewed and modified as necessary. APG's Corporate Plan, expected to be finalised by the end of February 1989, will include strategies to achieve corporate objectives and performance measures.

Devolution

Recommendation 23 (paragraph 5.45 of Report 272)

The Committee recommends that full financial responsibility be devolved to clients for their property programs.

Response

38. The Government, in considering the future operations of APG and ACS, has decided that, in the main, users of property resources should bid for, receive and control the funds for property programs and that departments should remain tied to use the project management services of ACS until 30 June 1991, and the property services of the APG indefinitely.

Recommendation 24 (paragraph 5.45 of Report 272)

The Committee recommends that full operational responsibility be devolved to those clients, where the clients concerned have the necessary expertise and are willing to do so (this will apply particularly to the networked offices of the Departments of Employment and Industrial Relations and Social Security).

Response

39. The Government has decided that the Departments of Aboriginal Affairs, Community Services and Health, Immigration, Local Government and Ethnic Affairs, Employment, Education and Training and Social Security and the Australian Customs Service should be free to arrange fitout and lease of networked offices in areas other than the central business districts of capital cities, with the presumption that they will use Commonwealth Centres leased or owned by APG where available, unless they establish a strong case for an alternative location. Government Business Enterprises are free to manage all property matters as they see fit while Budget-funded statutory authorities remain tied to use of the APG and ACS unless they are exempt from the Lands Acquisition Act.

Recommendation 25 (paragraph 5.45 of Report 272)

The Committee recommends that operational responsibility be devolved to clients for property programs including fitout, up to the tender threshold, currently \$20000.

Response

40. See the responses provided in paragraphs 10 and 11.

Recommendation 26 (paragraph 5.45 of Report 272)

The Committee recommends that all construction and fitout activity above the tender threshold be the sole responsibility of the Department of Housing and Construction, so that a single organisation has responsibility for this function.

Response

41. See the responses provided in paragraphs 8, 9, 10, 11 and 39.

Recommendation 27 (paragraph 5.45 of Report 272)

The Committee recommends that significantly greater decentralisation of the Central Property Agency's authority be granted to its operational areas at regional level, particularly for the more routine functions.

Response

42. The restructuring of APG provides for increased delegation and autonomy for regional offices. In essence, each regional office will become a separate business entity. Increased financial delegations have been granted; property delegations will follow suit in the near future.

Recommendation 28 (paragraph 5.45 of Report 272)

The Committee recommends that the operational areas provide regular and timely reports of all aspects of their activities in line with the performance monitoring and reporting requirements of the Central Property Agency.

Response

43. Quarterly business management reports are prepared by all operational areas. DAS will, however, extend corporate reporting in line with implementation of its Corporate Plan and Information Technology Strategies.

Accommodation Guidelines

Recommendation 29 (paragraph 5.49 of Report 272)

The Committee recommends that the Central Property Agency continue to establish accommodation guidelines as part of its strategic responsibilities and that these include guidelines on staff-space ratios and locational decisions.

Response

44. APG's estate management function includes responsibility for recommending relevant guidelines and standards to government.

Leasing Documentation

Recommendation 30 (paragraph 5.52 of Report 272)

The Committee recommends that the performance monitoring and control system currently undergoing development in the Melbourne Regional Office of the Attorney-General's Department be evaluated and finalised with the view to general adoption of the system throughout its other regional offices.

Response by the Attorney-General's Department

45. The evaluation of the performance monitoring and control system has been completed in the Melbourne Office of the Australian Government Solicitor. As a consequence, procedures have been revised to speed up, inter alia, property work processing and these have now been evaluated with a view to general adoption of the systems throughout other Regional Offices. Revised procedures include regular liaison with clients, and procedural checks and balances to overcome possible delays in processing.

Recommendation 31 (paragraph 5.52 of Report 272)

The Committee recommends that the Central Property Agency and the Attorney-General's Department continue negotiations with private sector lessors to develop a standard form lease.

Response by the Attorney-General's Department

46. A common form lease for general use by Commonwealth departments and agencies has been drafted by a Task Force on Standard Form Agreements. The Task Force, comprising the Attorney-General's Department and DAS, was established in December 1987 and work on the lease was undertaken as a priority task.

47. The common lease has been circulated to all Central Property Agency offices and will provide the basis for negotiations with the private sector. It is seen as an important step in reducing delays in finalising lease documentation.

Response by the Department of Administrative Services

48. This recommendation has been implemented. A standard lease document was issued to APG regional offices for implementation as from June 1988. A review of the effectiveness of the document is to be undertaken after a six month evaluation period.

The Heritage Issue

Recommendation 32 (paragraph 5.55 of Report 272)

The Committee recommends that a separate item within departmental and non-trading statutory authority appropriations be created to provide for excess maintenance and restoration costs associated with Commonwealth properties listed on the Register of the National Estate.

Response by the Department of Finance

49. Separate appropriation items within departmental and non-trading statutory authorities for maintenance and restoration costs of 'heritage' properties have not been introduced. An agency would have information on how its repairs and maintenance vote is allocated across heritage and non-heritage properties if this is required for reporting purposes.

Response by the Department of Administrative Services

50. DAS supports this proposal. ACS has previously supported the view (for example, in the Review of the Government's Role in Conservation of the National Estate in 1985) that excess maintenance and restoration costs associated with properties on the Register of the National Estate should be identified.

Recommendation 33 (paragraph 5.55 of Report 272)

The Committee recommends that, in the case of statutory trading authorities, a separate item for excess maintenance and restoration costs be included in their accounts, in order that their contribution to the maintenance of the National Estate is not hidden, and may be compensated for by Government if deemed appropriate.

Response by the Department of Finance

51. Finance has no objections to the Committee's proposal, providing the item is categorised as a Community Service Obligation and separately funded.

Response by the Department of Administrative Services

52. GBEs and the ABC are now free to manage their own property business. However, in view of the obligations of DAS and statutory authorities under the Heritage Act, DAS would support the greater visibility of excess maintenance and restoration costs.

Department of Administrative Services

The Statutory Authorities

Recommendations 34 and 35 (paragraph 5.61 of Report 272)

The Committee recommends that:

- . the Minister responsible for the Central Property Agency delegate his authority under the Lands Acquisition Act to off-budget government business enterprises, but with the requirement that they comply with the directions of that Minister; and
- . the Australian Telecommunications Commission, the Australian Postal Commission, the Overseas Telecommunications Commission and the Housing Loans Insurance Corporation receive such delegations immediately.

Response

53. Government Business Enterprises were exempted from the Lands Acquisition Act on 1 July 1988, except for compulsory acquisitions which will continue to be undertaken by APG in accordance with the provisions of the Act.

Recommendation 36 (paragraph 5.61 of Report 272)

The Committee recommends that delegation to other statutory authorities be granted on a case-by-case basis.

Response

54. See the response provided in paragraph 53.

M. S. Keating
M S KEATING
SECRETARY
Department of Finance

**FINANCE MINUTE ON
REPORT 280
DEFENCE SCIENCE AND
TECHNOLOGY ORGANISATION -
TASK COST MANAGEMENT**

CHAPTER 3

DEPARTMENT OF FINANCE

3.1 This Minute has been prepared on the basis of responses received from the Departments of Defence, Industry, Technology and Commerce (DITAC), Finance and the Australian Trade Commission (AUSTRADE).

3.2 In this chapter each of the Committee's recommendations is reproduced in turn and is followed by the response.

Task Estimating and Costing**Recommendation 1 (Paragraph 2.14 of Report 280)**

Department of Defence consider the introduction of manuals similar to the Advanced Engineering Laboratory's Task Management Manual into the other Defence Science and Technology Organisation (DSTO) laboratories.

Response

3.3 The Department of Defence has advised that it will shortly introduce manuals based on AEL's Task Management Manual into the DSTO laboratories.

Marketing**Recommendation 2 (Paragraph 3.10 of Report 280)**

The AEROTECH proposal of the Aeronautical Research Laboratories (ARL) be implemented provided that AEROTECH will be commercially successful ie able to cover its own costs and provide income for ARL.

Recommendation 3 (paragraph 3.11 of Report 280)

Bodies similar to AEROTECH be established for the Materials Research Laboratories (MRL) and the Defence Research Centre Salisbury Laboratories (DRCS) provided such bodies will be commercially successful ie able to cover their own costs and provide income for the MRL and the DRCS laboratories.

Response by the Department of Defence

3.4 The Department of Defence accepts recommendations 2 and 3 in principle. In November 1987 the Minister for Defence Science and Personnel broadened the DSTO charter enabling it to work with any sector of Australian industry, where this is in the national interest and where priorities and resources permit. In December the Minister announced the appointment of a special adviser on the commercialisation of the innovations and skills of DSTO. A DSTO/Industry Seminar was held in Melbourne in June 1988 to discuss commercialisation opportunities of DSTO innovations and capabilities.

3.5 A DSTO Commercial Activities Trust Account has been established and negotiations are under way to exploit DSTO innovations either directly or through the agreements that have been concluded with State Innovation Centres and other organisations.

3.6 The need to form one or more suitable business organisations will of course, depend on the nature of the projects being commercialised. For example, the Adelaide Innovation Centre has formed the CMTEK company with participation by DSTO and private industry on an agreed equity basis to exploit DSTO's research into the highly sensitive infra red detector material made up of cadmium, mercury and telluride. In contrast some research work has been carried out under direct contract to industry. Potential for profitable outcome is agreed as fundamental to any commercial exploitation of DSTO research and development.

Recommendation 4 (paragraph 3.14 of Report 280)

Department of Industry, Technology and Commerce undertake a detailed examination of the UK 'ferret' system and its suitability for DSTO.

Response by the Department of Industry, Technology and Commerce

3.7 DITAC has advised that it believes it is up to DSTO to make appropriate arrangements to improve, if necessary the commercialisation of its research activities. DITAC itself has no particular desire to pursue the 'ferret' system. However DITAC understands that DSTO is examining the issue of commercialisation of its research activities and that the 'ferret' system is likely to be considered as part of this examination.

Response by the Department of Defence

3.8 The Department of Defence does not accept this recommendation. Defence initiated an investigation into the UK 'ferret' system in late 1986. A great deal of information is already held about the system, and about the company Defence Technology Enterprises (DTE) which, with Government authority, applies it. An exchange of views was also held between senior officers of Defence and DTE in January 1988. Defence is continuing to investigate various related options and has previously discussed these issues with DITAC, but considers that a separate examination by DITAC would involve duplication and unnecessary costs.

Recommendation 5 (paragraph 3.22 of Report 280)

Recommendation 27 of the Cooksey Report be implemented ie an Australian Defence Exports Group (AUSDEX) be established within AUSTRADE to undertake the facilitation and promotion of the export of defence products and services.

Response by the Department of Defence

3.9 Defence does not accept this recommendation and has advised that AUSTRADE and Defence are developing a joint strategy for the export of Defence products, and the arrangements for the implementation of the strategy are yet to be determined. (See also AUSTRADE response at paragraph 3.13 below.) It is most unlikely that the establishment of AUSDEX will be pursued. Defence believes that the new arrangements should be more flexible and avoid undue bureaucratization of exports, in line with general Government policy. In addition an inter-departmental review of the export guidelines is in progress and proposals are to be put to Government shortly.

3.10 To facilitate closer relations with Australian industry, a consultant will be appointed to oversee the establishment of a commercial cell within DSTO. This cell, which will be responsible for promoting the commercial exploitation of DSTO products and for arranging and coordinating DSTO work in support of local industry, should assist in transferring more DSTO products into local industry, and hence improve the prospects for the export of selected products.

Response by the Australian Trade Commission

3.11 It is AUSTRADE's view that at the time of the release of the Cooksey Report recommendation 27 was, to a degree, dependent upon the then Department of Trade assuming responsibility for the actual administration of the guidelines for the export of defence and related equipment, as per part 1 of recommendation 2 of that Report. As this did not eventuate, the basis for recommendation 27 is therefore substantially altered.

3.12 Recommendation 27 also envisaged the appointment of several Australian Defence Force personnel to the Australian Defence Exports Group (AUSDEX). This posed a number of problems for both AUSTRADE and the Department of Defence, primarily in the area of funding and staff resources. The staffing aspect was considered to be particularly important and AUSTRADE was of the view there would be serious implications for the success of AUSDEX if it operated outside the defence area. The Cooksey Report acknowledged that the development of defence exports required specialist skills which resided essentially within the Department of Defence and the Australian Defence Forces.

3.13 While AUSTRADE had a number of reservations in respect of the viability of recommendation 27, it fully endorsed the report's broader thrust, namely the need to focus particular attention on the promotion of exports of defence and related equipment. This aspect was the subject of close consultations with the Department of Defence. Following agreement on a plan of action, the Board of AUSTRADE endorsed a proposal whereby AUSTRADE, in conjunction with the Department of Defence, develop an export strategy for defence and related products with a view to realising the potential, and addressing the shortfalls perceived to exist, as highlighted in the report. The Strategy, as a document, however, has not yet been developed to a stage where AUSTRADE and the Department of Defence are ready to seek its adoption, largely due to Defence having had to devote priority, and resources to the issue of export controls on defence and related equipment. Further progress can be expected when this issue is finalised in the near future.

3.14 One of the major aspects of the Strategy, a pilot project to promote selected items of defence equipment, is, however, being pursued. As part of this, AUSTRADE and Defence are organising a mission to South East Asia in November 1988, followed by attendance at the Asia Pacific Defence Exhibition (APDEF) to be held in Bangkok in March 1989.

Recommendation 6 (paragraph 3.25 of Report 280)

The DSTO laboratories be allowed to retain part of the income generated by the commercialisation of their R & D.

Response by the Department of Defence

3.15 This recommendation is accepted in principle. The underlying intent of this recommendation is accepted, but the Department would wish to have the opportunity of considering implications of the various mechanisms for commercialisation of DSTO research results, as well as the financial program overall, before deciding upon particular arrangements.

Response by the Department of Finance

3.16 Finance supports initiatives that will enable DSTO skills and technology to be exploited commercially and to this end has agreed to the establishment of the DSTO Commercial Activities Trust Account. With respect to income retention, the current Trust operating guidelines require that monies in excess of those normally required for working capital are to be regularly transferred to the Consolidated Revenue Fund. However, the guidelines provide for retention of additional funds for specific purposes provided agreement has been reached as part of the annual budgetary process.

Staffing

Recommendation 7 (paragraph 3.30 of Report 280)

A merit advancement scheme be introduced promptly into DSTO.

Response

3.17 The Department of Defence accepts this recommendation. A merit advancement scheme for Research Scientists has been introduced and the first round of promotions was promulgated in Commonwealth of Australia Gazette No. PS 23 of 25 June 1987.

Recommendation 8 (paragraph 3.32 of Report 280)

DOD undertake a review of the feasibility of, and the alternatives for, providing inventing scientific staff with a share of the financial returns earned on their R & D.

Response

3.18 The Department of Defence accepts this recommendation and has advised that it has undertaken a review as recommended by the Committee and is currently assessing the alternative options available.

Advice to Services

Recommendation 9 (paragraph 3.36 of Report 280)

Where the Services have requested advice from DSTO and ignore that advice, details of:

- . the request;
- . the resources expended by DSTO on the request; and
- . the reason why the advice was not followed,

should be provided in DOD's Annual Report.

Response

3.19 This recommendation is not accepted. Interactions between the DSTO and its Service customers are multiple and exist at all levels. In relation to major materiel acquisitions, DSTO advice may range from the crucial to the merely peripheral, and is frequently bound up with, and may be subsidiary to, a variety of other factors.

3.20 A major principle employed in Capital Procurement Organisation operations is the 'advise and report' process, which places the responsibility with project managers, whilst providing the mechanism through which they should obtain advice (including from DSTO). Where a project manager decides to ignore that advice, the advisory authority must be advised of this intention and the reasons for it. The advisory authority can subsequently take the matter up with the relevant Chief of Materiel and if necessary with the Chief of Capital Procurement. This principle is well documented in the Capital Equipment Procurement Manual.

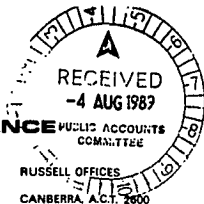
Michael Keating

M S KEATING
Secretary
Department of Finance

**SUPPLEMENTARY MATERIAL ON
REPORT 280
DEFENCE SCIENCE AND
TECHNOLOGY ORGANISATION -
TASK COST MANAGEMENT**



DEPARTMENT OF DEFENCE PUBLIC ACCOUNTS COMMITTEE



IN REPLY QUOTE:

IG 0763/89
RFP 86/54933

4 August 1989

Mr T. Rowe
Secretary
Joint Parliamentary Committee
of Public Accounts
Parliament House
CANBERRA ACT 2600

FINANCE MINUTE ON REPORT 280: DSTO TASK COST MANAGEMENT

I refer to your memorandum to the Secretary dated 6 June 1989 which sought additional information in respect of certain matters. The information required is set out below.

AEROTECH proposal. Although the Department accepted in principle Recommendations 2 and 3 of JPCPA Report No 280, the AEROTECH proposal itself was not implemented. Its commercial viability received some, but not full, Departmental examination. A similar proposal, in a somewhat smaller scale, is now being examined in detail by the Department; this is for a Government owned technology transfer company (tentatively named ARLTech Pty Ltd) to be set up in conjunction with ARL, similar to those operating in conjunction with tertiary education institutions. There are no firm proposals at present to set up analogous organisations for other DSTO Laboratories, although experience gained with the ARL proposal, if it proceeds, should indicate the way ahead for the other Laboratories.

Investigation of UK "Ferret" System. There is no one preferred mechanism for DSTO commercial activity. A full range of commercial options is available, including:

- a. contract R&D,
- b. hire of facilities,
- c. licensing,

- d. collaborative R&D,
- e. funded R&D,
- f. joint ventures, and
- g. spin off companies.

The ferret system is only one method of interfacing with industry to bring commercial opportunities to its notice, and implementing the appropriate commercial mechanism. Others which are being used are:

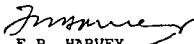
- h. advertising,
- i. invitations to register interest,
- j. technology seminars,
- k. an open door policy (in varying degrees) at Laboratories,
- l. appointment of marketing and commercialisation agents,
- m. an improved public relations profile, and
- n. (most importantly) extensive day to day contact with industry.

Establishment of AUSDEX (and other matters). Defence and AUSTRADE are continuing to develop jointly an Exports Strategy for defence and defence-related products. When complete, the Strategy will be used by the AUSTRADE Board of Directors to determine a longer term allocation of resources for this activity and by Defence, to formalise a developing working relationship which is already bearing fruit. A consultant, Mr Graham Spurling, Managing director of Pacific International Battery Group, was appointed by the then Minister for Defence Science and Personnel, Mrs Kelly, to advise on commercialisation of DSTO. Mr Spurling did not deal with the formation of a commercial cell within DSTO, but did recommend the establishment of commercial advisory groups for each Laboratory. The Department agreed that advisory groups could be useful, although no Laboratory has yet had the need for one. The DSTO itself has set up a Science Commercialisation Section within its Central Office, and all Laboratories now have commercial managers, or equivalent officers.

DSTO Laboratories to Retain Part of R&D Income. By informal agreement with Departmental finance authorities, profit from commercial activity may be used to offset increased appropriation to DSTO provided the amount involved is not above \$500,000. DSTO could then allocate this as appropriate to individual Laboratories. Departmental finance authorities were to formalise this arrangement with DoF, on the basis of zero net effect on Defence Outlay.

Incentive Schemes for Inventing Scientific Staff. A full review of incentive schemes is still proceeding. Significant legal questions need to be resolved, in areas such as ownership of intellectual property, conflict of interest and conditions of service. The former Minister for Defence Science and Personnel, Mrs Kelly, instituted a Minister's Award for Achievement, with a cash value before tax of \$10,000; the 1988 Award was made for advances in aspects of mine countermeasures, and nominations for the 1989 Award are being evaluated.

Reasons for Rejection of Advice from DSTO. In the context of major defence projects, it should be possible to isolate and report on major instances where DSTO's advice has not been followed. However such advice is normally provided as part of the process of higher committee consideration of Defence projects, and constitutes only one of many and various factors which affect project activities and the eventual decision in varying degrees. These include strategic policy, operations, project management, finance and risk management as well as science and technology. To draw attention to instances where the eventual decision did not accord with DSTO's advice would be to take that aspect out of the context of the overall decision making process, which must integrate, and where necessary reconcile, advice from many functional areas of the Department.


F.R. HARVEY
Inspector-General

**FINANCE MINUTE ON
REPORT 282
REVIEW OF EFFICIENCY AUDIT -
AUSTRALIAN WOOL CORPORATION:
PROPERTY OPERATIONS**

DEPARTMENT OF FINANCE MINUTE ON REPORT 282

1. This minute has been prepared on the basis of responses received from the Australian Audit Office and the Departments of Primary Industries and Energy and Finance.

2. In this minute the Committee's recommendation is reproduced and then followed by the responses.

Recommendation (paragraph 3.21 of Report 282)

A detailed review of efficiency auditing guidelines for government business enterprises be undertaken.

Response by the Australian Audit Office

3. The need to examine periodically the appropriateness of efficiency audit guidelines in respect of government business enterprises is recognised and accepted by the Australian Audit Office (AAO).

4. In recent years a comprehensive range of guideline material has been developed both for training purposes and as reference material for staff undertaking efficiency audits. This material is progressively updated in the light of experience gained from individual audits and comments and suggestions emanating from parliamentary committees. These guidelines are not expected to be applied as a set of rigid rules. Flexibility is essential and audit judgement may require particular aspects to be varied according to the nature, scale and circumstances of individual investigations.

5. Since the audit of the Australian Wool Corporation (AWC) was completed, amendments to the Audit Act have given statutory marketing authorities, including the AWC, the option of seeking the appointment of a company auditor. Arising from these legislative changes Australian Audit Office Auditing Standards have been promulgated in the Commonwealth of Australia Gazette. The most recent notice of these standards was published in a Special Gazette of 7 August 1987. These standards cover both regularity and performance audits and address a number of issues raised in the Committee's report. In particular, paragraphs 4.1.4 and 4.1.5 of the Standards dealing with reporting standards state:

"4.1.4 Options and conclusions should be clearly identified and based on sufficient evaluation, testing and review processes to warrant their inclusion. All opinions, conclusions and findings should be evidenced by adequate documentation.

4.1.5 Where management views on audit findings are not accepted by audit, the report should state the reasons for their non-acceptance."

6. The AAO recognises that the environment in which it operates is not static and there is a need for guidelines to be reviewed in the light of changing circumstances. In addition to the Committee's concern, the AAO is sensitive to the changing perceptions relating to the role and accountability of Commonwealth statutory authorities and government business enterprises as reflected in the Policy Information Paper "Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises" issued by the Minister for Finance in October 1987. However, in many cases the audit approach to be followed will entail a case-by-case assessment having regard to the accountability arrangements put in place for the individual authorities.

Response by Department of Primary Industries and Energy

7. Since the initial audit of the AWC was undertaken and the Auditor-General's report was tabled there have been fundamental changes in Government policies for Statutory Marketing Authorities (SMAs) and to the enabling legislation of these bodies. In particular, this Department's White Paper on the SMAs implemented an integrated set of reform policies directed at the following:

- . increasing the commercial effectiveness of SMAs;
- . deregulating their operations from public service constraints;
- . implementing selection arrangements which ensure that SMA governing boards are comprised of the best available people with relevant expertise;
- . establishing Ministerial oversight of SMAs at the strategic level through their corporate plans and annual reports;
- . strengthening their accountability to the industries they serve; and
- . providing for arrangements through which SMA's have the option of requesting the appointment of commercial auditors rather than the Auditor-General.

8. As part of the reform measures definite reporting arrangements were implemented to provide for monitoring of efficiency and performance of SMAs by industry, Government and the Parliament. These policies have been recently incorporated in the enabling legislation of the Australian Wool Corporation, the Wool Marketing Act 1987, which came into effect on 1 July 1987.

9. As part of the SMA reforms, the Act vested full responsibility for the efficient and effective management of wool stores in the Corporation. It provided for the establishment of an Australian Wool Stores Board of Management under the Corporation to direct the management of wool stores, with a requirement for the Board to prepare strategic and annual operational plans. In particular, the annual operational plan is to contain an analysis of the financial management of, and the returns obtained from, the wool stores.

10. The Wool Stores Board is also required to prepare a report of its activities each year, which includes an assessment of the extent to which it has given effect to the wool stores annual operational plan. The report is to include a statement on the rate of return achieved during the year on capital invested in the wool stores.

11. The Wool Stores Board comprises leading business and industry figures. It is chaired by Mr Bryan Kelman, former Chief Executive Officer of CSR Ltd and a Director of the Corporation. Its other members are Corporation Directors, Mr Ernest Barr, former Chief Executive of HJ Heinz (Aust) Ltd, and Mr George Mack, a woolgrower; and the Chief Executive Officer, Mr Alan Mahoney, Manager of Finance and Property in the Corporation.

12. With regard to the Committee's conclusions concerning the scope and character of the audit, the Department agrees with their views and would support a review of efficiency auditing guidelines for government business enterprises. It should be pointed out, however, that the Department's White Paper on SMA's and the Policy Discussion Paper on Statutory Authorities and Government Business Enterprises (issued by the Minister for Finance in June 1986) recognise the SMAs as a distinctive group of Commonwealth statutory authorities. Although they have a business orientation and operate in a commercial manner, they are not government business enterprises in the same sense as Telecom, Australian Airlines and the Commonwealth Bank, for example. The SMA's do not provide services or operate businesses for the Government and are not financed by the Commonwealth. Each SMA performs specific marketing functions for a particular industry and is financed by that industry. For this reason, the Government has ensured that the SMAs are fully accountable to the industries they serve.

13. In view of the above, the Department does not consider it appropriate that SMAs be included in the program of efficiency audits of the Australian Audit Office. The reforms that the Government has introduced have provided a substantial degree of autonomy to SMAs. At the same time, they provide for definite arrangements for industry and public accountability including auditing and on-going review of efficiency. This Department would be willing to contribute, from a portfolio point of view, to a review of efficiency auditing guidelines as proposed by the Committee.

Response by Department of Finance

14. The Government's policy in relation to government business enterprises (GBEs) is that they should, as far as practicable, operate on a commercial basis; accordingly, the approach to auditing of GBEs should be consistent with that normally found within the wider commercial environment. It should be noted that GBE accountability and efficiency gain a focus through the corporate plans they are now required to prepare; the rates of return they achieve on their funds or assets; and the obligation to report on performance in their annual reports. Audit guidelines for GBEs should reflect this.

P J BARRETT
ACTING SECRETARY
Department of Finance

**FINANCE MINUTE ON
REPORT 284
STRATPLAN - DEPARTMENT OF
SOCIAL SECURITY ADP
RE-EQUIPMENT PROGRAM:
FINAL REPORT**

DEPARTMENT OF FINANCE MINUTE

1. This minute has been prepared on the basis of responses received by the Departments of Social Security, Finance, and Industrial Relations and the Public Service Commission.

2. In this minute each of the Committee's recommendations and conclusions is reproduced in turn and is followed by the response.

Industrial Action in 1984-85

Conclusion (paragraph 3.33 of Report 284)

The Committee concludes that:

- . the Department of Social Security was unprepared for the level of industrial action that occurred in 1984-85.

Response by the Department of Social Security

3. The Department of Social Security (DSS) was aware that the nature of a project the size of Stratplan with extensive introduction of new technology would change the Department's operations radically. This was sufficient to prepare the Department for the possibility of industrial action and to this end Social Security made a great deal of effort to consult with the Unions on the issue from January 1982 onward. As the Committee noted in its Report 225 on Stratplan (see pages 48 to 51):

"On 5 September 1983 the Department advised the Public Service Board of the pressures building up in the workplace over existing eyesight test guidelines for screen-based equipment operations. The Acting Assistant Director-General, Manpower and Planning stated in a memorandum to the Public Service Board:

This Department is seeking to provide adequate occupational safety and health training within the Stratplan training program but can do little to ease the anxiety that staff are expressing concerning the eyesight testing protocol until service-wide steps are taken to ameliorate the situation.

On 13 April 1984, the Department wrote again to the Public Service Board on eyesight testing requesting the Board to look again at the service-wide guidelines for eyesight testing.

Also on 4 June 1984 the Director-General wrote to the Chairman, Public Service Board, pointing out the occupational safety and health concerns of the staff associations in relation to Stratplan and sought leadership from the Board.

The Committee, at para 7.10 of its Report, stated that it believed that the issue of industrial relations, particularly in the areas of occupational health, could have been resolved in the planning stage with agreement between the PSB and staff associations. This was made clear by the Director-General in his letter to the Chairman of the PSB on 4 June 1984 when he said:

'This Department has two issues relating to occupational health and the introduction of Stratplan which are the subject of dispute with the two relevant staff associations. The first is the question of eyesight testing for VDU operators and the second radiation testing of VDUs.'

'There seems to me to be an element of insanity in an industrial dispute between a Commonwealth department or agency and unions on occupational health issues. Obviously, if there is a genuine health problem, as a responsible employer the Commonwealth should take all necessary corrective action. If there is not a genuine health problem, the taxpayer should not be held to ransom to provide unnecessary and expensive equipment and services which may also serve to create unnecessary anxiety in some staff.'

'I fully support your view that these occupational health matters are too important to be negotiated in isolation by individual departments and agencies. It does seem to me to be an issue on which leadership is required from the Board. I believe that all Commonwealth employing agencies and the ACTU should be able to settle on common occupational health standards, based on the best advice available. I would ask that the Board initiate action in this direction.'

4. The Department of Social Security believes it took every reasonable precaution, and agrees with the Committee's earlier conclusion that these matters could have been resolved in the planning stage by agreement between the then PSB and the Unions.

5. The Committee has noted that the estimated cost of radiation testing for 1986-87 in DSS was \$500,000. The Department has sought to limit these costs and, as a result, the actual expenditure in that year was some \$281,000, and for 1987-88 about \$265,000.

Response by the Department of Finance

6. In its response to this conclusion, the Department of Social Security referred to the procedures introduced as part of the Section 28 Agreement of November 1984 for regular radiation testing of VDU's. The arrangements in the Agreement were meant to be interim, pending an examination by the National Health and Safety Commission. Finance understands that this examination will be completed in the near future. International opinion is that testing after manufacture is unnecessary and over the period in which tests have been carried out in DSS no dangerous radiation emissions have been detected.

Conclusion (paragraph 3.33 of Report 284)

The Committee concludes that:

- the Department of Social Security had no contingency plans in 1984-85 to cope with industrial action and therefore had no fall-back position which could relieve the pressure being brought to bear by the unions.

Response

7. DSS partly accepts this conclusion. The department asserts that industrial action did not delay implementation of major products nor did it affect service to clients. However, DSS agrees that it did not have a fall-back position to cope with the effect of industrial action on implementation had that action continued. Stratplan was to be implemented at the Government's directive or else the department could not continue to provide the necessary service to clients. Any reasonable way in which it could relieve pressure from the unions was employed. However, the department could not resolve the major industrial issues such as eyesight testing, occupational safety and health and redeployment and redundancy, as they were matters which came within the jurisdiction of the (then) Public Service Board (PSB). As the Committee recognised in its Report 225, the Department was constrained by the Board which was responsible for setting standards for staff conditions of service.

8. It should also be noted that a certain degree of contingency planning was inherent in DSS's implementation strategy. The strategy was to introduce the system changes arising from Stratplan in a phased, controlled manner. Had DSS attempted more radical initial implementation - say with on-line updating - then clients would have suffered from the industrial action. As it was, the refusal of some staff to use the facilities delayed administrative savings and improvements, but no clients suffered from the action.

Conclusion (paragraph 3.33 of Report 284)

The Committee concludes that:

- the Department of Social Security had developed no initiatives in 1984-85 to translate projected efficiency gains from Stratplan into job restructuring, redesign or reclassification and so improve staff opportunities.

Response

9. The Department of Social Security partly accepts this conclusion. In 1984-85, the department had developed initiatives by reclassifying the keyboard area. After formal training, Data Processing officers and typists were reclassified as Word Processing Typists.

10. In addition, the department was aware of the opportunity to restructure, redesign or reclassify and to improve staff conditions as a consequence of the introduction of Stratplan. This is evidenced from the following extracts of a 1985 Job Impact Study conducted by the Department and the Unions which was provided to the Committee in April 1985:

- In examining possible job redesign options it has been noted that several options that have been proposed are in fact facilitated by the introduction of Stratplan products.
- In the job mix options put forward in this paper for further investigation the general direction is toward:
 - job enrichment and enlargement enabling the individual to employ a variety of skills and undertake complete and identifiable units of work;
 - as part of the job enrichment process ensure that individual responsibility and autonomy are (at least) not decreased. Decentralisation of decision making is an important component of this. It should be noted that Section 7 of the study presents areas of the department where possibilities for further decentralisation exist;
 - automation of mundane and repetitive tasks; and
 - the enhancement of jobs to minimise the occurrence of repetitive strain injury and other occupational safety and health problems.
- The expected trend was toward an officer being capable of undertaking a much wider range of duties. Such an outcome may make some of the current classifications inappropriate and would suggest fewer but broader classifications where a staff member develops skills over an extended period of time before finally becoming competent in the full range of duties.

. In addition to providing desirable job enrichment the additional flexibility introduced could provide staff savings that otherwise would not be realisable.

. In the department the only office tasks capable of being wholly automated are those that are entirely routine, having no discretionary judgement components whatsoever; for example, coding.

. However, we can find in Regional Offices, numbers of jobs with varying proportions of this unsatisfying work; in which case either of two job redesign approaches will eventually become appropriate. Where the size of the residual support tasks has been sufficiently reduced it may firstly be possible to rework the task allocations so that many clerical jobs take on minor amounts of these routine tasks. Alternatively, where the residual support tasks can be reassembled into a sufficiently challenging whole clerical job, this can be done to form a suitably classified position."

Conclusion (paragraph 3.33 of Report 284)

The Committee concludes that:

. the Department of Social Security lost the initiative to the unions in 1984-85 resulting in concessions which generated totally unplanned and unpredicted increases in the Department's staffing levels.

Response by the Department of Social Security

11. DSS was the first Commonwealth Department faced with a major technological upgrade in recent years, in an environment where the unions had appreciated the need to focus their efforts on areas of change. Negotiations resulted in support staffing levels above those estimated before tenders were called. In part this was because of the nature of the available equipment (which required more staff to operate and maintain it than expected) and in part because of the realities of industrial relations negotiations in that environment. As a result some 700 additional positions had to be provided to DSS for the introduction of Stratplan. This has been offset to some extent by reduced bids for staff because of efficiency improvements. Further, it has been agreed that annual staff savings cumulating to 2000 ASL will be achieved from Stratplan over the period from 1987-88 to 1991-92. This will result in annual net staff savings from Stratplan of a minimum of 1300 by that time (2000 less 700).

GUIDELINES FOR CONSULTATION ON TECHNOLOGICAL CHANGE

Conclusion (paragraph 3.47 of Report 284)

The Committee concludes that:

. the Public Service Board's Guidelines for the Management of Consultation on Technological Change are deficient in that they provide no recommendations to departments and agencies on the development of contingency plans for use in the event of industrial action.

Response by the Department of Social Security

12. The Department of Social Security doubts whether any contingency plans for use in the event of industrial action could be more than a general guide because of the number of possible circumstances which would need to be taken into account.

Response by the Department of Industrial Relations

13. The Guidelines prepared by the then Public Service Board recognised the importance of planning for the impact of industrial negotiation and the importance of constraints imposed by service delivery requirements. Devising contingency plans for use in the event of industrial action is a very sensitive and difficult issue. Management needs to plan for a wide range of possible effects on service, and to address how client services might be maintained in each case.

14. The APS second tier office restructuring agreement, ratified by the Conciliation and Arbitration Commission with effect from 24 December 1987, modified the PSB Guidelines, significantly streamlining the process of introducing new technology. The streamlined procedure involved consultation/negotiation at three stages: the contemplative, the pre-installation and the installation/operation stages, and stressed the importance of resolution of issues at agency level. Staff impact assessments were retained as an important feature of the first two stages and are to include assessments of the impact of technological change on current staffing levels, and capacity for any offsetting job creation.

Response by the Department of Finance

15. The Department of Finance agrees with the above comments by the Department of Industrial Relations, particularly on the need for management to develop contingency plans against a range of circumstances that could affect the maintenance of services. Finance also notes, in relation to the introduction of new technology, that:

- . ADP Acquisition Councils, in considering the broader industrial relations issues, would be expected to assess the potential for industrial disputation or non co-operation and to consider the effectiveness of possible responses in the event that the scheduled outcomes are not achieved or are delayed;
- . the Department of Industrial Relations would be available to provide advice, particularly in cases which raise serious risks of industrial disputation or where Section 28 agreements are contemplated; and
- . primary responsibility for negotiations and consultation would, however, rest with the relevant agency management, consistent with recent reforms to the APS.

Conclusion (paragraph 3.47 of Report 284)

The Committee concludes that:

- both the Guidelines for the Management of Consultation on Technological Change and the subsequent circular on Bilateral Agreements Between Individual Departments and Authorities and the Unions are deficient in that they provide no clear recommendations to departments or agencies on translating some part of projected efficiency gains and associated benefits expected to arise from the introduction of new technology into improved opportunities for affected staff.

Response by the Department of Social Security

16. DSS agrees with this conclusion. The department notes that, in the absence of guidelines to translate projected efficiency gains and associated benefits into improved opportunities for affected staff, it is possible that an unduly narrow view can be taken of the benefits to be expected from the introduction of new technology.

Response by the Department of Industrial Relations

17. The second tier office restructuring agreement produced major changes to job classifications to facilitate multi-skilling and the design of more whole and meaningful jobs with greater opportunities for career development. The efficiency gains from the introduction of this structure will benefit management through greater flexibility in the deployment of staff and use of equipment, and improve opportunities for staff.

18. The APS second tier office restructuring agreement referred to in paragraph 14 above, also included a disputes avoidance/settlement procedure aimed to avoid and resolve industrial disputation by measures based on the provision of information and explanation, consultation, cooperation and negotiation before resorting to the formal processes of the Conciliation and Arbitration Act. The two elements, of streamlined procedures for consultation on new technology and of disputes avoidance/settlement procedures, formed part of a large number of subsequent second tier agreements with other unions covering additional employment groups in professional, technical and other areas of the APS.

Response by the Department of Finance

19. Finance agrees with DIR's comments above on the translation of benefits to employees via design of more whole and meaningful jobs with greater opportunities for career development. At the same time Finance would reiterate the Government's decision that new technology proposals are to provide an adequate rate of return on investment and, in current circumstances, benefits should be assumed to accrue to the Budget.

Recommendation 1 (paragraph 3.48 of Report 284)

The Committee recommends that:

all departments and agencies which are contemplating introducing new technology, in addition to consulting with the unions involved, establish a consultative mechanism with the Public Service Board or its equivalent and the Department of Finance to develop initiatives on sharing anticipated efficiency gains and benefits with the affected staff.

Response by the Department of Social Security

20. See comments above at paragraph 16.

Response by the Department of Finance

21. The Government now requires, in relation to proposed computing acquisitions costing over \$5m, that an outcomes schedule, identifying the impact on agency programs of the proposed acquisition, be developed by the proponent agency and agreed with the Department of Finance before the acquisition is submitted for Cabinet in-principle approval. Finance has no objection to also considering the effects on staff, in terms of improved career opportunities.

THE NATIONAL INDEX

Conclusion (paragraph 4.13 of Report 284)

The Committee concludes that:

the Department of Social Security has demonstrated the benefits of a timely and efficient online enquiry system but needs to consider more fully the effects of delayed responses to national online enquiries.

Response

22. DSS agrees that it has demonstrated the benefits of a timely and efficient online enquiry system and that this system enables authorised staff to access social security records on a State by State basis. The department has also examined the delays experienced by users requesting national online enquiries. It should be noted that, as the current online enquiry system is only a phase of Online Benefits Processing (OBP), the full benefits and functionality of a National Index cannot be realised until additional OBP phases are implemented. For example, full functionality of a National Index requires the implementation of a standardised, integrated Person Data Update facility for all benefit types. Phase 1 of this facility (Restricted Person Data Update) is currently being implemented on a State by State basis.

Recommendation 2 (paragraph 4.14 of Report 284)

The Committee recommends that:

the Department of Social Security re-evaluate the concept of the National Index as originally conceived by the Stratplan architects in terms of its potential and benefits.

Response

23. As mentioned in the response to the Committee's conclusion at paragraph 22, the full benefits and functionality of a National Index cannot be realised until a standardised, integrated Person Data Update facility is implemented for all benefit types. Once this occurs, and full integration of the database has taken place, the department will then be able to develop facilities to provide full functionality of a National Index.

24. Many of the functional benefits of a National Index have already been achieved by the implementation of the current online enquiry system and by data matching work. Currently planned OBP initiatives will realise most of the remaining benefits. The full implementation will only realise a small residue of benefits.

Recommendation 3 (paragraph 4.14 of Report 284)

The Committee recommends that:

the Department of Social Security investigate the feasibility and costs of the technical options that are now available for satisfying this requirement.

Response

25. See comments at paragraphs 23 and 24 above.

ONLINE BENEFITS PROCESSING

Conclusion (paragraph 4.39 of Report 284)

The Committee concludes that:

the Department of Social Security has not consistently applied adequate resources to ensure the timely development of Online Benefits Processing (OBP).

Response by the Department of Social Security

26. This aspect was canvassed in detail in a letter from the Department to the Committee in response to its written questions (see Report 284 - Appendix A, pages 79 to 82).

27. The department has always regarded OBP as the major strategic applications development to take advantage of the Stratplan re-equipment, which would ultimately provide major benefits to staff and clients.

28. However, the Government made numerous policy and legislative changes during the phased implementation of Stratplan. Although the Government has provided the Department with additional staffing resources to implement these initiatives, there has been a shortage in the job market of personnel with suitable skills and this has impacted on the development of OBP. The level of change to existing systems has exceeded past profiles but the Australian Audit Office considers that DSS has performed satisfactorily during the implementation of Stratplan. (See Report 284, Appendix A, pages 81 and 82, and Attachment 3, pages 89 to 97).

29. The special consultant to the Minister for Social Security in his Report on Stratplan - Objectives and Achievements (June 1987) stated that one of the reasons OBP had slipped from its original target dates was because of:

an unprecedented load of additional work arising from the Government's legislative programme and from other sources.

The Report also stated that:

- . the average number of system changes per year had approximately doubled;
- . the average complexity of each change, as measured by the person-months of effort required, had quadrupled; and
- . the total impact of this work on the applications systems area (represented by the product of the number of changes and their complexity) showed an exponential trend.

Conclusion (paragraph 4.39 of Report 284)

The Committee concludes that:

- . the Department of Social Security underestimated the impact of inadequate staff allocation and new Government initiatives on the development of OBP.

Response

30. Social Security considers that its estimates on the expected requirements of Government initiatives and staff allocation on OBP development were the best that could reasonably be made at that time.

Conclusion (paragraph 4.39 of Report 284)

The Committee concludes that:

- . the Department of Social Security has, as a result, deferred the delivery of major projected benefits.

Response by the Department of Social Security

31. The deferral of delivery of major projected benefits was not due to DSS electing to change its strategy but to competing demands from major policy and legislative changes (an extensive list can be found in Report 284, Appendix A, pages 81 and 82). However, OBP has been implemented nationally for the Family Allowance/Family Allowance Supplement System which is the system currently most subject to change through policy and legislative change and work is continuing on converting the other major systems to OBP. The benefits of the new system are being realised. On 1 September 1987 the Government determined that staff savings of 2000 ASL would be achieved over five years from 1987-88 to 1991-92. The decision also stipulated that these savings would complete the requirements for staff savings from the implementation of the Stratplan project.

COMPUTER SYSTEMS OFFICER (CSO) STAFFING

Conclusion (paragraphs 5.30 and 5.32 of Report 284)

The Committee concludes that:

- . there is a major problem in the Australian Public Service in relation to both the recruitment and retention of Computer Systems Officer (CSO) staff; and
- . the broad initiatives identified by the Public Service Board will be no more than palliative in remedying the problem of the recruitment and retention of CSO staff in the Service if they do not include any specific proposals to increase the monetary reward of CSO's.

Response by the Department of Social Security

32. The Department of Social Security agrees with the conclusion. Service-wide and Departmental measures have been taken to address the problem of recruiting new graduates (CSO 1s). Because of the severe problems DSS had in recruiting CSOs it held discussions in 1986 with the (then) Public Service Board in an effort to identify longer term measures to redress the problem. As a result, the Board made changes to the arrangement applying to the recruitment of CSOs which enabled DSS to conduct its own campaign to recruit ADP graduates.

33. Consequently DSS developed an information package which explained its operations, promoted the opportunities in its unique ADP environment and gave information about Canberra and the Public Service. The information package was sent to every campus in Australia producing ADP graduates (65 in all), with officers visiting most of the 43 institutions which responded to the package and participated in their careers weeks. These efforts proved remarkably successful and DSS filled its CSO requirement of 70 staff, being one of only four departments to have done so that year.

34. These initiatives enabled the Department to address the problem of recruiting CSO ls adequately. However, a major problem remains in that it is difficult to retain these staff after they have gained a few years' experience and it remains even more difficult to attract and retain CSO staff at higher levels.

Response by the Department of Industrial Relations

35. DIR notes that there have been problems with both the recruitment and the retention of CSO staff in the APS. The extent of the problems encountered by employing agencies is difficult to measure; however, informal surveys of departmental ADP management suggest that some of the measures already adopted have been successful in alleviating the problems. During 1987-88, agreement was given for CSO recruits to be appointed on a commencing salary equal to the third point of the CSO 1 range. It has been decided that this arrangement will continue in 1988/89 while developments in the ADP recruitment market are monitored. At this stage the assessment of ADP managers appears to be that the APS is adequately placed in the graduate market. A second tier wage increase for the CSO group as a whole, effective 24 December 1987, had some effect on the competitive position of the APS within the ADP labour market.

36. There are difficulties, however, with the proposal that the salaries of CSOs should be further increased given the constraints of the Government's wages policy and the National Wage Case Principles, which prescribe salary increases outside stringent guidelines. The Department of Industrial Relations will watch developments in the experience reported by agencies in recruitment and retention of CSOs. The need for special measures which will be available under the NWC Decision of August 1988 will also be examined in the context of wider issues raised by the introduction of the Structural Efficiency Principle and the Commission's requirement for fundamental examination of awards.

Response by the Public Service Commission

37. Following the Government's decision to abolish the Public Service Board in July 1987 and create the Public Service Commission (PSC), the Department of Industrial Relations assumed responsibility for pay-related matters for Australian Public Service staff. The Department of Education, Employment and Training (DEET) now has responsibility for the operational aspects of recruitment, including CSO recruitment.

38. The PSC has responsibility for determining recruitment policy, selection methods and procedures, and monitoring and reporting on these procedures.

39. The PSC supports the initiatives on recruitment and retention of CSOs proposed by the former Public Service Board to the Committee, while noting that responsibility for some of them has now passed to other agencies.

40. Where these initiatives also impact on recruitment policy for CSOs, the Commission is consulting with the relevant agencies. For example, consultations with relevant employing departments and DEET are continuing on two of the initiatives intended to increase the APS share of the supply of CSOs - allowing departments to make job offers to final year students directly on campus and the establishment of a Trainee Computer Systems Officer scheme. These initiatives appear to be working as the shortfall in unfilled recruitment demands from departments has been decreasing since their introduction.

41. The issue of commencing salaries for CSOs has been taken up with the Department of Industrial Relations, which is considering whether the base salaries of more highly qualified graduates with computing skills should be increased.

Response by the Department of Finance

42. The Department of Finance agrees with the above observations of DIR and the PSC, and notes that in the case of the Department of Social Security, a well-directed campaign was able to achieve successful results in recruiting CSOs.

COST EFFECTIVENESS OF STRATPLAN

Conclusion (paragraph 6.19 of Report 284)

The Committee concludes that:

- the cost effectiveness of the original Stratplan proposal and its associated acquisitions and expenditures can no longer be meaningfully quantified.

Response by the Department of Social Security

43. The Department of Social Security accepts that it may be difficult to meaningfully quantify the cost-effectiveness of the original Stratplan proposal. However, precisely because of the Committee's concerns on this point (see Report 225), the special consultant to the Minister for Social Security in his Report on Stratplan - Objectives and Achievements (June 1987) (copies of which were provided to the Committee by the Minister for Social Security on 19 October 1987) states that:

"we would tend to estimate the most likely breakeven point [of Stratplan is] between 10 and 11 years. Because this quantitative assessment still takes no account of either qualitative benefits or directly related offsets and employment effects, our earlier conclusion still stands, that STRATPLAN is a cost-beneficial project; and

The major visible signs of success are to be found in the Regional Offices. Visits to a range of offices, including city and country, STRATPLAN and non-STRATPLAN, provided unmistakable evidence through observation and interview of the impact of the new systems and facilities in the STRATPLAN offices. Major improvements are visible in:

- * better working conditions;
- * improved morale;
- * more willingness to innovate;
- * reduced backlogs of work;
- * more effective handling of counter enquiries;
- * fewer and/or easier telephone enquiries;
- * more time for investigative and/or remedial work such as over-payments processing;
- * improved productivity."

44. In summary, the cost effectiveness of Stratplan must be assessed not only in terms of immediately identifiable administrative costs and savings but also qualitative indicators. In the department's view the consultant's comments amply demonstrate the positive impact that Stratplan has had and further that DSS also considered that, regardless of the challenges and difficulties which have been encountered, Stratplan was an outstanding success. It is also worth noting that the department asserts, in addition to administrative savings, reductions in outlays in regard to pensions, benefits and allowances are occurring, because Stratplan is facilitating greater control and accuracy in determining entitlements.

Response by the Department of Finance

45. Finance, in a paper provided to the Committee in July 1986, provided a methodology for assessing the effectiveness of Stratplan. It developed a large number of performance indicators to assess the project against its stated objectives. However, to its knowledge this or similar methodologies have not been developed or utilised by the Department of Social Security to monitor the impact of Stratplan in any systematic fashion.

46. The Committee refers to difficulties in measuring the effectiveness of Stratplan because of the fact that no useful performance indicators were identified and no measurement tools were put in place at the commencement of the project. However, the major Stratplan product - On-line Benefit Processing - is only now being implemented. Finance would see it as feasible for the effectiveness of OBP to be thoroughly evaluated provided adequate performance indicators and monitoring tools are put in place by the Department.

Conclusion (paragraph 6.19 of Report 284)

The Committee concludes that:

- establishing the cost effectiveness of a department's information technology proposals simply by measuring foregone staff increases is of doubtful relevance to the decision making and review process.

Response by the Department of Social Security

47. The Department of Social Security regards staff savings as an important aspect of major investments in new technology such as the Stratplan project. Nevertheless it accepts this conclusion and has advised that at no stage did it consider that foregone staff increases would be the sole means by which the benefits of Stratplan were to be measured.

48. Stratplan is a re-equipment project which achieved the aim of replacing obsolete equipment to provide the necessary service to clients and to position the Department to undertake the current essential systems redevelopment to enable it to continue to respond quickly and effectively to Government initiatives. This is supported by the report of the Minister's consultant (see paragraphs 29 and 43 above).

Response by the Department of Finance

49. Finance agrees that staff savings are not the sole or simple measure of cost effectiveness. Finance accepts that the Stratplan project offers a range of benefits in addition to staff savings including, for example, improvements in the standard of client service and savings in program outlays through improved administration. As noted earlier, the Department of Finance has done considerable work in providing a number of performance indicators against which effectiveness could be assessed.

50. Nevertheless, the question of staff savings is an important issue in its own right especially when offered as part of the justification for a proposal. Staff savings, unlike intangible benefits such as improvements in client service, offer the Government concrete savings in outlays and must be an important consideration in any proper evaluation of the efficiency of various ADP re-equipment options. For example, on average each 500 staff in the Department of Social Security require around \$14m annually in running cost funding.

51. Finance also notes that the Government has made it quite clear (via a Ministerial decision) that it expects to realise substantial resource savings from major ADP acquisitions, and that such savings are to be in addition to those flowing from the application of the efficiency dividend to individual Department's running cost appropriations. In this regard, other major ADP re-equipment projects agreed to by the Government in recent years have involved substantial staff savings.

52. The Government has also recently agreed to detailed new procedures for approval of major ADP projects. These require agencies wishing to undertake such a project to establish an Acquisition Council to provide an independent report on it, including a schedule of outcomes agreed with Finance, prior to Cabinet consideration of the proposal.

P J BARRETT
ACTING SECRETARY
Department of Finance

FINANCE MINUTE ON
REPORT 285
EXPENDITURE FROM THE ADVANCE
TO THE MINISTER FOR FINANCE
(APPROPRIATION ACTS 1985-86)

DEPARTMENT OF FINANCE MINUTE

1. This minute has been prepared on the basis of responses received from the Departments of Community Services and Health, Finance, Foreign Affairs and Trade and Veterans' Affairs, and the Australian Bureau of Statistics and the Australian International Development Assistance Bureau.

2. In this chapter the conclusion and recommendations have been reproduced in turn and are followed by the response.

General

Recommendation (paragraphs 2.5 and 2.6 of Report 285)

In several cases the requirement for additional funds should have been foreseen before the end of the Additional Estimates process. These applications for funds from the Advance were as a result of administrative omissions in the area of salaries and payments in the nature of salary. Examples include salaries of paid inoperatives, a pension scheme for locally-engaged overseas staff and payments for public servants who retired during the year.

The Committee suggests that the Australian Development Assistance Bureau, Department of Trade, Australian Bureau of Statistics and Department of Veterans' Affairs review procedures to minimise such shortfalls.

The Committee believes there is a need for more effective monitoring procedures in this area.

Response by the Australian International Development Assistance Bureau

3. The Australian International Development Assistance Bureau (AIDAB) has conducted a review of its control procedures, as suggested by the Committee, in the context of the Financial Management Improvement Program. The usage of Average Staffing Levels and Running Costs funds are now regularly reported on and analysed, using both the Department of Finance and AIDAB's internal information systems. AIDAB is confident of the effectiveness of these arrangements and its ability to manage fully within its present Running Costs appropriation, a confidence reinforced by its non-requirement for Advance to the Minister for Finance (AMF) funding in both 1986/87 and 1987/88.

Response by the Department of Foreign Affairs and Trade

4. The Department of Foreign Affairs and Trade (DFAT) assures the Committee that both the budget and funds control requirements of those functions of the former Department of Trade, which now forms part of DFAT, are currently accommodated within systems which operated in the former Department of Foreign Affairs, and against which no criticism was levelled.

Response by the Australian Bureau of Statistics

5. The Australian Bureau of Statistics (ABS) regularly reviews its estimating procedures and consistently monitors expenditure to minimise shortfalls in expenditure. For items of expenditure such as compensation and separation payments, there can be large outlays that, even if expected, are not capable of accurate estimation in terms of final costs or the time payment will be required.

6. In 1985/86, separation payments for an Australian Statistician were anticipated. As it turned out, ongoing separation payments rose substantially in that year and the ABS also unexpectedly paid out two retiring Statisticians instead of one.

7. For a number of years, the ABS has foreshadowed to the Department of Finance the likely cost of compensation claims pending a court decision and on no occasion have estimates been admitted to Appropriation Bills. The range of possible settlements of ABS' current claims under negotiation are illustrated by the table below:

CASE	UNDER NEGOTIATION	
1	\$68,500	- \$343,500
2	\$75,000	- \$150,000
3	\$220,000	- \$350,000
	<hr/>	
TOTAL	\$363,500	\$843,500

8. These figures highlight the level of increase which can occur and which the Department of Finance finds difficult to support in Appropriation Bills. However, if a claim is settled then payment must be made, leaving no option under present arrangements but to go to AMF.

Response by the Department of Finance

9. The ABS stated in its response that, for a number of years, it has foreshadowed to Finance the likely cost of compensation claims pending a court decision and on no occasion have estimates been admitted to Appropriation Bills (see paragraph 7).

10. Section 6 of the Finance Directions, which gives guidance to departments on principles to be observed in preparing estimates, provides that the estimates should not include amounts in respect of proposals which are so far from firm that it is not possible to form any real estimate of what payments, if any, will be made.

11. Recent legal advice obtained by Finance indicates that where it is realistic to expect that a particular expenditure will be made in a particular financial year, that expenditure should be included in an item in the relevant Appropriation Act. It is proposed to include this additional guidance to departments in the next revision of Section 6 of the Finance Directions.

12. With the introduction of the Running Costs system subsequent to 1985-86, which provides for the consolidation of administrative and salaries expenses and gives departmental managers substantial freedom to allocate resources and vary priorities, Finance now receives fewer calls on the Advance to the Minister for Finance for Running Costs purposes than was previously the case.

Response by the Department of Veterans' Affairs

13. The Department of Veterans' Affairs (DVA) sought funding from AMF in 1985/86 for the following:

- . Agency nurses;
- . Separation payments;
- . Shift/penalty payments;
- . Leave loadings; and
- . Payments for inoperative staff.

14. This expenditure was largely to meet payments for nursing staff employed in DVA's large institutions where patient load is difficult to predict. At that time DVA was also experiencing difficulty in attracting and retaining nursing staff. Without matched rates, which for example was achieved in Victoria in June 1986, nurses were attracted to better paying State employment. As a result, in order to maintain the standards of client care, institutions were forced to employ agency nurses at higher rates.

15. DVA has progressively reviewed and improved procedures for monitoring salary expenditure, as evidenced by the fact that no application for funds from the Advance was made during 1987/88.

Department of Veterans' Affairs

Item 692-0-02 - Pharmaceutical Services

Conclusion (paragraphs 2.11 and 2.12 of Report 285)

The Committee has noted that pharmaceutical services has been raised as an area of concern in all Auditor-General's reports in the last three years. These audits were conducted in the Department of Veterans' Affairs and the Department of Health. Aspects of concern raised in these reports included:

- . PHARMPAY;
- . overprescribing and overservicing;
- . lack of Central Office overview and supervision;
- . lack of internal audit involvement in system design;
- . ADP procedures generally; and
- . accountability for supplies at Repatriation General Hospitals.

The Committee is greatly disturbed at the frequency with which pharmaceutical services attract unfavourable comment from the sources of scrutiny of government administration.

Response by the Department of Veterans' Affairs

16. Funding for the Repatriation Pharmaceutical Benefits Scheme (RPBS) is provided through an annual appropriation to DVA. In providing estimates, DVA is required to provide forecasts of the likely number of prescriptions. For the first time in the 1987 Budget, forecasts of drug price movements were also required.

17. Because prescription usage is largely demand driven, a shortfall in funds will occur whenever actual demand exceeds that of the estimate; or where price fluctuations are greater than provided in the estimate. In practice, demand may increase outside the estimate because of seasonal factors, for example, a severe winter. Since the 1985-86 Budget, predictions of demand have been complicated because of policy decisions to limit access of service pensioners and war-widows to the RPBS. An unknown number of service pensioners and war-widows have continued to access the Scheme. Price movements may also be outside predictions. However, where this is attributable to exchange rate fluctuations (for those items not subject to PBPA decisions) or increases in dispensing fees awarded by the PBRT, additional estimates are available on request.

18. In his Report, the Auditor-General noted that feasibility trials have been undertaken to test the practicality of undertaking checks on eligibility to receive RPBS benefits using a computer system. These trials have proven to be successful. DVA is now developing a suitable ADP system for operational use which will provide for automatic eligibility checking of prescriptions on the RPBS throughout Australia. The system is expected to be functional by the end of the 1988-89 financial year.

Response by the Department of Community Services and Health

19. At the end of any financial year, the Department of Community Services and Health (DOCSH) usually finds that the amounts appropriated for the payment of Pharmaceutical Benefits under the RPBS, which is administered by DVA, are insufficient to meet claims lodged by DOCSH.

20. During 1985/86, whilst difficulty was experienced in processing resulting in payment delays to pharmacists for National Health Scheme (NHS) Pharmaceutical Benefits under the Pharmaceutical Benefits Scheme, a commitment was given to DVA to process and pay prescriptions lodged under the RPBS. This commitment was adhered to at the expense of payments made by the (then) Department of Community Services.

21. Up to date processing information would therefore have been available from the PHARMPAY system in respect of RPBS processing but not NHS processing. DOCSH therefore believes that processing difficulties experienced with PHARMPAY during 1985/86 would not have contributed to DVA's difficulties in estimating outlays under RPBS. Processing on behalf of DVA has been carried out without any difficulty, except for the usual funds situation which was experienced again in June 1987.

22. During the development of the current processing system for Pharmaceutical Benefits, DOCSH involved its Internal Audit Branch in the review of the systems design to ensure that adequate controls existed. No examination of the processing system has been completed to date by the Australian Audit Office, although one is presently being carried out.

23. Overprescribing and overservicing by medical practitioners is of concern to DOCSH. Historically, the pharmacists employed by the Department have been used for both an audit and investigation role as well as a general counselling role. This role is to be enhanced following the recommendations of the Scrutiny Review for the Payment of Pharmaceutical Benefits, which provided for the appointment of ten additional pharmacists to carry out a defined doctor-counselling role.

24. The Pharmaceutical program within DOCSH is a nationally managed program with a clearly defined role for the Central Office of the Department.

Department of Education

Item 270-4-09 - Living allowances for English as a second Language course as Technical and Further Education institutions

Recommendation (paragraph 2.15 of Report 285)

The Committee recommends a review by the Department of Finance of the need for multiple applications where the exact requirements for funds is known.

Response by the Department of Finance

25. The Department of Finance attempts to minimise the amount and number of calls on the AMF. In those cases where amounts qualifying for funding from AMF are known, these are usually issued from AMF as a single amount; in other cases where there is less certainty as to the actual amount required, a conservative approach is adopted, so as not to provide a greater amount than is necessary. Such an approach is considered preferable, even though it may mean more than one application in some cases.

M. S. Keating

M. S. KEATING
SECRETARY
Department of Finance

**FINANCE MINUTE ON
REPORT 286
EXPENDITURE FROM THE ADVANCE
TO THE MINISTER FOR FINANCE
(APPROPRIATION ACTS 1986-87)**

CHAPTER 2

DEPARTMENT OF FINANCE MINUTE

2.1 This minute is a response from the Department of Finance, as the agency administering the Advance to the Minister for Finance (AMF).

2.2 In this chapter the Committee's conclusion is reproduced and in turn is followed by the response.

Conclusion (paragraph 1.18 of Report 286)

The Committee concludes that:

- . a pro forma prescribed by the Department of Finance for all applications submitted to it would be the best means of ensuring in future that this requirement was met.

Response

2.3 The Department of Finance notes the Committee's concern that insufficient documentary information continues to be a problem with applications for expenditure from AMF, which are passed to the Committee.

2.4 Finance does not, however, process any claim for AMF from departments unless sufficient information is available in support of the application. Often, the original formal approach from a department is augmented by oral advice obtained prior to claims being processed which is documented on internal working papers of the Department of Finance. However, in accordance with current arrangements instituted in 1982, only copies of departmental submissions are forwarded to the Committee for examination. All departments are urged by Finance in an annual memorandum to ensure that submitted applications contain or are supported by sufficient documentary evidence to satisfy the criteria that expenditure is urgently required and was unforeseen.

2.5 The Department of Finance agrees that a prescribed pro forma for all applications would serve as a useful method of encouraging compliance with evidence requirements and accordingly Finance has recently issued a memorandum to all departments and agencies introducing a pro forma for use by departments. As a result, with effect from 8 April 1988, all applications for recourse to AMF, not merely those expected to remain as a final charge on AMF, are to be submitted for consideration in the form set out in the prescribed pro forma. If, in cases of urgency, the completed pro forma is of itself not sufficiently comprehensive so as to enable Finance determination of criteria satisfaction, additional verbal information sought and provided, and later confirmed in writing by the department, will be forwarded to the JCPA concurrently. If substantiation of oral advice was subsequently not forthcoming the Committee would be informed accordingly. For other than urgent cases, if the completed pro forma does not contain the required information, the relevant department will be requested to provide a new application for AMF, which fully addresses the criteria.

Michael Keating

M S KEATING
SECRETARY
Department of Finance

**FINANCE MINUTE ON
REPORT 287
AUSTRALIAN TAXATION OFFICE -
COMPUTER SYSTEM RE-EQUIPMENT
AND REDEVELOPMENT**

CHAPTER 3

DEPARTMENT OF FINANCE MINUTE

3.1 This minute has been prepared on the basis of responses received from the Australian Taxation Office, and the Department of Finance.

3.2 In this chapter each of the Committee's recommendations and conclusions is reproduced in turn and is followed by the response.

Australian Taxation Office

Industrial Relations

Conclusion (paragraph 2.26 of Report 287)

The Committee concludes that the Australian Taxation Office needs to formulate an appropriate fall back strategy as a contingency to the situation where disagreement arises over the content of an agreement between the Australian Taxation Office and the staff associations.

Response

3.3 The Australian Taxation Office (ATO) recognises the need for contingency planning, and procedures currently being developed for all re-equipment and redevelopment projects will call for the preparation of a range of contingency plans, including industrial action.

3.4 At the same time, the ATO is taking a pro-active role in ensuring full participation of unions in the Re-equipment and Redevelopment process. Unions now have high level representation on the Management Advisory Committee, which is the senior co-ordinating committee for the overall project. Added to this is the fact that the ATO is seeking agreements before decisions are taken locking the ATO into particular directions. This early negotiation activity is enabling decisions to be made with a full range of union attitudes on key matters.

3.5 Since the time of the Committee hearings, negotiations have continued between ATO and unions on a technological change agreement covering consultative processes and some other matters. While they have not been concluded, negotiations have resulted in a wide range of issues being resolved to the satisfaction of all parties. Most issues not yet resolved are generally a matter of wording or structure rather than irreconcilable differences of principle. However, there is one significant area not yet agreed with the unions and which concerns redundancy.

3.6 In its present form, the draft agreement indicates that, although no absolute guarantee can be given, it is the aim of the ATO that no staff will be made redundant by the introduction of new technology. The agreement then goes on to identify processes of redeployment and retraining that will be adopted to achieve this aim. In the unlikely event that redundancy cannot be avoided, the draft agreement provides that formal consultation in accordance with the APS Redeployment and Retirement (Redundancy) Award 1987 will be initiated.

3.7 We are now negotiating with unions a separate agreement on redevelopment which will pick up this issue in particular, as well as some others that are peculiar to the redevelopment activity. Other issues for instance are the location of ATO activities and furniture and accommodation standards. The areas to be negotiated are difficult ones but the ATO is confident that negotiations will lead to an agreement that will satisfy the needs of both sides.

3.8 In the event that unions become totally obstructionist to redevelopment going ahead, ATO would have to consider the circumstances at the time. It is not possible to be definitive at this time on what action would be taken in that event. However, ATO are confident that the measures already adopted in relation to consultation will put it in the best possible position to handle issues as they arise.

3.9 The Committee will be aware that, as part of the recent Australian Public Service 4 per cent second tier pay negotiations, the Government and the unions have agreed on a disputes avoidance/settlement procedure together with a basis for consultation and negotiations on technological change, which will streamline the process of introducing new technology.

3.10 A central feature of the disputes settlement procedure provides for continuation of normal working arrangements on a without prejudice basis pending resolution of dispute situations which may arise. A key element of the streamlined procedures in relation to technological change indicates that the objective of consultation/negotiation is to reach agreement but that the process of consultation and negotiation does not require that final agreement be achieved.

Computer Systems Officer (CSO) Staffing

Conclusion (paragraph 2.55 of Report 287)

The Committee concludes that:

- . the current shortage of skilled ADP personnel is a major problem to the Australian Public Service and, in particular, the Australian Taxation Office;

- . the Australian Taxation Office will not obtain the numbers of trained computer staff that it has stated it needs;
- . the Australian Taxation Office will have to rely very heavily on the contract market to supplement its staff numbers, particularly at the CSO2 and CSO3 levels;
- . the Australian Taxation Office will have difficulty in building effective teams that hold together over a reasonable period of time; and
- . the Australian Taxation Office must continue to consider and implement new ways of obtaining the skilled staff it needs if it is to achieve its redevelopment program.

Recommendation 1 (paragraph 2.56 of Report 287)

The Committee recommends that the Australian Taxation Office consider recruiting, from among its non-computing staff who have the appropriate aptitude, staff who may be trained in programming, systems development and systems support skills with a view to them becoming computer personnel within the Australian Taxation Office.

Response

3.11 The ATO agrees that development of non-computing staff has the potential to increase the number of skilled computer personnel within the ATO. To this end, the ATO is participating in a Trainee Computer Systems Officer (TCSO) scheme being run at the Canberra College of Advanced Education (CCAЕ). The TCSO scheme is designed to train graduates of other disciplines in the essentials of information systems development so that the graduates can be employed as base grade CSO1.

3.12 The ATO had ten representatives on the scheme, six from within the ATO and four new recruits. While the scheme is expensive in terms of both money and Average Staffing Level, the ATO's involvement is in accordance with the Committee's recommendation and is expected to provide staff with both technical and ATO business skills. The ATO will be reviewing the scheme with the objective of increasing its participation if the scheme proves effective.

3.13 At the same time, the ATO does not share the pessimism expressed by the Committee about the ATO's ability to recruit computer personnel. As previously expressed to the Committee, the ATO has recognised the importance of appropriate recruitment strategies to the success of its redevelopment program and has given the issue priority attention.

3.14 Recruitment in 1987/88 has achieved the ATO's objectives. In its recent recruitment campaigns, the ATO considered several options to increase the pool of available skilled staff. This included successful action taken to place officers made surplus by changes in Administrative Arrangement Orders. Overseas recruitment was also considered as an option but discarded following the success of other initiatives.

3.15 As indicated in the following table, the ATO has been particularly successful in its recruitment strategies:

TABLE 1 : NUMBER OF CSO STAFF

	AS AT 30.6.87	AS AT 29.2.88	EXTERNALLY RECRUITED SINCE 30.6.87	INTERNALLY PROMOTED SINCE 30.6.87	DEPARTURES FROM ATO SINCE 30.6.87
TCSO	-	10	10	-	-
CSO1	43	72	51	1	8
CSO2	56	65	11	15	3
CSO3	44	61	14	14	2
CSO4	24	34	9	9	4
CSO5	11	20	7	4	2
SES	5	6	1	-	-
TOTAL	183	268	103	43	19

NOTE: Externally recruited means from outside the Systems Group. Internally promoted means within the Systems Group.

TABLE 2 : INCREASES IN OVERALL SYSTEMS STAFF LEVELS

DATE		STAFF LEVEL
30.6.85	-	239
30.6.86	-	308
30.6.87	-	354
1.1.88	-	381
29.2.88	-	435
30.6.88	projected	440

TABLE 3 : RATES OF ATTRITION, SYSTEMS STAFF

CALENDAR YEAR	CSO %	PROJECT CLERICAL %
1984	23.22	N/A
1985	27.10	N/A
1986	26.92	16.70
1987	11.96	15 (approximately)

NOTE: Attrition is defined as officers who have left the ATO through permanent transfer, promotion or resignation.

3.16 The Committee should also note that the review referred to in paragraph 3.38 may affect the timing of resource requirements.

Management Expertise

Conclusion (paragraph 2.76 of Report 287)

The Committee concludes that:

- . the Australian Taxation Office's major re-equipment and redevelopment program is one of the largest projects of its kind to be undertaken in Australia and, as such, warrants the Australian Taxation Office using the best managers available and to ensure the program's success; and
- . the senior management in the Australian Taxation Office's Systems Group do not have sufficient experience to manage a project of this scale in addition to their management responsibilities for ongoing systems on existing equipment.

Recommendation 2 (paragraph 2.77 of Report 287)

The Committee recommends that the Australian Taxation Office set up a task force dedicated to the re-equipment and redevelopment program and that this task force be managed by highly experienced external resources.

Response

3.17 The ATO agrees with the need to focus on management of the program as a whole. However, it does not agree with the implied limitation to Systems Group aspects, nor does it accept that management should be passed to external sources.

3.18 The Re-equipment and Redevelopment program will affect the total operations of the ATO. It is only by focusing on technology as a tool to achievement of the ATO's corporate objectives that full benefits of technological change can be reached. Accordingly, the project involves a wide range of organisational issues including, for example, job design, accommodation and organisational structures.

3.19 The ATO has taken steps to improve the management of the overall program within this framework. A team led by a Second Commissioner is being established and supported by an external consultant to co-ordinate the many projects within the overall program. The ATO accepts the need for external participation to address particular areas of expertise that may not be present within the ATO. It does not accept, however, that external participation should include ultimate management responsibility.

Systems Design

Conclusion (paragraph 3.18 of Report 287)

The Committee concludes that:

- . the Australian Taxation Office's approach to system integration is based on establishing arbitrary or traditional boundaries between functions rather than on a careful analysis of the relationships between system components;
- . the Australian Taxation Office's design decisions which relate to the transition process from current file structures and application programs to the proposed integrated databases and associated sub-systems have been based on inadequate analysis;
- . the Australian Taxation Office has not given adequate consideration to the required migration strategy and associated planning and their relationship to the High Level Integrated Design; and
- . the Australian Taxation Office has underestimated the impact of migration in terms of elapsed time for completion and associated costs.

Recommendation 3 (paragraph 3.19 of Report 287)

The Committee recommends that the Australian Taxation Office review its High Level Integrated Design in the light of the Committee's concerns.

Response

3.24 The High Level Integrated Design (HLID) is an initial process in the Redevelopment work. It was intended to clarify the boundaries between systems development projects and must be viewed as an extension of the Information Systems Plan. It was developed via a high level process primarily concerned with further defining the functional requirements of the ATO's activities and how those requirements interface with one another.

3.25 At such an early stage, it does not, and need not, consider the ultimate technical environment. It is a very early step in specifying what the new systems will do. It is not concerned with how the systems will achieve these functional requirements; that can only be determined when the new equipment environment is known. Any conversion effort referred to in the HLID relates only to the migration of data (within the new environment) from the old file structures to those required by the new applications.

3.26 The ATO's approach was not based on establishing arbitrary or traditional boundaries between functions. It was based on an analysis of the present functions, which resulted in the deletion of many of the existing functions, to arrive at a new set of integrated functions to be performed by ATO personnel.

3.27 A definition of which of the new functions would appear in each systems project was performed in detail by ATO's users, Systems Division personnel, and experienced Arthur Andersen & Co personnel. The functions within each project in the Information Systems Plan and their interfaces to other functions were studied in depth during the HLID. As a consequence, the HLID team moved some functions from one project to another. Such activities will and should continue for each project until the end of its System Design phase.

3.28 Before releasing the HLID, senior executives from the ATO, including the Commissioner, participated in a planning conference to, amongst other things, review the draft design to ensure that the broad functional requirements for ATO were adequately addressed. In addition, it must be recognised that the HLID will be subject to continuing refinement throughout the redevelopment process to take into account both the wider people and organisational aspects of the redevelopment exercise and the work of teams engaged in the next development phase of Project Definition and Planning, and so on.

3.29 The ATO considers, therefore, that it will receive greatest return on its design effort by moving next to the further development phases outlined, utilising the HLID, as it continues to evolve, as a guide to further address the interfaces between the different systems projects.

Recommendation 4 (paragraph 3.19 of Report 287)

The Committee recommends that the Australian Taxation Office develop a detailed design strategy for migration from the old processing environment to the new systems.

Response

3.30 This recommendation is in accordance with the ATO's view. The approach taken has been to include a first estimate of the order of magnitude for migration tasks in accordance with Method/1. Detailed migration designs will be developed as part of the systems design phase for each new application project.

3.31 Satisfactory development of the detailed migration strategy for each new application requires a thorough understanding of user requirements and knowledge of the facilities to be made available via the re-equipment project. This necessary information becomes available subsequent to, not prior to, development of a submission to Government for in-principle approval and development of a high level integrated design. Consequently, such detailed strategies and estimates could not be made available to the Committee when it was reviewing the proposal seeking in-principle approval.

Recommendation 5 (paragraph 3.19 of Report 287)

The Committee recommends that the Australian Taxation Office revise its time and resource estimates for redevelopment and migration accordingly.

Response

3.32 See the response provided in paragraph 3.38.

Conversion

Conclusions (paragraphs 3.32 and 3.34 of Report 287)

The Committee concludes that:

- . the Australian Taxation Office's conversion strategy is acceptable given the benefits of totally replacing the existing computer environment with new hardware and software as soon as possible; and
- . the on-line inquiry facilities presently available within the Australian Taxation Office are unsatisfactory.

Recommendation 6 (paragraph 3.36 of Report 287)

The Committee recommends that the Australian Taxation Office continue to pursue the provision of a satisfactory on-line inquiry facility for the use of Australian Taxation Office staff as a matter of priority.

Response

3.33 The ATO agrees with the Committee's conclusion that the current on-line enquiry facilities are unsatisfactory. The ATO is continuing to pursue the provision of better enquiry facilities for its staff. However, significant improvements in the enquiry service are unlikely until equipment obtained via the Re-equipment project becomes available and significant progress has been made with the conversion project.

3.34 The operating system used by the ATO mainframe computers is designed to support a batch programming environment rather than to support on-line facilities. There are, therefore, limitations on the systems capacity to handle enquiry traffic. A small increase in on-line enquiry terminal numbers has been possible in recent months. Work has been completed to provide for an additional 20 to 30 terminals this financial year but this is likely to be the upper limit for the current hardware and software without causing serious degradation to the batch processing environment.

Two-Site Environment

Conclusion (paragraphs 3.46 and 3.51 of Report 287)

The Committee concludes that:

- . the Australian Taxation Office has legitimate grounds for continuing to maintain its mainframe computer facilities using a two-site environment; and

- . there is a requirement for all Commonwealth departments and statutory authorities to have access to suitable emergency computer sites.

Recommendation 7 (Paragraph 3.52 of Report 287)

The Committee recommends that steps be taken to assess the overall emergency computer site needs of Commonwealth departments and statutory authorities.

Response

3.35 The Information Exchange Steering Committee (IESC), in its role as service wide co-ordinator for information technology issues, is addressing this recommendation. The IESC has written to Commonwealth departments and statutory authorities seeking information regarding their need for emergency computer sites and will be assessing this information in order to establish the Commonwealth's overall need.

Recommendation 8 (Paragraph 3.52 of Report 287)

The Committee recommends that, where needed, steps be taken to set aside and/or construct suitable computer sites which departments and/or authorities may use on an emergency basis.

Response

3.36 The IESC is also addressing this recommendation. It will co-ordinate an approach to the issue of backup facilities for use by Commonwealth agencies. A working group is being established to examine requirements and identify suitable options.

The Australian Taxation Office

Project Estimates

Conclusion (paragraph 3.61 of Report 287)

The Committee concludes that the elapsed period for implementation of the new systems is likely to be much longer than is currently estimated by the Australian Taxation Office.

Recommendation 9 (paragraph 3.62 of Report 287)

The Committee recommends that the Australian Taxation Office re-assess the sequence and rate of implementation of its re-equipment and redevelopment program, and set realistic and achievable goals which are not so totally dependent on obtaining scarce resources.

Response

3.37 See the responses provided in paragraphs 3.17 to 3.20 for comments on the staffing issue.

3.38 Notwithstanding those comments, the ATO is currently reviewing the implementation schedule. The objective of the review is to reach a position which minimises risks while achieving a progressive and timely redevelopment and implementation schedule that builds on experience gained throughout the project.

Project Justification and Cost Effectiveness

Conclusion (paragraph 4.30 of Report 287)

The Committee concludes that the Australian Taxation Office's current cost effectiveness analysis, based as it is on projected staff savings, provides a particularly unreliable tool for justifying the need for the proposed computer systems re-equipment and redevelopment program.

Recommendation 10 (paragraph 4.31 of Report 287)

The Committee recommends that the Australian Taxation Office re-evaluate the justification for its proposal and identify the proposal's potential benefits in terms of the objectives and performance targets defined in the Australian Taxation Office's corporate plan.

Response

3.39 See the responses provided in paragraphs 3.40 and 3.41.

Performance Indicators

Conclusion (paragraph 4.46 of Report 287)

The Committee concludes that there is a need for the Australian Taxation Office to develop, prior to the commencement of its re-equipment and redevelopment program, appropriate performance indicators which will measure the benefits of the program and the resulting systems.

Recommendation 11 (paragraph 4.47 of Report 287)

The Committee recommends that the Australian Taxation Office and the Department of Finance adopt a co-ordinated and timely approach to the specification of appropriate performance indicators for the Australian Taxation Office's re-equipment and redevelopment program and resulting systems.

Response

3.40 The cost effectiveness analysis was completed in accordance with then existing Government requirements. New guidelines for the acquisition of information technology facilities are now being implemented. The ATO has entered into discussions with the Department of Finance on the application of those procedures to the Re-equipment and Redevelopment project.

3.41 It is expected that the application of those procedures will lead to the development of a range of performance indicators, including the impact of the project on the ATO's corporate objectives (for example, the turn around time for assessments, taxpayer enquiries and so on).

3.42 The question of potential revenue benefits was addressed in the ATO's response of 5 May 1988 to issues arising out of the recent public hearings.

Response by the Department of Finance

3.43 This recommendation has been accepted and is currently being implemented. One of the important requirements of the new ADP acquisition procedures is the establishment of an agreed schedule of outcomes. Such an agreement is intended to include the establishment of performance indicators. It has been agreed between the ATO and Finance that the ATO will prepare a draft schedule of outcomes as a basis for discussion; it is expected to be settled in sufficient time to allow it to be considered by the Government as part of its budget deliberations associated with 1988-89 funding for the re-equipment proposal.

Australian Industry Participation

Conclusion (paragraph 5.18 of Report 287)

The Committee concludes that there is a need for the Australian Taxation Office to carry some additional costs in order to encourage further the local development of Australian information technology capability. This applies equally to the hardware, applications support and management aspects of the project.

Recommendation 12 (paragraph 5.19 of Report 287)

The Committee recommends that, in order to comply with Government policy, the Australian Taxation Office must deliberately and actively structure its Request for Tender to favour Australian industry participation and the extra costs it may incur should be quantified so that the Australian Taxation Office is not penalised for its active support.

Response

3.44 The Re-equipment Request for Tender (RFT) was written during the period March 1987 to early July 1987. It was written to comply with Government policy under the direction of the Re-equipment Steering Committee comprised of officers from the ATO, and the (then) Department of Local Government and Administrative Services and the Department of Industry, Technology and Commerce (DITAC).

3.45 The RFT was independently approved by the Department of Administrative Services (DAS), as the Commonwealth's Contracting Authority, and issued by DAS on 19 August 1987 under the existing Government industry development policies. A subsequent amendment to the RFT, issued on 19 October 1987, referred prospective tenderers to the Government's new Information Industries Strategy, announced on 8 September 1987, and required them to ensure that their proposals were consistent with the new strategy.

3.46 Following the issue of the RFT, 'Briefings to Prospective Tenderers' were held in Canberra, Melbourne and Sydney. Attendees at these briefings were addressed by officers from DITAC, DAS and the ATO. The briefings specifically included the topic of Australian Industry Participation.

3.47 The ATO's Conversion RFT was issued on 30 March 1988 and similarly follows Government policy in relation to its strategy for Australian Industry Participation. In relation to both RFTs, the ATO considers that their structure reflects the need to encourage Australian Industry Participation whilst meeting the need for low risk situations.

3.48 The Committee's comments relating to extra costs are noted.

Australia Card

Conclusion (paragraph 5.39 of Report 287)

The Committee concludes that the development and use of a high integrity numbering system could give the Australian Taxation Office the potential to maximise the improvements in its operations that are anticipated from the Office's computer systems re-equipment and redevelopment proposal.

Response

3.49 The ATO agrees with the Committee's conclusion.

Michael Keating

M.S. KEATING
SECRETARY
Department of Finance

SUPPLEMENTARY MATERIAL
ON REPORT 287
AUSTRALIAN TAXATION OFFICE -
COMPUTER SYSTEM RE-EQUIPMENT
AND REDEVELOPMENT



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4 October 1988

Mr D.A. Shand
First Assistant Secretary
Financial Management and Accounting
Policy Division
Department of Finance
PARKES ACT 2600

ATTENTION : S. Baker

JOINT COMMITTEE OF PUBLIC ACCOUNTS (JCPA) - 287TH REPORT
- AUSTRALIAN TAXATION OFFICE - COMPUTER SYSTEM RE-EQUIPMENT
AND REDEVELOPMENT

In your letter of 6 September you referred to a request from the JCPA for additional information on our responses to Recommendations 2 and 5 of their Report.

Recommendation 2 : Project Office

2. In our response to Recommendation 2 we mentioned that the ATO has taken steps to broaden the management of the overall project. This action was taken against the following views -

- it is only by focusing on technology as a tool to achievement of the ATO's corporate objectives that full benefits of technological change can be achieved;
- the project involves a wide range of organisational issues including, for example, job design, accommodation and organisational structures. By way of illustration, the development of the Master Project Plan (see paragraph 7 below) has identified in excess of 80 projects to be undertaken;
- the need for external participation to address particular areas of expertise that may not be present within the ATO is acknowledged;
- a key to the success of the project is for ownership of, and commitment to, the project to reside with the ATO.



3. It is in this context that we have established a "Project Office" to assist me in co-ordinating the many individual projects and activities that need to be addressed to ensure success of the Re-equipment and Redevelopment program. (Given its broader aspects we have adopted the term "Tax Office Modernisation" as an umbrella for the program.)

4. To put the operation of the Project Office in context, I have attached (Attachment A) a diagrammatic representation of the broad management structure and the broad responsibilities of each.

5. Also represented on the diagram is the Senior Management Team which has been developed to further assist me in my overall co-ordinating role by bringing together those senior managers with principal responsibility for Modernisation projects. This Management Team is to meet regularly (presently fortnightly) to review progress and address issues as a working party where necessary. The objective is to minimise the hierarchy involved and provide a forum at which issues are addressed from an office-wide perspective by participants with first-hand knowledge of projects involved.

6. It is also planned that the Management Team have regular "time out" sessions which would be attended also by individual project managers. The objective of these is to provide an expanded forum to review overall progress and to foster closer communication links between key players.

7. Turning to the specific points addressed in your letter with respect to the Project Office :

- . members of the Project Office are engaged on a full time basis;
- . composition of the Office will change over time as we move through various phases of the project. By way of illustration it is envisaged that, as we move to the implementation phases of projects, people will be assigned to the project office to co-ordinate the various releases occurring within a specific time span (see roles of "release plan manager" in Attachment A);
- . the Office has been established and presently consists of an external consultant (from the international consulting firm DMR Group Australia Pty Ltd), two officers at the ASOB level, one with a strong background in revenue collection systems and the other with experience in corporate management support and a computer systems officer to provide computer support to the Project Office;
- . the consultant has been engaged both as a general advisor to myself and with particular responsibility at this stage for bringing together an overall planning document for the project, referred to by us as the Master Project Plan. This is to contain details of identified projects (e.g., scope,

objectives, sub-projects/phases, results, etc.) planned durations and dependencies. The plan will be subject to up-dating as individual projects commence and detailed project plans are completed. It will form the basis for computer-based project tracking support. The consultant has also been involved in the development of a project handbook designed as a practical guide to project management planning and control within the context of Modernisation and is on the Senior Management Team referred to in paragraph 5.

Recommendation 5 : Implementation Schedule

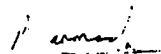
8. Following the Committee's Report, the timetable for redevelopment has been the subject of review. A revised implementation schedule has been prepared having specific regard to:

- the experience and learning benefits to be obtained from the redevelopment of smaller projects before embarking on major redevelopment components (hence the advancement of the Pay-As-You-Earn and sales tax systems);
- the benefits to be realised from early achievement of successful redevelopment projects (hence the advancement of returns generation/receipt and automated despatch and implementation of the electronic lodgement system being piloted and refined in our Adelaide Office);
- complementing the previous 2 points, the reduction in risks achieved by gaining experience in smaller systems redevelopment before embarking on major components;
- the benefits of providing for a higher level of staff participation in redevelopment projects through greater representation of business staff on project teams and through use of the participative processes incorporated in Office Structures Implementation - benefits being in terms of improved functionality of systems, enhancement of job design, and staff commitment to the project; and
- the total staff numbers profile generated under the original timetable, which resulted in substantial and potentially unmanageable annual fluctuations in staff numbers (see Attachment B).

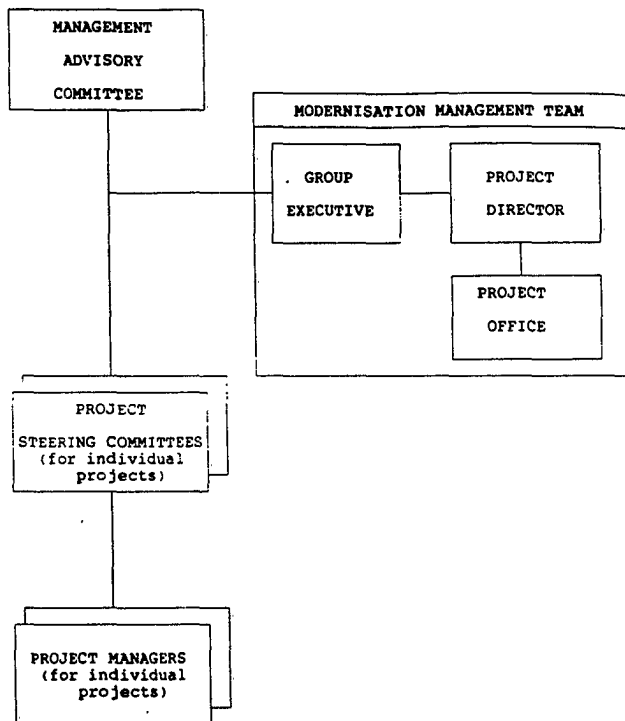
9. In response to the request contained in the third paragraph of your letter I have attached copies of the revised schedule (Attachment C) and the schedule implied in the Submission considered by the Committee (Attachment D). Some caution needs to be exercised in relation to the new schedule. The project "Integrated Returns" will establish the broad framework within which individual projects will operate and may result in modification to the plan.

10. I was unsure of the precise nature of the remaining details sought in that paragraph but have assumed they relate to systems staffing, as this was a matter about which the Committee had expressed some concern in the context of the implementation schedule. I have, therefore, also attached (Attachment E) systems staffing requirements (expressed in terms of ASL and salary costs) implied in each schedule which demonstrate the reduced annual requirements that apply under the revised schedule.

11. Please advise me if any further elaboration is required by the Committee.



(M.J. Carmody)
SECOND COMMISSIONER

TEAM STRUCTURE AT THE OVERALL PROJECT LEVEL

ROLES AND RESPONSIBILITIES

- Management Advisory Committee (MAC)**
- Expanded to include union representatives;
 - approves project initiations, objectives, key operating principles, project schedule, steering committees and steering committee chairman;
 - resolves major issues of principle;
 - monitors progress of project;
 - meets 4/6 weeks or as required.
- Project Director**
- M. Carmody, Second Commissioner of Taxation.
 - responsible for integrity, co-ordination and progress of overall project;
 - develops overall project plan and assists with sub-project plans;
 - brings forward reports on project progress to MAC;
 - follows up on issues raised by MAC;
 - accounts for commitments to Government and co-ordinates Government submissions.
- Project Office**
- supports the project director in execution of his responsibilities;
 - gathers and integrates planning information;
 - monitors overall Modernisation Project progress and prepares reports;
 - acts as a "help" facility for project managers;
 - promotes cross-project communication and understanding;
 - maintains High Level Integrated Design as projects evolve, brings potential conflicts in project developments to the attention of the Project Director;
 - co-ordinates implementation of project releases through medium of a "release plan manager".

**Release
Plan Manager**

- the release plan manager is concerned with the integration and co-ordination of the implementation of the complete or partial results of various projects within the same time period;
- the release plan manager accepts responsibility for co-ordinated delivery of a release during the designated time period;
- negotiates and defines implementable releases;
- monitors the priorities of project managers, and liaises with project managers on all issues related to implementation of the release;
- raises critical unresolved issues affecting implementation of the release with the Project Director.

Group Executive

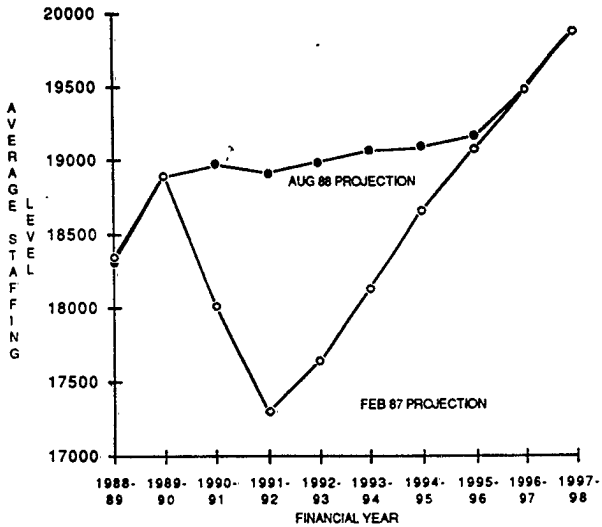
- senior executive of program groups within the ATO;
- accepts responsibility for projects within Group;
- works with project managers to resource teams;
- responsible for delivery of the support projectd/activities undertaken within the Group;
- works jointly with Project Director and other Group Managers in exercising responsibilities (see paragraph 5).

**Project
Steering
Committees**

- operate as subcommittees of the MAC in relation to a particular project.

**Project
Manager**

- plans, organises and controls a specified project, including appointment of working groups for walkthroughs, technical reviews, or participatory process;
- reports on progress as required;
- responsible for achievement of project plan.

**MODERNISATION: PROJECTED TOTAL ATO STAFF
FEB 87 COMPARED WITH AUG 88**

BUSINESS SYSTEMS

(26 Sept 1988)

(financial years 88/89 to 97/98)

PROJECT	89	90	91	92	93	94	95	96	97	98
1. ELECTRONIC LODGMENT	■	■	■	■						
2. PRE-PLANNING	■									
5. INTEGRATED RETURNS	■	■	■	■						
6. CLIENT REGISTRATION	■	■	■	■						
7. RETURNS GEN/RECEIPT	■	■	■	■						
8. AUTOMATED DESPATCH	■	■	■	■						
9. PAYE	■	■	■	■						
13. SALES TAX	■	■	■	■						
16. INCOME TAX RETURNS	■	■	■	■						
17. INCOME TAX ACCOUNTING	■	■	■	■						
18. INCOME TAX INPUT/OUTP	■	■	■	■						
19. COLLECTIONS/RECOVERY	■	■	■	■						
20. AUDIT SEL/DATA MATCH	■	■	■	■						
21. AUTOMATED AUDIT	■	■	■	■						
22. INSPECTIONS	■	■	■	■						
23. PRESCRIBED PAYMENTS	■	■	■	■						
24. LODGMENT ENFORCEMENT	■	■	■	■						
25. CLIENT HISTORY	■	■	■	■						
26. TAX AGENT SUPPORT	■	■	■	■						
27. CORRESPONDENCE	■	■	■	■						
28. TAXATION STATISTICS	■	■	■	■						
29. PROSECUTIONS	■	■	■	■						
30. DISPUTES MANAGEMENT	■	■	■	■						
31. CLIENT SUPPORT	■	■	■	■						
32. STRATEGIC DEC SUPPORT	■	■	■	■						
33. FRINGE BENEFITS TAX	■	■	■	■						
34. MISCELLANEOUS TAXES	■	■	■	■						

ADMINISTRATIVE SYSTEMS

(financial years 88/89 to 97/98)

PROJECT	89	90	91	92	93	94	95	96	97	98
3. HUMAN RESOURCE MMENT	■	■	■	■						
4. FINANCIAL MANAGEMENT	■	■	■	■						
10. OFFICE AUTOMATION	■	■	■	■						
11. INVENTORY	■	■	■	■						
12. LIBRARY	■	■	■	■						
14. COMP AIDED PUBLISHING	■	■	■	■						
15. REGISTRY	■	■	■	■						

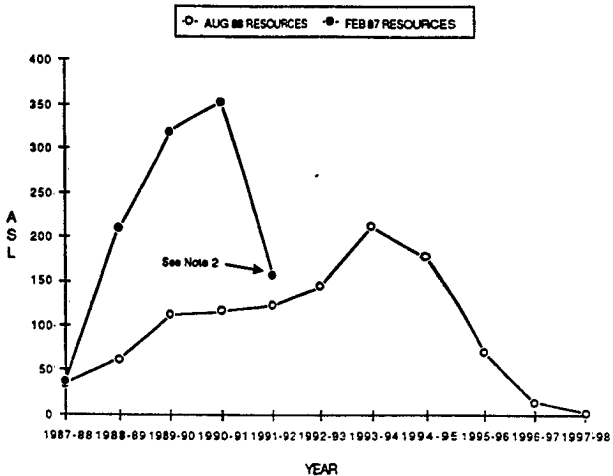
■ = DEVELOPMENT UP TO THE STAGE PRIOR TO COMMENCEMENT OF IMPLEMENTATION OF THE INITIAL PHASE

▨ = IMPLEMENTATION INCLUDING CONTINUING DEVELOPMENT OF PHA FOR LATER IMPLEMENTATION

**HIGH LEVEL INTEGRATED DESIGN
IMPLEMENTATION SCHEDULE**

NEW SYSTEM OR NEW EQUIPMENT	1987/88				1988/89				1989/90				1990/91				1991/92			
	01	02	03	04	01	02	03	04	01	02	03	04	01	02	03	04	01	02	03	04
CLIENT REGISTRATION																				
INCOME TAX RETURNS PROCESSING																				
INCOME TAX RETURNS GENERATION																				
INCOME TAX ACCOUNTING																				
COLLECTIONS / RECOVERY																				
AUDIT SELECTION/DATA MATCHING																				
LIBRARY MANAGEMENT																				
HUMAN RESOURCE MANAGEMENT																				
INVENTORY & FORMS MANAGEMENT																				
PURCHASING, ACCOUNTS PAYABLE																				
FINANCIAL MANAGEMENT AND GENERAL ACCOUNTING																				
AUTOMATED DISPATCH																				
AUTOMATED AUDIT																				
LOGGMENT ENFORCEMENT																				
CLIENT HISTORY																				
"ANALYSIS" STATISTICS																				
CORRESPONDENCE MANAGEMENT																				
TAX AGENT SUPPORT																				
PAYS (INSTALMENTS)																				
PROSECUTIONS MANAGEMENT																				
DISPUTES MANAGEMENT																				
CLIENT SUPPORT																				
INSPECTIONS																				
SALES TAX PROCESSING																				
PERFORMANCE MANAGEMENT STRATEGIC DECISION SUPPORT																				
PPS																				
FBI																				

**SYSTEMS PROJECT STAFF
(FEB 87 COMPARED WITH AUG 88)**



Note 1 - This reflects gross Systems resources planned for Re-equipment, Conversion and Redevelopment at February 87 and August 88. It does not represent additional Systems resources that will be bid for on an annual basis (the net figure was reflected in the J.P.C.P.A. submission of February 1987).

Note 2 - As at February 1987, resource estimates were made only to year ended 30 June 1992. There was a reduced requirement after this date with a completion date somewhat earlier than 1998.

SYSTEMS PROJECT STAFFING AS REFLECTED IN ATTACHED GRAPH

AVERAGE STAFFING LEVEL:

YEAR ENDED	88	89	90	91	92	93	94	95	96	97	98	TOT
AUGUST 88 RESOURCES	35.0	62.8	113.0	117.0	123.5	145.0	213.0	179.0	71.0	15.0	2.0	1076.
FEBRUARY 87 RESOURCES	38.1	210.0	320.4	352.8	158.1							1079.

NOTE- RESOURCES INCLUDE PROJECT TEAM STAFF FOR:
 APPLICATIONS REDEVELOPMENT
 APPLICATIONS CONVERSION
 COMPUTER RE-EQUIPMENT

SALARIES (EXCLUDING OVERHEADS):

YEAR ENDED	88	89	90	91	92	93	94	95	96	97	98	TOT
												(('S 000)
AUGUST 88 RESOURCES	1141.9	2046.9	3636.7	3817.0	4029.3	4730.8	6949.3	5840.1	2316.4	489.4	65.3	35115
FEBRUARY 87 RESOURCES	1243.1	6851.5	10453.4	11510.5	5158.2							35216

NOTE - SALARY COST IS BASED ON 88/89 ESTIMATED AVERAGE SALARY OF \$32626 FOR SYSTEMS STAFF
 (NO PRICE MOVEMENT FACTOR EXCLUDED).

**FINANCE MINUTE ON
REPORT 288
REVIEW OF EFFICIENCY AUDIT -
ADMINISTRATION OF CAPITAL GRANTS
TO NON-GOVERNMENT SCHOOLS**

DEPARTMENT OF FINANCE MINUTE ON REPORT 288

1. This minute has been prepared on the basis of responses received from the Department of Employment, Education and Training and the Australian Audit Office.

2. In this minute each of the Committee's recommendations is reproduced in turn and is followed by the response.

Department of Employment, Education and Training

Objectives of the Capital Grants Program

Recommendation 1 (paragraph 2.6 of Report 288)

The Department of Employment, Education and Training develop an agreed statement of objectives for the program and that these objectives be stated consistently in various documentation.

Response

3. The Department of Employment, Education and Training (DEET) has prepared a draft revised set of Capital Grants Program aims and objectives. They are being discussed within the Department, both at Central Office and State/Territory Office level, and will be discussed with the Block Grant Authorities (BGAs) as part of the consultative process required under the BGAs block funding arrangements. It is expected that the revised aims and objectives will be in place by the end of December 1988. DEET will also seek to ensure that these objectives are stated consistently in various documentation.

Recommendation 2 (paragraph 2.6 of Report 288)

The Department of Employment, Education and Training develop valid performance indicators which relate to the agreed objectives.

Response

4. Performance indicators for the Schools Division, including the Capital Grants Program, have been reviewed with an emphasis on outcomes and a proposed set of indicators is being developed. It is impossible to give a precise timetable for this process as the development of performance indicators is dependent upon the data that can be provided by government and non-government systems. Negotiations on data and monitoring requirements are currently under way as part of the broader initiatives being pursued following the Minister for Employment, Education and Training's statement of 23 May 1988 on "Strengthening Australia's Schools".

The Existence and Adequacy of Administrative Guidelines

Recommendation 3 (paragraph 2.19 of Report 288)

The Department of Employment, Education and Training complete its development of a comprehensive and integrated set of manuals (and other appropriate documents) which together provide policy guidance and information about administrative procedures.

Response

5. The Department now has an integrated set of manuals that provide policy guidelines and outline administrative arrangements for each element in the Capital Grants Program. These documents include:

(a) For the General element:-

- (i) Administrative Arrangements for BGAs issued in November 1987;
- (ii) Administrative Arrangements for National Pool Schools issued in January 1988;
- (iii) Procedure manuals are being finalised for block grant arrangements introduced in 1988. Two manuals, namely "Block Grant Funding for Non-government Schools" and "National Pool Funding for Non-government Schools" will be completed by 30 December 1988; and
- (iv) A Post-Offer Procedural Manual was completed in October 1987 and is being slightly modified to apply to BGAs and National Pool post-offer procedures.

(b) For the Aboriginal and Torres Strait Islander (ATSI) element:-

. the ATSI manual which contains a complete statement of the administrative arrangements applying to this element was re-issued in February 1987.

(c) For the Disabled Student (DS) element :-

the manual which contains a complete statement of the administrative arrangements applying to this element was revised and re-issued in January 1988.

6. The manuals for the ATSI and DS elements have also now been reviewed to reflect current policy and procedures.

7. The Commonwealth Assistance to Schools Program Administration (CASPA) Manual was issued in August 1985. The Manual provides guidance on the input, processing and report facilities contained within the CASPA system on which the Program's administration is based. It is currently being modified to accommodate the block grant and national pool funding system.

8. The process of periodic review and subsequent update of all manuals used in the Program will continue to be accorded a high priority.

Recommendation 4 (paragraph 2.19 of Report 288)

The Department of Employment, Education and Training develop and maintain mechanisms to ensure that policy and procedure documents are kept up-to-date.

Response

9. To ensure that all documents providing policy guidance and procedural information will be reviewed and updated regularly the Department has reorganised staff so that specific officers have been assigned specific responsibilities in relation to this process.

Recommendation 5 (paragraph 2.19 of Report 288)

The Department of Employment, Education and Training train staff in the use of the manuals.

Response

10. An ongoing training strategy is in place to provide staff administering the Capital Grants Program in Central and Regional Offices with both a broad overview of all aspects of the Program and an understanding of specific aspects including the use of manuals. This strategy will also accommodate changes in policy and administrative arrangements, ensuring familiarity with documentation and reference material.

11. The staff restructure referred to in paragraph 9 will facilitate the implementation of this strategy by assigning the responsibility of training to specific officers. It is anticipated that these measures will significantly enhance the effectiveness and efficiency of the Program.

Definition and Measurement of Educational and Financial Need

Recommendation 6 (paragraph 2.27 of Report 288)

The Department of Employment, Education and Training continue the development of a standard method for block grant authorities to assess the financial need of applicant schools.

Response

12. The Department has continued to move towards a standard method for use by its State Offices and BGAs to assess the financial needs of National Pool and BGA schools. Section 20 of the Administrative Arrangements for BGAs and Section 9 of the Administrative Arrangements for National Pool schools stipulate standard points to be addressed in the financial assessment of applicant schools. The Department recently evaluated procedures for assessing the financial need of grant applicants, particularly in terms of the relationship between capital grant and general recurrent grant considerations. A model to assess the financial needs of applicant schools is currently being tested in the States/Territories. This pilot exercise should be completed by late 1988, and if considered successful, the model can be presented to BGAs for their consideration.

Recommendation 7 (paragraph 2.27 of Report 288)

The Department of Employment, Education and Training seek discussions with State and Territory educational authorities and representatives of non-government schools to determine whether the varying area standards of the Commonwealth and States can be rationalised.

Response

13. The 1983 cost study on the comparative capital costs of Australian schools was a joint Commonwealth/State study of school building standards. The study contained recommended area and costs per pupil for new primary and secondary schools as well as school building extensions. These recommendations form the basis for the current Commonwealth area standards and provide a tool for educational authorities when planning budgets for school building projects.

14. A cost study of government and non-government schools undertaken in 1978 showed a wide variation in areas and costs throughout Australia. However, the 1983 cost study revealed that there was a reduced variation in area/costs ranges between the States. In order to investigate the extent of variations between States and systems, the Department has written to State and Territorial Governments and non-government education authorities seeking details of the cost and area standards used by each authority in each State. When this material is available, the Department will consider whether there is a need for discussions and possibly for a further co-operative study to address the issue of variations in area standards across States.

Socio-economic Disadvantage

Recommendation 8 (paragraph 2.33 of Report 288)

The Department of Employment, Education and Training clarify in its guidelines the effect that socio-economic status has on a school's eligibility for a grant.

Response

15. The Department has analysed decision-making in relation to the assessment of grant applications. Socio-economic status is a determining factor once educational and financial need has been decided. The Department is currently reviewing the extent to which this is reflected in the guidelines. Where the need for clarification is identified, the Department will consult with BGAs before appropriate amendments to the guidelines are made.

Recommendation 9 (paragraph 2.33 of Report 288)

The Department of Employment, Education and Training consider adopting the Educational Resource Index ratings as a measure of socio-economic disadvantage (in their present or modified form) for the purposes of determining capital grant eligibility or that it develop a more precise method for determining socio-economic status.

Response

16. The Department has examined the feasibility of using the Educational Resource Index (ERI) as a measure of socio-economic disadvantage. Preliminary findings indicate no correlation between ERI and the socio-economic status of the schools studied. A DEET Working Party (in consultation with the Australian Bureau of Statistics) has developed an interim method of assessing socio-economic disadvantage which is currently being piloted by DEET.

Eligibility and Priority for Grants

Recommendation 10 (paragraph 2.37 of Report 288)

The Department of Employment, Education and Training clarify the relative importance of socio-economic status, financial need and educational need in determining eligibility and priority for capital grants.

Response

17. The Department acknowledges that there is a need to clarify the relative importance of socio-economic status, financial need and educational need. This is currently being addressed in the context of the development of the Capital Grants Program guidelines for 1989 and Administrative Arrangements documents for BGAs and National Pool schools.

Commonwealth Financial Interest in Approved Projects

Recommendation 11 (paragraph 2.45 of Report 288)

The Department of Employment, Education and Training seek legal advice as to its current capacity to enforce recovery action.

Response

18. The Administrative Arrangements documentation for BGAs stipulate that those BGAs representing participating non-government schools, the majority of which are operating in their own right, should require schools which are offered a grant to provide appropriate security, as determined by the Minister for Employment, Education and Training, to be held by the BGA in trust for the Commonwealth for the observance of conditions attached to capital grants.

19. This requirement, as well as a requirement that BGAs are responsible for safeguarding the Commonwealth's residual financial interest in funded projects in member schools, has also been incorporated into the agreement entered into by the relevant BGAs. Legislation has now been passed that will enable a BGA, with the approval of the Minister of Employment, Education and Training, to apply for reimbursement of any legal costs incurred by the BGA in obtaining and providing payments to discharge the Commonwealth's financial interest in funded capital projects in a member school. Such reimbursement would be deducted from program funds available to the BGA for the particular year.

20. The existence of such security, generally proposed to be in the form of a caveat, will improve the Commonwealth's awareness of likely school closures. This will thereby enhance the Department's capacity to obtain repayment of the Commonwealth's equity in cases where schools default on their legislated obligations by failing to notify the Commonwealth when proposing to sell a Commonwealth-funded project prior to the expiration of the Commonwealth's 20 years interest.

21. The Department has sought legal advice from the Attorney-General's Department on its capacity to enforce recovery action. Procedures that are in place for recovery action will be reviewed on the basis of the expected advice.

Recommendation 12 (paragraph 2.45 of Report 288)

The Department of Employment, Education and Training publish comprehensive guidelines which address the protection of the Commonwealth's financial interest, particularly in situations where schools close or where assets cease to be used principally for an approved purpose.

Response

22. The various Administrative Guidelines for the Program for 1988 specify in detail the obligations of schools. These guidelines ensure that the Commonwealth's financial interests are safeguarded. The guidelines for BGAs also outline to agencies their obligations under the provisions of the States Grant (Schools Assistance) Act 1984. The Commonwealth has entered into agreements with BGAs which, inter alia, stipulate relevant requirements. Agreements between BGAs and member schools have also been executed. These agreements clearly outline the responsibility of schools and BGAs in relation to the protection of Commonwealth equity in facilities partially funded by Commonwealth grants. Schools are also required to sign an undertaking to abide by these statutory requirements in the offer process.

Recommendation 13 (paragraph 2.45 of Report 288)

The Department of Employment, Education and Training provide a report to the Committee when its investigations into closures during the last three years are completed.

Response

23. Investigations have been completed and the report into school closures during the last three years was provided to the Committee in November 1988.

Recommendation 14 (paragraph 2.45 of Report 288)

The Department of Employment, Education and Training ensure that schools receiving grants are aware of their obligations in relation to the Commonwealth's financial interest.

Response

24. In response to this recommendation, the Department has taken every possible measure to ensure that schools are clear about their obligation under the States Grants (School Assistance) Act 1984 in relation to the Commonwealth's financial interest in funded projects. The related sections of the Act are highlighted and explained in detail in the documentation for each of the elements in the Program as follows:

- (a) Administrative Arrangements for Block Grant Authorities - Section 14
- (b) Administrative Arrangements for National Pool Schools - Section 12
- (c) Disabled Students Element Procedural Manual - Section on Commonwealth Financial Interest
- (d) Aboriginal and Torres Strait Islander Element Procedural Manual - Section 24
- (e) Administrative Guidelines for 1988 - Commonwealth Financial Interest (paragraph 3.25)

25. Responsibility for the detailed administration of grants within the general element lies with each BGA in relation to its participating schools. As part of its agreement with those schools, before grants are actually payable the BGA is required to make schools aware of obligations they incur in accepting a Commonwealth capital grant. BGAs are held responsible for safeguarding the Commonwealth's residual financial interest in funded projects in member schools; and this is a condition that they agree to adhere to when accepting Commonwealth funds for member schools. It is considered that the close contact that participating schools have with their BGA will enhance the capacity of those authorities to monitor compliance by schools with the conditions under which grants are made available. The Department provides an example of a contract between a BGA and a participating school for use as a model by BGAs to ensure that member schools conform to this requirement.

Recommendation 15 (paragraph 2.45 of Report 288)

The Department of Employment, Education and Training provide statistical information in relation to section 26(2)(c) of the States Grants (Schools Assistance) Act 1984 in its annual report.

Response

26. This recommendation will be implemented. The mechanisms being set up in the Department will allow this information to be collected as a matter of course and it will be included in all future annual reports. Information will also be provided in relation to section 26(2)(c) and section 26(2)(d) of the States Grants (Schools Assistance) Act 1984, with regard to schools that have closed and have received funding from a BGA.

Processing of Applications

Recommendation 16 (paragraph 2.49 of Report 288)

The reasons for the block grant authorities not recommending projects for approval should be listed in the schedules sent to the Department of Employment, Education and Training's central office.

Response

27. Section 24.9 of the Administrative Arrangements for BGAs clearly stipulates that these authorities are required to provide details of rejected projects in their annual schedules. Under Section 11.1, BGAs also have to advise applicant schools of the reasons for unsuccessful applications.

28. The Department has received annual schedules for 1988 for all BGAs. All have complied with the requirement that details of rejected projects and reasons for rejection be provided.

Management Information and Automatic Data Processing.

Recommendation 17 (paragraph 2.56 of Report 288)

The Department of Employment, Education and Training develop and implement a comprehensive and integrated information strategy for the capital grants program.

Response

29. A comprehensive and integrated information strategy has been developed to monitor both Program efficiency in terms of its administration and the effectiveness of the Program in relation to its objectives. Updates are undertaken periodically to safeguard the accuracy and currency of the data.

30. Capital grants statistics are now collated through the comprehensive CASPA system which facilitates performance monitoring to ensure that targets are met and expenditure and commitment plans are adhered to. The CASPA manual outlines responsibilities of State Offices in relation to statistical input data. The relevant manuals for BGAs and National Pool school authorities have clear instructions on the documentation that needs to be submitted at each stage of the application. A built-in checking mechanism ensures that adequate input is available before it is possible to proceed to a subsequent application processing stage.

31. In 1987, the Department established a data base designed to monitor the allocation of grants under the general element of the Capital Grants Program. Data in respect of applications and approvals from 1976 was collected from State Offices, Departmental files, reports and budget papers. Based on the reporting facilities provided by CASPA, a set of graphs has been created from the data base, covering a wide range of relationships and indicating trends over the Program during the period concerned. A manual containing a spreadsheet, graphs and commentaries on each State and issues for further consideration has been prepared for use by the Capital Grants Branch of the Department and State Offices. The information base will provide a better understanding of the schools that receive grants.

Recommendation 18 (paragraph 2.56 of Report 288)

The Department of Employment, Education and Training explain its information needs to prospective sources and settle the type of information to be collected and methods of collection on a consultative basis.

Response

32. The Department established a Working Party in July 1988 to examine the information needed from schools applying for funds under the Capital Grants Program. The Working Party reviewed the type of information required to assess grant applications in relation to program objectives as well as the time-frame within which this information is to be provided. It considered whether information provided under other Commonwealth assistance programs for schools could be used for the assessment processes of the Capital Grants Program. Documentation available to BGAs and school authorities was reviewed to ensure that the Department's information needs are being adequately addressed. The Working Party noted that regular contact with BGAs and school authorities would facilitate the process of explaining the Department's information needs. A report has been prepared by the Working Party which outlines the type of information to be collected and methods of collection. It also includes strategies to collect information on a consultative basis.

Internal Review Activity

Recommendation 19 (paragraph 2.60 of Report 288)

The Department of Employment, Education and Training seek to establish the reasons for differential success rates of grant applications and Commonwealth contributions to total building costs between States.

Response

33. The Department has undertaken a study of factors contributing to variations in application success rates and in project subvention levels. The study, undertaken with the assistance of regional offices, indicates that the factors contributing to the variations reflect the different circumstances between States and over successive years. It underlines the fact that the Capital Grants Program is deliberately flexible and decentralised. Monitoring of success rates and Commonwealth subvention levels will be an integral part of the review activities relating to the program.

Recommendation 20 (paragraph 2.60 of Report 288)

The Department of Employment, Education and Training continue to monitor the success rates of the grant applications and the proportion of the Commonwealth contribution to final building costs from State to State.

Response

34. The process of monitoring the success rates of grant applications and the Commonwealth subvention level from State to State has been incorporated into the Department's work program. These review activities will be undertaken in February each year when the BGA/National Pool schedules are analysed.

Forms and Information Sought from Schools

Recommendation 21 (paragraph 2.66 of Report 288)

The Department of Employment, Education and Training review its procedures, forms and practices including its method of identifying schools, to ensure that:

- application forms for capital grants for schools in the national pool require only essential information to be provided;
- information already in the Department's possession be used in assessing capital grant applications when this is consistent with sound administrative practice; and
- the Department seeks information from schools and block grant authorities in a systematic manner.

Response

35. The Working Party (referred to in paragraph 32 above) reviewed the information collected in the application and assessment process and made a number of suggestions to ensure schools are not asked to duplicate the information they provide and to ensure that information is sought in a systematic manner. The Department is currently developing a management information system module which will constitute a key element of the Financial Management Improvement Program. This will provide effective linkage between data bases used in the administration of the various schools programs. Strategies for information collection under this program may be influenced by the development of this system.

Recommendation 22 (paragraph 2.66 of Report 288)

The Department of Employment, Education and Training explain its information needs to schools and settle the type of information to be collected and method of collection on a consultative basis.

Response

36. As stated in paragraph 32 the Working Party reviewed the information requested of school authorities under the Capital Grants Program. The Working Party observed that the recently revised documentation for the various elements of the Program adequately explain to schools the information needs of the Department thus minimizing the need to approach schools for additional information.

Distribution of Funds between Block Grant Authorities

Recommendation 23 (paragraph 3.14 of Report 288)

The Department of Employment, Education and Training examine the funding outcomes for schools of equal socio-economic status affiliated with different block grant authorities to ensure that anomalies do not result from the current funding formula.

Response

37. The Department considers that it is misleading to compare outcomes of applications by individual schools in different BGAs. A range of factors influence funding decisions by the BGAs which make it impossible to consider schools in isolation. These factors include the level of funding commitments made by the State Planning and Finance Committee towards projects in schools belonging to a BGA, variations in the number and type of applications received in different years by BGAs and the overall planning priorities of BGAs

38. The current formula was designed as the most practicable and equitable way to reflect the Government's policy of providing Commonwealth assistance to those schools that are the most needy. This allows the non-government sector more autonomy and more flexibility in the way the Capital Grants Program operates. The formula takes into account the share of enrolments in each State and is oriented to the sector with the greatest socio-economic need, in accordance with the Program's over-riding priority of assisting schools serving relatively disadvantaged communities. The formula was arrived at after substantial consultation between educational authorities and the then Minister for Education, the Hon Senator Susan Ryan.

39. The Department has examined outcomes of project applications across BGAs for 1988 (including reviewing whether funding outcomes meet the objectives and priorities of the Program) and sees this as an ongoing review exercise. The funding outcomes from different BGAs will be analysed annually as part of the larger process of monitoring BGA activities. The Department also intends to examine and compare outcomes of applications for grants across systems.

The Department's Continuing Role

Recommendation 24 (paragraph 3.17 of Report 288)

The Department of Employment, Education and Training ensure that all block grant authorities understand its expectations of them, particularly in terms of the documentation required to support their recommendations for grants.

Response

40. Under section 24 of their Administrative Arrangements, BGAs are provided with detailed instructions as to the documentation that the Department requires of them, both in regard to the annual schedule of recommendations for grants, as well as information that the BGA needs to have available to support its recommendations. In addition, regular consultations are held with all BGAs and information needs and expectations are discussed and clarified.

Recommendation 25 (paragraph 3.17 of Report 288)

The Department of Employment, Education and Training direct staff savings resulting from these changes to improvements in the quality of guidelines and other documentation relating to the program as well as to the systematic monitoring of the program's effectiveness.

Response

41. The Department has applied staff savings to updating documentation and improving the information system for the Program.

Australian Audit Office

Timeliness of the Audit

Recommendation 26 (paragraph 5.9 of Report 288)

The Australian Audit Office's planning for efficiency audits should take account of the likelihood of some staff movement during the audit and of other demands on that Office's staffing resources.

Response

42. Paragraph 3.2.3.12 of the Australian Audit Office Auditing Standards, which were first promulgated in the Commonwealth of Australia Gazette on 8 September 1986, require the preparation of a management plan for each designated efficiency audit; that plan is to include a projection of the required staff resources and the organisational units from which they will be drawn. The Australian Audit Office (AAO) agrees that the plan should take account of the likelihood of some staff movement and other demands, and in fact the planning for the more recent efficiency audits has included such considerations to the extent possible. It is not always possible, however, to predict and plan for individual staff movements or other emerging priorities.

Recommendation 27 (paragraph 5.9 of Report 288)

Where efficiency audits have not been tabled within twelve months of the beginning of preliminary data collection, the Australian Audit Office should provide a full and frank statement of reasons for the delay in the report of the audit.

Response

43. The AAO agrees that the audit reports should include a full and frank statement of reasons for delays in the report of audits. It is considered that this requirement should apply to those audits which have not been tabled within 12 months of the formal advice to the auditee of the decision to undertake an efficiency audit. Although some preliminary collection of data relevant to the subject of the audit may have occurred prior to this formal advice, it is usually of a broad survey nature intended to indicate possible areas or subjects for individual in-depth investigation during an efficiency audit and to provide a guide to the scope and focus of the audit.

Recommendation 28 (paragraph 5.9 of Report 288)

The Australian Audit Office should prepare a set of explanatory documents to assist auditees to fully comply with the demands of an efficiency audit.

Response

44. A document which provides auditees with additional information on the process associated with efficiency audits and the extent of their obligations in relation to these processes has been developed and is provided to auditees at the time an audit is designated an efficiency audit.

Nature of Recommendations

Recommendation 29 (paragraph 5.15 of Report 288)

The Australian Audit Office ensure that its recommendations are sufficiently detailed to enable auditees to be clear about their scope and intention.

Response

45. It is agreed that it is essential that auditees fully understand the scope and intention of efficiency audit recommendations. Current procedures relating to efficiency audits provide that the auditee will receive details of provisional conclusions and recommendations prior to the exit interview. These matters are discussed with the auditees at the exit interview and there is provision for formal written comments to be provided following that interview. When the proposed report is subsequently forwarded to the auditee in accordance with Section 48F(3) of the Audit Act 1901, a response is obtained to each recommendation. It is believed that these processes, together with the consultation that normally occurs during all stages of the audit, provide sufficient opportunities for auditees to be clear as to the scope and intention of recommendations.

Recommendation 30 (paragraph 5.15 of Report 288)

The Australian Audit Office include a statement of the administrative context within which the auditee is operating in its efficiency audit reports.

Response

46. The AAO's Auditing Standards state the need for reports to contain an introduction which should include a brief but adequate description of the area under audit including, where appropriate, a reference to its history, what it was expected to achieve and capital and operating costs. Also, for each separate subject area in the report there should be a succinct description of the area reviewed. As from April 1988 these descriptive passages will refer, where appropriate, to the administrative context within which the auditee is operating.

Cost of the Audit

Recommendation 31 (paragraph 5.19 of Report 288)

The Australian Audit Office prepare cost estimates (in dollars) of each audit prior to its commencement.

Response

47. At present, planning for each audit includes an estimate of the staff-hours required to bring the audit to a satisfactory conclusion. The total time spent on the audit is recorded and at the completion of the audit, the total cost is calculated, using an hourly cost rate which includes a component for travel and overheads. As from April 1988 a cost estimate will also be prepared prior to commencement of each audit. Because of uncertainties regarding complexity and scope it should be recognised that while such estimates provide a broad indication of the likely costs, the conduct of the efficiency audit can lead to additional issues coming to light during the course of the audit and it is not intended that initial estimates should prevent the examination of important issues.

Recommendation 32 (paragraph 5.19 of Report 288)

The Australian Audit Office monitor the cumulative cost of each audit.

Response

48. The AAO has a comprehensive management information system which enables the progress of each audit, in hours, to be monitored. These hours are converted manually to cumulative cost for each efficiency audit. The system is to be extended in mid 1989 with the implementation of a new management information system to include the automatic reporting of the cumulative cost of each audit.

Recommendation 33 (paragraph 5.19 of Report 288)

The Australian Audit Office report both the estimated and final cost of each efficiency audit in the report of that audit.

Response

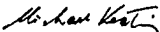
49. At present, the costs of each completed efficiency audit are reported in the Auditor-General's Annual Report. Procedures have been instituted to enable the estimated and actual costs of future audits to be included in the individual efficiency audit report tabled in Parliament. The cut-off point for calculating the actual cost of the audit will be the completion of the audit report manuscript, prior to sending the report to the Australian Government Publishing Service for typesetting.

Recommendation 34 (paragraph 5.19 of Report 288)

Where the final cost of the audit is greater than the estimate, the reasons for this should be stated in the report.

Response.

50. The AAO proposes to include an explanatory statement in future reports where the actual costs of an efficiency audit differ significantly from the initial estimate.



M S KEATING
SECRETARY
Department of Finance

SUPPLEMENTARY MATERIAL
ON REPORT 288
REVIEW OF EFFICIENCY AUDIT -
ADMINISTRATION OF CAPITAL GRANTS
TO NON-GOVERNMENT SCHOOLS



Department of Employment, Education and Training
Central Office

Our Reference : 88/19155

Your Reference :

Mr T Rowe
Secretary
Joint Parliamentary Committee of
Public Accounts
Parliament House
CANBERRA ACT 2600



Dear Mr Rowe

I refer to your letter of 17 July 1989 to the Secretary seeking further information on the administration of the Commonwealth's program for capital grants to non-government schools. The Department's response to your questions is set out below.

Statement of Objectives and Performance Indicators

Common objectives have now been developed for the Capital Grants and General Recurrent Grants Programs and are as follows:

To better prepare the nation's young people to undertake post-school education and training, to participate successfully in the labour market and to contribute to and benefit from Australian society, by providing assistance to schools which aims to:

- maximise the competencies of students in key subject areas of learning;
- improve the participation and achievement of disadvantaged groups;
- broaden the educational experiences of girls, especially by increasing their participation and achievement in mathematics, science and technologically oriented subjects;
- encourage higher Year 12 student retention rates; and
- maximise the competence, efficiency and confidence of teachers.

These objectives have been considered and accepted by school interest groups. They were adopted for the 1989 Program Year.

The following data are being used as performance indicators for these general resource programs:

- participation of students from low socio-economic status backgrounds (that is those receiving assistance under certain Commonwealth income support programs), Aboriginal and Torres Strait Islander students, and rural students;
- subject choice by males and females in Year 12; and

- retention rates to final year of schooling.

Development of Standard Assessment Method

The pilot study resulted in a number of changes to procedures, but further improvements are still being developed. The study showed that, while the types of data previously sought on capital grants application forms were appropriate, the data could be used more effectively and would be easier for schools to provide if they were related more clearly to the data definitions used in the Department's annual Financial Questionnaire to all non-government schools. As a result of the study we have identified a minimum set of data to be collected and a standard process for analysing the data. This involves: checking the completeness of the data; checking its consistency, both internally and with data already held by the Department; determining the maximum cash contribution the school can make; determining the maximum loan the school can manage; and from this determining the size of grant that would be appropriate. This methodology has been used for National Pool schools, but has yet to be discussed with BGAs. We do not intend, however, that this methodology should be any more than a general guide, because the diversity of circumstances in which schools find themselves would make a rigid methodology counterproductive.

Rationalisation of Area Standards

The Department wrote to the State and Territory governments seeking their views on the merits of further standardisation of school area standards. States either felt that climatic and other differences throughout Australia made uniformity undesirable or found the Commonwealth's standards irrelevant to their work. They therefore saw no advantage in increased standardisation and declined to be further involved. Though the Commonwealth does not directly use the States' standards, it will now be in a position to take account of them in any future development of its own standards.

Socio-economic Status and Eligibility

In its consultations with BGAs this year the Department has made it clear that, though socio-economic status (SES) is not an eligibility criterion, it is to be the primary factor for selecting eligible projects for funding. This requirement is reinforced in the Administrative Arrangements and the Administrative Guidelines.

Capacity to Enforce Recovery Action

The Department asked the Attorney-General's Department:

To what extent can the Commonwealth, in cases where assets valued at not less than \$30 000 are acquired with capital grants under the Act,

- (a) enforce recovery action under the Act;
- (b) enforce recovery action through the BGAs
 - (i) under the Act;
 - (ii) under the Commonwealth's agreement with each BGA;
 - (iii) under the administrative arrangements for the BGAs.

The Attorney-General's Department's answer to this question was:

'In my view, where an asset in respect of which an amount paid to a BGA under s.26 of the Act was expended ceases to be used or to be used principally for an approved purpose or is disposed of without the new owner entering into an agreement with the Commonwealth along the lines of cl.8 in Attachment C, the Commonwealth has a right to recover part of the grant from the BGA under cl.8 (being an agreement of the kind referred to in s.26(2B)(c)). Similarly where no BGA is involved the Commonwealth has a right to recover part of the grant from the approved authority under the agreement referred to in s.26(2)(c) of the Act.'

The Committee would be aware that a new States Grants (Schools Assistance) Act has replaced the one referred to above, but there is no reason to believe that the same advice would not apply. Consequently, there has not been any change to recovery procedures as a result of the Attorney General's Department's advice.

The Department believes that providing for BGAs to obtain reimbursement of legal costs from program funds does facilitate efficiency. Rather than encouraging litigation, it discourages it because BGAs and their schools know that litigation would decrease the funds available for projects and they would wish to avoid this happening. Furthermore, BGAs can only seek reimbursement of legal costs if the Minister has given his prior approval for the legal action to proceed.

The Department does not believe it would be appropriate or desirable to require all schools to provide security. Catholic schools represent a lower risk because of their highly developed systemic structure. During the past year those BGAs to whom the requirement does apply have complained that it is proving costly, has unwanted side effects (eg reduces schools' capacity to obtain further loans) and is, at times, complicated (eg leasing arrangements and church property). The problem it is trying to guard against arises relatively infrequently (about four schools close each year on average), is not large in magnitude (of the grants given to the 12 schools that closed in the period 1985-87, only \$212 000 should have been recovered and could not - this represents only 0.14% of grant monies disbursed during this time) and could be handled by administrative measures. The Department is therefore reviewing the existing requirement for securities, with a view to achieving an appropriate balance between protection and risk by using administrative checks.

Relationship of DEET to BGAs

The relationship between a BGA and the Commonwealth is defined by the Act, by the Commonwealth's agreement with the BGA and, through the agreement, by the Administrative Arrangements and the Commonwealth Programs for Schools Administrative Guidelines. The agreement sets the principal obligations of both parties out in general terms, while the Administrative Arrangements specify these obligations in detail and the Administrative Guidelines, which cover all schools programs and are designed for use by schools, present policy and financial information that is susceptible to more frequent change as well as giving information of help to schools wishing to apply for grants.

The Department oversees the performance of BGAs by scrutinising the information submitted by BGAs in support of their grant recommendations, the information submitted during each year on progress in the administration of the grants and the information submitted following the close of each program year that officially accounts for the expenditure of Commonwealth funds. The Department's scrutiny involves checking the information supplied by BGAs for internal consistency and for consistency with related information already held by the Department and with State office local knowledge.

The Department's information strategy is dependent on information supplied by BGAs. However, the accuracy of this information can be monitored by the scrutiny referred to above and by the Commonwealth's right to make spot checks of any information, including by visiting schools and building sites. The timely provision of relevant information is ensured by provisions in the Act and the agreement between the Commonwealth and each BGA for the withholding of funds by the Commonwealth and the repayment of funds by BGAs, if information requirements are not met. BGAs also know that their recommendations for grants will not be approved by the Minister until the Department has scrutinised the information submitted in support of the recommendations and can assure the Minister that they are consistent with the eligibility and selection criteria specified by the Government in the Administrative Arrangements.

The agreement and the Administrative Arrangements fully outline the government's expectations of BGAs. In addition, in the current year the Department has had extensive discussions with BGAs about the practical implementation of the Administrative Arrangements.

DEET's Information Needs

The Working Party on Client Information Collection made the following observations and recommendations.

- The Department should limit requests for data it already holds through other collections.
- There are limitations to employing much of the information obtained under other programs because client data is collected for disparate purposes and is therefore often either insufficient for, or incompatible with, capital grants purposes.
- Financial information collected for capital grants should in future be stored on computer databases rather than files so it can be accessed more easily later.
- Socio-economic and projected enrolment data collected for capital grants do not duplicate that collected in other areas.
- School area and gender equity data are still needed.
- National Pool application forms will have to be revised to take account of changed information requirements for financial and socio-economic assessment.

- BGAs decide what information they will collect from their schools, though they are undoubtedly influenced in what they seek by the Department's information requirements of them.
- If BGAs computerised their administrative systems, they could obtain computer tapes of information already held by the Department. (One BGA already does this.)
- Information needs are explained to clients by
 - . explanatory notes on application forms.
 - . detailed administrative arrangements published for BGAs and National Pool schools.
 - . Administrative Guidelines published annually for all schools and the public in general,
 - . meetings with interest groups through such formal mechanisms as the Consultative Group on Administration and the National Consultations, and
 - . visits to, and meetings with, individual schools.

These findings are being acted upon by the Department.

The Working Party did not consult State governments about the availability of information on non-government schools, because: some State grants schemes are not needs based and therefore do not collect the same type of information as we require; or where they are needs based, they often rely on the Commonwealth's assessment of need (eg General Recurrent Grant funding categories) and therefore do not collect the base data. It is more common for the Commonwealth to provide information to the States than for the States to provide information to the Commonwealth.

Schools have been consulted through their BGAs and through such fora as the Consultative Group on Administration. Discussions are still in progress with BGAs about revised information requirements.

The management information system being developed for the schools programs area of the Department will provide an integrated system incorporating information from all schools programs enabling performance monitoring at both the operational and management levels. It will be based on a relational data base system called 'ADABAS' which was originally used by the Australian Bureau of Statistics.

Success Rates of Grant Applications

As indicated in paragraph 33 of the Department of Finance minute, the Department has undertaken a study of the factors contributing to variations in application success rates and in project subvention levels.

One of the major factors contributing is the differences between States, and between different groups of schools within a State, in the extent and condition of non-government school buildings. The proportion of schools with below standard facilities is much greater in some States than in others.

**FINANCE MINUTE ON
REPORT 289
ADVANCE TO THE MINISTER
FOR FINANCE**

DEPARTMENT OF FINANCE MINUTE

- 1. This Minute has been prepared on the basis of a response received from the Department of Finance.
- 2. In this Chapter, each of the Committee's recommendations is reproduced in turn and is followed by the response.

The Role of the Committee

Conclusion (paragraph 2.44 of Report 289)

The Committee concludes that the Public Accounts Committee should not undertake routine annual examination of final expenditure under the Advance to the Minister for Finance while it is satisfied that other Parliamentary committees, who also have a responsibility in this area, are undertaking appropriate scrutiny.

Response

- 3. The Department of Finance notes the Committee's conclusion.

Improvements to the Procedure

Recommendation (paragraph 2.13 of Report 289)

The Committee recommends that a standard form be used for all applications for urgent and unforeseen expenditure from the Advance to the Minister for Finance whether or not they will remain as a final charge to the Advance.

Response

- 4. In April 1988, Departments were advised by Department of Finance Estimates Memorandum 1988/8 that all applications for recourse to the Advance were to be in a form based on that included in Appendix 2 to Report 289. A slightly modified version of the form was issued to departments in September 1988 by Estimates Memorandum 1988/29 to take into account the revised form of the appropriation for the Advance. A copy of this form has been supplied to the Committee.

Recommendation (paragraph 2.18 of Report 289)

The Committee recommends that the monthly statement from the Department of Finance to the Parliament have appended applications made on the standard forms for funds from the Advance to the Minister for Finance so that the Parliament can see clearly for what purposes advances are applied.

Response

5. In the light of the Committee's recommendation, the Minister for Finance has agreed that copies of requests which are approved as meeting the requirements of sub-paragraph (b)(1) of the AMF appropriation (urgent and unforeseen; or urgent and erroneously omitted from or understated in the Appropriation Bill) should be made available to the Committee Secretariat, Parliamentary Library, the Senate Tables Office and the House of Representatives Bills and Papers Office. In addition the AMF Report which is tabled monthly will be footnoted to inform Senators and Members that further details are held at the above-mentioned locations. Further, the monthly AMF Report will in future separately identify approvals relating to errors and omissions from those relating to expenditure which was unforeseen.

Recommendation (paragraph 2.32 of Report 289)

The Committee recommends that, to ensure conformity with the law and effective scrutiny of all expenditure, the guidelines issued by the Department of Finance be revised in respect of the terms 'urgent' and 'unforeseen'.

Response

6. The guidelines for the use of the Advance have been revised and cleared with the Attorney-General's Department to ensure they comply with the terms of the AMF appropriation. The revised guidelines were issued to departments in September 1988 and a copy has been supplied to the Committee.

Michael Keating

M S KEATING
SECRETARY
Department of Finance

**FINANCE MINUTE ON
REPORT 290
A BETTER DEAL FOR
OUR VETERANS**

DEPARTMENT OF FINANCE MINUTE

1. This minute has been prepared by the Department of Finance and incorporates responses received from the Departments of Veterans' Affairs and Industrial Relations, and the Public Service Commission.

2. In this Minute each of the Committee's recommendations is reproduced in turn and is followed by the response. In addition to the responses, the following general comment is made.

General Comment by the Department of Veterans' Affairs

3. In general, the Department accepts the findings of the Committee's report and acknowledges that the report was timely in providing confirmatory evidence of areas of deficiency in the management of the Repatriation hospitals and in giving further impetus to the management initiatives which had already been instituted to remedy those deficiencies. These initiatives are outlined further in the Department's response to the Committee's recommendations.

4. As the Committee may be aware, concurrent with the Committee's deliberations over the last 18 months, there has been a number of management initiatives introduced to ensure the more efficient provision of health care services at the Repatriation General Hospitals (RGHs). These include:

- consultancies on average length of stay, inpatient scheduling (as commented upon by the Committee) and interim management information systems;
- monthly reporting arrangements on hospital utilisation and expenditure;
- quarterly meetings between the Central Office of the Department and the senior executives of the hospitals - to discuss developments in the medical and management fields, relative performance in the hospitals and operational issues;
- progressive implementation of the recommendations of the Efficiency Scrutiny on hospital management and organisation structure;
- allocation of \$400,000 for an interim management information system, designed to bring together a range of financial, staffing, patient activity and quality of care indicators into a comprehensive and easily accessible format;
- further development of the computerised Patient Care System; and
- achievement of matched State rates for nursing staff and the impending match of State rates for medical staff salaries subsequent to Mr Justice Maddern's verbal decision in the anomalies conference on 11 May 1988.

5. These initiatives have already led to a significantly improved performance at the RGHS. Average length of stay was reduced by 15% as compared to the 1986/87 average (10.1 days to 8.6 days) and the number of patients in 1987/88 were 19% higher than in 1986/87 (61,134 to 73,004). The further management initiatives outlined in the specific responses below, such as the more efficient co-ordination of management review and control activities and the further refinement of the hospital management information system, should ensure continued improved performance at the RGHS.

6. As a result of the Committee's findings the Department will accelerate management improvements and co-ordinate them through a National Hospitals Management Strategy. The range of management initiatives within that Strategy will be broadened to deal with the Committee's concerns in greater depth. New initiatives will include:

- . the introduction of quality of care indicators within the Interim Hospital Management Information System;
- . undertaking to negotiate the inclusion within Visiting Medical Officer's (VMO) contracts of provisions to monitor and assess performance in greater detail;
- . undertaking to examine and report on the benefits and costs of negotiating contracts with allied health professionals (as the Australian Audit Office initially raised concerns on this issue, it will be consulted in the course of this examination);
- . a survey of managerial staff development needs among senior executives of the Repatriation General Hospitals (RGHS) and implementation of a staff development strategy for these officers; and
- . restructuring of the Department's Central Office Audit Committee to co-ordinate the assessment and implementation of all internal and external management review and control findings. The Audit Committee will oversee the dissemination of management review and control findings in one RGH across the RGH network, to ensure National implementation where appropriate.

7. The Department remains confident that through the National Hospitals Management Strategy and the other initiatives outlined in the response, that the deficiencies highlighted in the Committee's Report will be rectified in the near future.

Monitoring of Visiting Medical Officers

Recommendation 1 (paragraph 14 of Report 290)

The Committee recommends that:

The Department negotiate the inclusion of provisions for monitoring and assessing services provided in all future contracts for Visiting Medical Officers and other health professionals contracted to provide regular services for the Department, including domiciliary nurses.

Response by the Department of Veterans' Affairs

8. The Department of Veterans' Affairs (DVA) utilises health professionals in two main areas:

- . health professionals contracted to provide services in Repatriation hospitals; and
- . community-based health professionals who provide services on a fee-for-service basis, usually not under a contract.

9. The majority of health professionals working under contract at the Repatriation General Hospitals are Visiting Medical Officers (VMOs). With regard to the Committee's comment that it "... was pleased to receive the Department's report in March 1988 that new VMO contracts had been successfully negotiated in all States", (para 13 of Report) the Department has been unable to locate, either in documents presented to the Committee or in the transcript of evidence, any statement by a Departmental officer indicating that contracts had been successfully negotiated in all States. The situation remains, as reported by Mr Somes of this Department at the hearings of 25 November 1987 (p 476-478 of transcript of evidence) and 14 March 1988 (p 713-714 of transcript of evidence):

- Western Australia is the only State where contracts have been successfully negotiated; negotiations are continuing in all other States.

10. In light of the Committee's recommendation, the Department will be seeking to have included within the VMO contracts presently being negotiated, provisions for monitoring and assessing services provided by VMOs. In terms of the quality of care provided by VMOs it is believed that an adequate safeguard is contained in clause 5(2)(d) of the draft contract which provides that VMOs must agree to:

"participation in the clinical audit and quality assurance programmes and utilisation reviews conducted within the hospital".

11. This will ensure that VMOs are subject, through peer review, to the same monitoring and assessment of quality of care provided as applies to staff specialists in the RGHS, and to medical practitioners in State public hospitals.

12. With regard to the monitoring of attendance at sessions and recall and on-call arrangements, under the interim arrangements and the proposed contracts, VMOs are paid for an agreed session, that is for a specified number of hours as agreed for each session and a specific number of sessions agreed for each week or month. It is each hospital's responsibility to ensure that the number of sessions for a VMO is in accord with the number of patients expected over the period; a similar arrangement applies in public hospitals in most States. To ensure that this activity is effectively managed, the Department is to assign the responsibility for scheduling and monitoring sessions to the Director of Medical Administration or the equivalent in each hospital.

13. The monitoring will include an ongoing review of session lists and forward appointments against the expected demand. The introduction of the Appointment Scheduling module in the Patient Care System will greatly assist these activities. The aspect of appropriateness of care will be monitored through peer review mechanisms including the monitoring of patient attendances and health records. Similarly, VMOs can only participate in on-call arrangements through an on-call roster system and are recalled at the hospital's discretion; the incidence of recall will be monitored on an ongoing basis.

14. As the draft contracts at present do not include an explicit statement that attendance and time spent with patients will be monitored, the Department is presently negotiating the inclusion of such a provision within the contract. Agreement will be sought from VMOs to provide such records of service as the hospital may require, to enable payment to be made.

15. The Committee, in its recommendation, also commented on the need for monitoring and assessment provisions in contracts for community-based health professionals, in particular domiciliary nurses. The Committee's reference to domiciliary nursing is derived from the Auditor-General's 1984/85 Report. Since 1985 the Repatriation Commission has made a number of fundamental decisions affecting the delivery of domiciliary nursing services and these are discussed further hereunder.

16. In 1986 the Repatriation Commission introduced the following changes designed to improve controls over expenditure as well as quality and standards of service:

- . the reduction, from 1 September 1986, of the Local Medical Officer's (LMO) authority to arrange domiciliary nursing without prior Departmental approval from 2 hours daily for up to 6 months, to 1 hour daily for up to 3 months;
- . the re-emphasis to LMOs and nursing providers of the Department's policy that only medically necessary nursing services will be paid for, and that alternative services available under other programs are to be arranged where domestic or attendant services are required; and
- . the trial of Departmental nursing assessment teams in NSW and Victoria to assess all new and existing cases where more than 1 hours nursing per day has been requested.

17. The Committee also recommended that contracts include provisions for monitoring and assessing services provided by domiciliary nurses.

18. In this regard the Department has entered into contractual negotiations with some of the larger public and private nursing agencies but unfortunately none has resulted in formal documents being completed because of differences relating to fee levels and, in one State, the refusal of the State Government to allow the Repatriation Commission to have access to its patient records. Reliance is presently placed on individual referral documents for monitoring individual services and very few problems have arisen in practice.

19. DVA has 760 agencies and/or nurses on its domiciliary nursing provider file and it is difficult to set up a contract satisfactory to all parties. It should also be noted that formal contracts are not held with any other allied health professionals providing services in the community. However, in view of the Committee's recommendation, the Department is now examining this issue and will report on the benefits and costs of attempting to negotiate contracts with allied health professionals. As the Australian Audit Office initially raised concerns on this issue, it will be consulted in the course of this examination.

20. In relation to domiciliary nursing, both quality and service levels are reviewed by the Department using its Domiciliary Nursing Assessment Teams (DNATs); this approach was first introduced in NSW in 1987. DNATs assess all new and existing cases where more than 1 hour of nursing per day has been requested and also, periodically review some one hour or less cases. Experienced nurses are able to discuss any problems with providers to ensure that quality standards and objectives are met.

21. The NSW Domiciliary Nursing Assessment Team began operating in January 1987. Savings arising from reductions in the number of service hours requested by LMOs following DNAT assessment will provide an annual gross saving of over \$300,000. The Victorian DNAT commenced operating in January 1988 and results to date indicate similar savings will be achieved there.

22. The Queensland Branch Office operated a 3 month informal DNAT trial in 1987 resulting in annual savings of over \$200,000. Ongoing monitoring of servicing is being undertaken by the Aged and Extended Care Department at RGH, Greenslopes.

23. DNATs were not established in Western Australia, South Australia or Tasmania as the Department relies mainly on State funded services in these States. These State services are both rationed and have assessment and quality assurance programs. It should also be noted that all referrals for allied health professional services including domiciliary nursing are from registered medical practitioners. Initial referrals are for relatively short periods and any subsequent referrals require further assessment of the patient's needs and the benefits being derived from the service by the referring practitioner and the Department.

24. With the introduction of an automated system for payment of domiciliary nursing accounts from July 1988, a greater level of monitoring of all services will now be feasible. The Department is empowered under the Veterans' Entitlements Act to obtain information from providers of the services performed on its behalf, which it does through its Treatment Services Control area.

Wright Report on Inpatient Scheduling

Recommendation 2 (paragraph 34 of Report 290)

The Committee recommends that:

In order to achieve cost-effective management the Department should develop and institute information systems which provide qualitative and quantitative comparisons of performance on key indicators between the different Repatriation General Hospitals. Where possible, the Department should also develop and institute similar qualitative and quantitative comparisons between Repatriation Hospitals and State public hospitals.

Response by the Department of Veterans' Affairs

25. Management information systems will be the major component of the National Hospital Management Strategy by which success in achieving a national hospital management policy will be measured. (see also recommendations 5(i) and 5(ii).)

26. The components of the National Hospital Management Strategy are:

(a) Enhancing the managerial structure of the RGHS.

The Review of the Top Structure of the RGHS is currently being finalised. The new managerial structure will ensure that the senior executives of the RGHS have recognised management training and expertise as recommended by the Committee. As also mentioned in response to recommendation 3(ii) (see paragraph 34 below and Appendix 1) there will be a survey of managerial staff development needs among senior executives of the RGHS and a staff development strategy implemented.

(b) Upgrading information systems so that managers have sufficient information to assess their RGHS performance.

(i) RGH managers already have available a range of quantitative and qualitative information that enables performance to be monitored eg performance indicators included within the Management Information Report (MIR) and quality assurance reports. In terms of quantitative information, as a priority task the Department is moving to develop within the next few months an automated interim hospital management information system (HMIS) which will bring together the various sources of management information (the System Design Specification for HMIS is at Appendix 2). Managers will then have available a comprehensive consolidated array of management information.

(ii) In the longer term, the Management Strategy involves the full installation of the Patient Care System (PCS) which will enable the development of Diagnosis Related Groups or other performance indicators based on clinical groupings.

- (iii) In terms of quality of care the National Hospital Management Strategy has devolved responsibility for the development of appropriate quality assurance activities to the RGH management (a summary of quality assurance activities undertaken at the RGHS is at Appendix 3). It is intended that a range of qualitative indicators will be incorporated within HMIS, possible inclusions are measures of nosocomial infection rates, complication rates, hospital readmissions. This will develop a much closer link in quality assurance matters between Central Office and the individual hospitals.
- (c) Establishing a concise data set of meaningful management information to enable Central Office to undertake comparisons within the RGH system.
Since September 1987 hospitals have been required to provide a management information report (MIR) to Central Office which summarises some key performance indicators for the hospitals. The range of performance indicators included in MIR enables broad indicative comparisons; however, it does involve the consolidation of a number of different data collections in the RGH, some of which involve time-consuming manual data collection. The Department will be developing a more comprehensive data set of hospital performance indicators to be collected at each hospital under HMIS. This will enable more meaningful comparisons to be made within the Repatriation hospital system.
- (d) Continuing refinement of the Business Plan for each hospital.
As advised to the Committee at its hearings, an initial Business Plan was prepared by each RGH in the first half of 1988. The plans outline the operational strategy necessary to reach optimum levels of hospital performance. They also provide the strategic objectives against which all hospital activities can be forecast and monitored and are an adjunct to the Role Statements introduced in 1986.
- (e) Establishing a set of performance indicators which will enable meaningful comparisons within the wider hospital milieu.
- (i) As part of this process the Department of Veterans' Affairs has been providing advice to the National Committee on Health and Vital Statistics and Working Parties on Minimum Data Sets for hospital statistics (co-ordinated by the Australian Institute of Health). It is anticipated that these forums will be reporting to the Australian Health Ministers' Conference in July 1989. From these forums it is hoped that a minimum comparable set of hospital statistics will be developed - the first time such statistics will have been available in Australia.

- (ii) In terms of quality of care the Department participates in programs of a National nature which assess the quality of care provided eg the Accreditation program operated by the Australian Council of Hospital Standards. In the longer term the development of Diagnosis Related Groups (DRG) or other performance indicators based on clinical groupings will enable more meaningful comparisons. Movement to a DRG-based recording system will require significant changes to the management information systems operating in the RGHS. The preliminary steps are already being undertaken - the RGH morbidity coding system will be changed to ICD-9-CM in February 1989 and a review of accounting arrangements in stand-alone Hospital departments, eg laboratories, will be undertaken during 1988/89. The Department's commitment to developing the Patient Care System (PCS) puts it in an excellent position to participate in any National case-mix grouping system that may be developed.

Departmental Management Structure

Recommendation 3 (paragraph 37 of Report 290)

The Committee recommends that:

- (i) In devolving authority and responsibility for hospital administration from Central and Branch Offices to the respective RGH managements, the RGH Chief Executive Officers and senior executive staff should have recognised management training and expertise commensurate with the increased responsibilities and managerial skills required; and
- (ii) where administrative devolution has taken place to officers who are not suitably qualified, such officers should be required to upgrade their management qualifications.

Response by the Department of Veterans' Affairs.

27. These matters have also been of concern to the Department of Veterans' Affairs for some time. The Review of Repatriation Hospitals (Brand Review) endorsed in June 1985, recommended that the classification levels of hospital management in the RGHS should be brought into line with the State public hospital systems.

28. This need was also identified in the Efficiency Scrutiny Review of the RGH Organisational Structure which was submitted to the Government in April 1987.

29. The Efficiency Scrutiny Review recommended that a taskforce be commissioned to devise a more appropriate senior management and immediate supporting structure for the Repatriation hospitals. It was recommended that the taskforce review such areas as:

management autonomy for the RGHS;

- . the removal of the mandatory medical qualification applying to the Chief Executive Officer position;
- . the alignment of employment conditions within Repatriation hospitals with those applying in relevant State hospital systems; and
- . programs of management development with RGHS.

30. In February 1988, a taskforce of senior officers from the Departments of Veterans' Affairs, Finance and Industrial Relations was formed to undertake a review of the Executive Management Structure in the RGHS (Terms of Reference of the Review are at Appendix 1).

31. The Review report is currently being finalised (see paragraph 26(a) above). The recommendations of this review will address those matters raised by the Efficiency Scrutiny Review and the majority of the managerial structure issues raised in the Committee's Report. It is expected that the new management structure will make the senior executive positions in the RGH more attractive to those with high level management qualifications and expertise.

32. The Committee should note the decision handed down by Mr Justice Maddern on 11 May 1988, to award parity of salaries for Resident Medical Officers, Specialists and Medical Administrators with their State counterparts. He recommended that the management organisational structure in the RGHS match State structures as far as possible. Pending the outcome of the Top Organisational Structure of the RGHS, the Department has moved to implement Mr Justice Maddern's decision for all Medical Administrator positions, except for Medical Superintendents (the nearest equivalent to Chief Executive Officers within the RGH System). There is no direct comparability for the Medical Superintendent positions in the State Health systems. To overcome this anomaly and as an interim arrangement, the Department's strategy has been to seek matching of the Deputy Medical Administrator positions with their State counterparts with a 2% supplement in salary.

33. With regard to this recommendation, the Department accepts that, in some cases, devolution of administrative responsibility has occurred without a formal managerial skills acquisition program. However, it is noted that 4 of the 5 Medical Superintendents in the RGH system (the Medical Superintendent position at RGH Heidelberg is presently unfilled) are Fellows of either the Royal College of Medical Administrators or the Royal Australian College of Medical Administrators. These fellowships require demonstrated knowledge of managerial concepts and completion of health administration courses. The other Medical Superintendent has a Diploma in Professional Management.

34. The Department has a strong commitment to staff development and will initiate a survey of the management development needs of the executive staff in RGHS. Once these needs have been identified, a training package will be offered to staff to ensure that they are able to acquire the skills and expertise required by their positions.

Recommendation 4 (paragraph 43 of Report 290)

The Committee recommends that:

- (i) Faults and deficiencies found by Audit in the management of one RGH should be rectified in all RGHs, where such faults and deficiencies exist; and
- (ii) there be a formal response in the Department of Finance Minute to this report on the Department's activities in all Repatriation Hospitals to rectify possible management deficiencies similar to those reported by the Auditor-General since 1985 as existing in the management of one or other RGH.

Response by the Department of Veterans' Affairs

35. Specifically, the Committee recommended that the Department report on activities undertaken to rectify management deficiencies reported by the Auditor-General since 1985. The Department advises that there have been 94 findings or recommendations of the Auditor-General since 1985. As a result of the Committee's report, the Department forwarded all these findings or recommendations to each RGH for full report and necessary action where appropriate. All RGHs have now responded and their responses have been consolidated in a spreadsheet format. The Department is maintaining a list of outstanding issues identified in the spreadsheet and will continue to follow up with RGHs until all issues are resolved. The Auditor-General will be kept informed of progress and all proposed new arrangements.

36. The Department of Veterans' Affairs accepts that there has been insufficient co-ordination of its management review and control activities. The following steps have been taken to address this deficiency:

- (i) The Department's Audit Committee is currently being reviewed with the object of bringing together responsibility for monitoring and responding to management review, internal audit and external review activities. The Audit Committee will assess all recommendations arising from external review mechanisms, such as the Auditor-General, and internal review mechanisms such as the Department's internal audit and management review programs. All National Program Directors will be required to report on a regular basis to the Audit Committee on implementation of various recommendations applying to their program.
- (ii) These changes have also been reflected in the Department's proposals for restructuring and streamlining its various program scrutiny activities.

- (iii) An ADP control information system is also being developed. This data base will allow all external and internal reviews to be monitored. Aspects covered by this system will include all recommendations made, action taken, action planned, deadlines for completion, responsible parties etc. The data base will provide the basic management information through which the Audit Committee will be able to monitor and co-ordinate management improvements throughout the Department. It will also enable the Audit Committee to monitor the extent to which management improvements identified in one RGH are being implemented across the RGH network.

Recommendation 5 (paragraph 49 of Report 290)

The Committee recommends that:

The Department develop and implement an effective national hospital management policy aimed at ensuring that all RGHS:

- (i) provide similar high standards of health care; and
- (ii) are operated and managed as efficiently as possible.

Response by the Department of Veterans' Affairs

37. The Department of Veterans' Affairs accepts this recommendation. (See paragraphs 25 and 26 above).

Medical Bar for Chief Executive Officers of Repatriation General Hospitals

Recommendation 6 (paragraph 55 of Report 290)

The Committee recommends that:

- (i) The Department and the Public Service Commission review the required qualifications of RGH CEOs as a matter of priority, with a view to abolishing the present requirement that medical qualifications be a prerequisite to appointment as a CEO; and
- (ii) the relevant section of the Personnel Management Manual be amended to state that persons appointed as RGH CEOs in future have relevant health or hospital administration qualifications, or a demonstrated high level of health management expertise.

Response by the Department of Veterans' Affairs

38. See paragraphs 27 to 34 above.

Response by the Department of Industrial Relations

39. In regard to the Committee's recommendations 6 and 7, for changes to salary levels and qualifications for the CEOs, DIR advises that this issue is currently under consideration by a working party comprising the Departments of Veterans' Affairs, Finance and Industrial Relations.

Response by the Public Service Commission

40. The Public Service Commission (PSC) would be willing to investigate a proposal to vary the mandatory qualifications as suggested by the Committee.

41. The notification which appears in the Conditions of Entry and Advancement (P1) Gazette under sub-section 33A(1) of the Public Service Act 1922 does not cover positions of Chief Executive Officer. It would be necessary to vary this notice to include this designation after the above investigation is completed.

Chief Executive Officer Pay Scales

Recommendation 7 (paragraph 57 of Report 290)

The Committee recommends that:

The Department consult with the Departments of Finance and Industrial Relations in order to review the large pay differences between RGH CEOs and their counterparts working in the various state health systems.

Response by the Department of Veterans' Affairs

42. As advised previously (see paragraphs 30 to 34) a taskforce of senior officers from the Departments of Veterans' Affairs, Finance and Industrial Relations was formed in February 1988, to undertake a review of the Top Organisational Structure of RGHs (see Terms of Reference of the Review at Appendix 1). The Review report is currently being finalised.

M S Keating
M S KEATING
SECRETARY
Department of Finance

TERMS OF REFERENCE

1. The present Repatriation General Hospital executive management structure consists typically of a medical superintendent, a deputy medical superintendent, a hospital secretary and a director of nursing. These positions are supported by several functional senior executives, typically assistant medical superintendents, and in turn by departmental managers. The review team will:
 - (a) analyse and report on the specific responsibilities of both the existing Repatriation General Hospital executive, defined as that management structure above departmental manager level, and the executive structure and responsibilities evident within the prevailing public hospital model within each State;
 - (b) where a prevailing public hospital model is indiscernible, the review will have regard to the executive management structure and responsibilities in public hospitals of similar size and complexity to the Repatriation General Hospital in that State;
 - (c) recommend a revised executive management structure for each Repatriation General Hospital having regard to:
 - the eventual integration of the hospital into the State hospital system;
 - the overall philosophy reflected in the Efficiency Scrutiny recommendations.
 - the Government's acceptance of a specific recommendation that there be a closer alignment of the executive management structure with that of State hospitals;
 - the possibility of that alignment occurring through either the creation of new Commonwealth classifications and designations, the adoption or expansion of existing classifications and designations or the adoption of a matched State practice approach, or any combination thereof;
 - the need to attract to the Repatriation General Hospital appropriately qualified professional health care managers;
 - the removal of the present barrier to non-medically qualified occupants of the chief executive officer positions;
 - the need for senior medical administrative positions within the revised executive management structures;

the impact of the recommended changes on existing structures, both within the hospital and within the Branch Office administration; and:

recommend suitable recruitment and selection procedures for filling positions in the recommended revised executive management structure.

2. The review team's recommendations are to be accompanied by an estimate of the increased cost to be incurred at each hospital in the event of their acceptance.
3. To the extent that the review circumstances permit, the team will recommend to the Department of Veterans' Affairs either specific changes to the existing supporting management infrastructures or nominate those areas within that structure requiring urgent further address, so as to ensure a satisfactory implementation of the review team's principal recommendations.
4. At all stages of the review, full regard will be had to the Department of Veterans' Affairs publication, Guidelines on Consultative Arrangements for Establishment Reviews, to the extent that its contents are appropriate.

SYSTEM DESIGN SPECIFICATION
FOR
REPATRIATION HOSPITALS'

INTERIM
HOSPITAL MANAGEMENT INFORMATION SYSTEM

(IHMIS)

Prepared for Working Party Convenor
By
Management Information Group Heidelberg
June 14, 1988

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	Stores Inland C.P.A.1 1957/58			Stores Inland C.P.A.2 1957/58			Stores Inland C.P.A.3 1957/58			Total Stores Inland C.		
	PHYSICAL	FINANCIAL	TOTAL	PHYSICAL	FINANCIAL	TOTAL	PHYSICAL	FINANCIAL	TOTAL	PHYSICAL	FINANCIAL	TOTAL
Books	0	12103	12103	0	23313	23313	0	16518	16518	0	0	0
Periodicals	0	48105	48105	0	23912	23912	0	4100	4100	0	0	0
Operating Expenses	0	22001	22001	0	56905	56905	0	33005	33005	0	0	0
Supplies	0	10105	10105	0	21015	21015	0	30015	30015	0	0	0
Printing	0	21015	21015	0	17015	17015	0	10015	10015	0	0	0
Repairs	0	21015	21015	0	21015	21015	0	21015	21015	0	0	0
Travel	0	21015	21015	0	21015	21015	0	21015	21015	0	0	0
Telephone	0	21015	21015	0	21015	21015	0	21015	21015	0	0	0
Postage	0	21015	21015	0	21015	21015	0	21015	21015	0	0	0
Insurance	0	21015	21015	0	21015	21015	0	21015	21015	0	0	0
Utilities	0	21015	21015	0	21015	21015	0	21015	21015	0	0	0
Depreciation	0	21015	21015	0	21015	21015	0	21015	21015	0	0	0
Other	0	21015	21015	0	21015	21015	0	21015	21015	0	0	0
Total	0	110105	110105	0	110105	110105	0	110105	110105	0	0	0
Medical Engineering	0	0	0	0	0	0	0	0	0	0	0	0
Electronics	0	0	0	0	0	0	0	0	0	0	0	0
Biotechnology	0	0	0	0	0	0	0	0	0	0	0	0
Chemistry	0	0	0	0	0	0	0	0	0	0	0	0
Physics	0	0	0	0	0	0	0	0	0	0	0	0
Mathematics	0	0	0	0	0	0	0	0	0	0	0	0
Computer Science	0	0	0	0	0	0	0	0	0	0	0	0
Business Administration	0	0	0	0	0	0	0	0	0	0	0	0
Law	0	0	0	0	0	0	0	0	0	0	0	0
Education	0	0	0	0	0	0	0	0	0	0	0	0
Health Sciences	0	0	0	0	0	0	0	0	0	0	0	0
Engineering	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0

LIST OF BUDGET CATEGORIES

cat	Previous Expenditure	Current Allocation	Latest Passed for Estimate	Percent Paid	for VTO	Balance of Funds	% avail
1 PROVISIONS	233855.86	520000.00	520000.00	302312.87		214687.13	41.3
2 MEDICAL STORES	1206118.07	3256300.00	3433000.00	1873473.35		1593026.65	48.3
3 GROSS GENERAL STORES	121432.05	340100.00	340000.00	157087.62		183344.38	53.8
4 VISITING SPECIALISTS	1205297.15	3100000.00	3100000.00	1610567.35		1479432.65	47.7
5 FUEL ELECTRICITY WATER & SANITATION	215226.57	500000.00	505000.00	305459.31		201540.69	39.7
6 TRAVEL & SUBSISTENCE	34344.18	104000.00	104000.00	33014.43		67785.57	65.2
7 OFFICE SUPPLIES	85742.45	375000.00	375000.00	123540.04		251459.96	67.3
8 TELEPHONE & POSTAGE	140454.25	252100.00	256000.00	176825.28		82774.72	32.8
9 MOTOR VEHICLES RENT & E & M	3514.55	6000.00	6000.00	3854.72		2145.28	35.8
10 REPAIRS & MAINTENANCE	62770.16	162500.00	162500.00	61834.54		53665.46	33.0
11 INCIDENTALS & OTHER	150850.21	384500.00	385000.00	191066.46		200433.54	51.8
12 ESSAYS	0.00	0.00	0.00	0.00		0.00	0.0
13 CONTRACTS & PRINTING	42207.82	164000.00	164000.00	77117.59		108882.41	66.1
14 SPECIALISED EQUIPMENT GENERAL	107855.16	620000.00	620000.00	187887.16		432112.84	30.1
15 AGENCY SERVICES	48325.02	100000.00	100000.00	45956.24		54043.76	54.0
	3812115.74	10153600.00	10513000.00	4576164.57		5186835.43	51.0

1 PREAMBLE

1.1 BACKGROUND

The Repatriation Hospitals have, over the past few years, come under increasing pressures to justify their levels of resources. The HRR & JFAC have recently brought the hospitals under close scrutiny and the need for accurate, relevant, well defined and timely management information has become a matter of some urgency. The recent Wright Report was commissioned to examine the general strategies that are available to improve the levels of management information.

This document has been prepared to reflect the agreements reached between HSP and the RGH's as an outcome of a meeting held in Canberra on the 7th and 8th June 1983, with delegates from all RGHs and HSP present.

The purpose of this paper is to enable the Management Information Working Party and Systems Division to appraise the proposal in terms of equipment and software requirements and to report back to the Hospitals ADP Steering Committee.

2 REQUIREMENTS DEFINITION

2.1 PROBLEM DEFINITION

In the past, management reporting has primarily focused on the management of expenditure, with little real emphasis on the matching of output produced by those resources. More recently, with the introduction of program budgeting, there has been increased emphasis on producing predetermined levels of output with the given resources. Unfortunately, there is no means currently available that reliably and accurately calculates the relationship between activity and resource consumption. The hospital therefore needs to move quickly towards developing a system that can provide information on:

- RESOURCE USAGE financial and human against budgets.
- OUTPUT produced by the hospital. Both the end product i.e. treated patients, and intermediate services e.g. pathology tests, meals, etc. against targets.
- COST of the individual services provided by the hospital which, by backing the services provided to each patient, can be used to determine the final cost of treating individual patients.
- FORECASTING hospital activity, costs and expenditure.

At present, there is no single information system in place in the hospital, that provides fast and reliable access to the wide variety of activity and resource consumption information required for effective hospital management. Crucial data on activity and resource input are maintained by a wide variety of computerised and manual systems spread throughout the hospital.

2.1.1 RESOURCE MONITORING

Responsibility for resource monitoring and estimating is spread over a number of areas in the hospitals, and in some instances this spread extends over both the Hospital and their Branch Offices. Finance is responsible for Administrative expenditure, Personnel for Salaries and ASL while Management

FORM-PROFORMA 2-2
 CALIFORNIA 1967-68
 MONTH MAY

ITEM	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APRIL	MAY	JUNE	TOTAL	L.O.S.	REMARKS
NECESSARIAS OTHER													
OFFICE FORMER TOLDS	180	380	603	10773318	130994	1000	1000	1649370	500	700	10807164		
- ESTIMATED REVENUE	180	380	603	10773318	130994	0	-1768310	1649370	500	0			
- ACTUAL REVENUE	0.00%	0.00%	0.00%	0.00%	0.00%	-100.00%	-100.00%	0.01%	0.01%	0			
- VARIATION	180	380	603	10773318	130994	0	-1768310	1649370	500	0			
- COMPARATIVE	1819	2219	2832	10732930	10966038	10966038	9131664	10806564	10806564	0			
- VARIATION (YTD)	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	16.37%	0.00%	0.00%	0			
FEED MERCH RECORDS	10	74	58	0	45	50	50	50	50	50	484		
- ESTIMATED REVENUE	10	74	58	0	45	74	50	0	50	0			
- ACTUAL REVENUE	0.00%	0.00%	0.00%	0.00%	0.00%	48.10%	0.00%	-100.00%	0.00%	0			
- VARIATION	85	159	217	2832	263	216	386	-436	0	0			
- COMPARATIVE	10	74	58	0	45	74	50	50	50	50	484		
- VARIATION (YTD)	0.00%	0.00%	0.00%	0.00%	0.00%	-7.69%	0.00%	31.47%	0	0			
HOTEL RECEIPTS													
- ESTIMATED REVENUE	0	12	4	12	0	0	0	0	0	0	104		
- ACTUAL REVENUE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	50.00%	0	0			
- VARIATION	0	12	4	12	0	0	0	0	0	0			
- COMPARATIVE	24	36	40	52	60	68	76	88	96	0			
- VARIATION (YTD)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-4.76%	0	0			
MAY TOL & BUCK 1200 MCC													
- ESTIMATED REVENUE	4772	699	1690	7066	10000	4000	7000	7000	7000	5486	5000		
- ACTUAL REVENUE	4772	699	1690	7066	23003	8721	4673	7697	5486	79093			
- VARIATION	0.00%	0.00%	0.00%	0.00%	230.03%	101.01%	-31.60%	-61.41%	0	0			
- COMPARATIVE	11677	13716	18066	21132	51335	41250	65994	66505	74091	0			
- VARIATION (YTD)	0.00%	0.00%	0.00%	0.00%	-70.60%	-7.21%	3.45%	3.90%	0	0			
OTHER MISC. REVENUE													
- ESTIMATED REVENUE	201	188	196	176	50	100	100	31000	109018	31000	457343		
- ACTUAL REVENUE	201	188	196	176	41	276	60	31103	109018	0			
- VARIATION	0.00%	0.00%	0.00%	0.00%	-16.00%	176.00%	-40.00%	0.10%	0	0			
- COMPARATIVE	254	547	719	861	905	1311	1311	112291.7	1422182.7	0			
- VARIATION (YTD)	0.00%	0.00%	0.00%	0.00%	0.90%	-27.58%	3.35%	-0.10%	0	0			
SUB-TOTAL MISC. REVENUE													
- ESTIMATED REVENUE	5171	1351	2551	10200322	140197	5159	8158	1966278	315102	41258	1114188		
- ACTUAL REVENUE	5171	1351	2551	10200322	141191	8129	1761610	1912613	315102	0			
- VARIATION	0.00%	0.00%	0.00%	0.00%	15.06%	61.43%	-21.10%	-0.10%	0	0			
- COMPARATIVE	13919	15313	11881	10200322	10966038	10966038	9205215	11807827	11302929	0			
- VARIATION (YTD)	0.00%	0.00%	0.00%	0.00%	-0.30%	-0.01%	16.14%	0.01%	0	0			
MAY = OMBTA CHQ = \$109,048 JUNE-EST-OMBTA CHQ = 36000													

Rental Receipts include -

Information is responsible for compiling and reporting overall resource usage. Resource management information is therefore maintained in at least three separate areas and this has created the problem of inconsistency in reports prepared by the those areas. There is also the problem of efficient data exchange between these areas.

The resource monitoring priorities within the individual establishments is properly the preserve of the Executive. This then recognises that development of the IHMIS may not be uniform between all hospitals. However all institutions recognise that there will be a prescribed minimum level of reporting that will need to be addressed in the first stage of IHMIS implementation.

2.1.2 OUTPUT INDICATORS

There are no formal systems in place to report activity at the functional unit level. Many areas do not have well defined work measures or are using measures (such as CAP points) that are questionable. Comprehensive indicators that take into account total workload must be identified for each unit (by discussions with staff and line managers) and an effective system for reporting these indicators developed.

Further, there is evidence of some disparity between hospitals on the definition for statistics purposes.

2.1.3 TARGETS AND BUDGETS

Activity targets and resource budgets are, at present, set mainly at the whole hospital level, with a top down approach. Effective monitoring and control at the departmental (activity group) level can only be achieved if activity and resource usage is reported against pre-agreed targets and budgets. The development of any IHMIS must therefore include a facility for recording budgets and targets for each functional element in the hospital and reporting performance against those benchmarks.

It must be kept in mind that it is only practical to set budgets, at the functional group level, for those resources where:

1. the manager of the group has some influence over the usage of the resource.
2. the cost of the resource for any group can be calculated so that it accurately reflects the usage by that particular group.

Without a formalised and authoritative management information reporting system it is difficult to define managerial responsibility for a given budget or target. The matrix approach adopted for functional and organisational reporting means that there must be total reconciliation between individual and total hospital reports.

2.1.4 COST REPORTING

While the separate reporting of expenditure and activity is important for budgetary purposes, some method of expressing the relationship between expenditure and activity is required to provide an indication of the efficiency with which the hospital output is being produced. This relationship can most simply be expressed by unit cost. Using this indicator, the different types of input (e.g. litres of

costs/gram of laundry, labour hours/kg of laundry) used to produce a given outcome are reduced to a common denominator - cost. This then allows for the monitoring of complex relationships (price, volume, mix) by a single indicator.

to be really effective as a control mechanism, costs need to be shown at a level of detail that will reliably identify significant changes in the input/output relationship. (e.g. the average cost for each individual test).

The ability to monitor the cost of individual services provided in the hospital, however, still does not provide effective overall control of the hospital's resources. An effective IHMIS must be able to monitor the efficiency with which these services are used by clinicians in the treatment of patients. To enable this there must be:-

- some way of recording the services provided to each patient and therefore calculating the total costs incurred by that patient.
- a system of patient grouping which facilitates the reporting and interpretation of patient costs.

The Institution realises that very detailed cost reporting may not be viable or appropriate on an interim PC based IHMIS. However, it is necessary in the development of an interim solution to have these goals in mind.

2.1.5 PATIENT TRACKING AND PATIENT SERVICES

Effective "tracking" of services provided to individual patients would require data from wards, diagnostic areas and pharmacy together with access to the Patient Master Index and could only be achieved using an integrated system on PCS.

An alternative solution, and the one most likely to be used in the short term, is to use statistical sampling of patient records to derive a profile of services provided for various disease categories. Standard costs could then be calculated for these categories and this information used for cost comparisons with non-departmental hospitals.

2.1.6 PATIENT GROUPING

Patients are currently categorised by International Classification of Diseases (Sixth Revision) codes. As there are many thousands of ICD codes, management information at this level could not be easily interpreted. Diagnostic Related Groupings (DRG's) are based on ICD codes, but group them into 469 groups, arranged in 23 Major Diagnostic Categories. They are designed so that patients within each category form a fairly homogeneous group which could reasonably be expected to undergo similar treatment regimens and thus incur similar costs. They therefore provide a workable mechanism for monitoring variations in the services provided to, and the costs incurred by, individual patients.

Although DRG's have been criticised for their inadequate allowance for age and severity of illness, they would still provide a valuable internal management tool for interpreting patient data. It must be realised that for internal use, each hospital is free to set their own performance parameters for each DRG. (as opposed to, for example, parameters imposed by external funding bodies such as State Health Departments)

The ICD-9 coding system, which the hospital is currently using, is not suitable for DRG grouping. Successful implementation of DRG's requires the use of the Clinical Modification (ICD-9-CM) version of ICD-9. Although there are "mapping" programs available for converting ICD-9 to ICD-9-CM, inaccuracies and inconsistencies are introduced. To allow the hospital to begin building up a base of reliable historical data, this change must be made as soon as possible.

The need for ICD-9-CM coding is paramount to the Institutions to enable detailed analysis of hospital output on a patient classification basis. Such analysis will enable hospitals to identify types of services the hospital provides and to plan for patient mix more effectively.

2.2 SUMMARY OF PROBLEM DEFINITION

- Current reporting systems do not adequately meet the needs of the various levels of hospital and program management.
- Current systems do not relate input to output.
- Resource monitoring and reporting is handled by a number of different areas spread around the hospitals and Branch Offices.
- There is no formal system for comprehensively reporting activity and resource consumption below the whole hospital level.
- Targets and budgets are set mainly at the whole hospital level.
- There is no way of accurately calculating the cost of the hospital's services.
- Essential data are maintained on a wide variety of manual and computer systems spread throughout (and in some cases, outside) the hospital, with no means of central access for routine and ad hoc reporting.
- The fragmentation of data sources creates delays, inaccuracy and inconsistency in reporting and makes the collation of data labour intensive.
- There is no meaningful way of monitoring and evaluating case mix for costing, clinical evaluation and strategic planning purposes.
- Differing reporting periods and time frames for standard reports

2.3 OBJECTIVES OF MANAGEMENT INFORMATION SYSTEM

To provide the basic information necessary to assist managers to meet the goals of the hospital by establishing an information and costing system which can:-

- access and store detailed output and resource data covering all aspects of the hospital's activities.
- meet the routine reporting needs of all levels of management, from line managers to the hospital executive as well as for Central Office and outside agencies.
- guarantee consistent and accurate information.
- maintain and monitor activity and resource consumption budgets consistent with the business plan and approved estimates.

- establish a central data base for the statistical, reporting and estimating needs of the hospital.
- be easily interrogated to satisfy any ad-hoc demands for information.
- accurately calculate the costs of departments and the services they provide, at a level of detail that will allow proper monitoring and control of resource usage.
- through detailed costing, provide the basis for accurate formulation of resource estimate bids and strengthen the hospital's position when negotiating for allocation of resources.
- form the basis for a pricing policy for the hospital's services. With the move to Trust Accounting, the hospital will need to charge for many of its services.
- provide a basis for later analysis of patient and clinical services costs by using an accepted grouping system such as DRG's and standard costs.
- facilitate a basis for strategic planning by providing the necessary historic data and by permitting trend analysis.
- minimise the use of labour required for the collection and input of management information by using, as much as possible, direct data transfer from existing and planned functional systems.

2.4 LIMITATIONS

The hospitals have identified a number of environmental and organisational limitations on the development of a completely uniform system for all sites. Of the number of inhibitors the major ones are listed below.

- varying stages of POS implementation for many years to come.
- various levels of sophistication in their accounting systems. Half of the RGH's are without a Stores Inventory System.
- differing local priorities on the need for management information. Some hospitals have established dedicated management information cells while others do not have the same level of priority to resource management.
- resource management in some hospitals is substantially monitored or controlled from the Branch Offices.
- considerable variations in the existing levels and planned development of local manual and/or PC based data collection, analysis and reporting systems.
- the size and scope of hospital operations differ considerably.
- there are differing degrees of computer skills amongst the staff of the various sites.

3 CURRENT SOURCES OF DATA

3.1 RESOURCES

At present, the resource information is maintained on a diverse variety of manual and computerised systems. There are significant differences between the Institutions in the types and level of detail of data collected. These differences also extend to the ways in which this data is maintained and reported upon.

In general the sources of computerised resource data are :-

- Administrative expenditure (and stores issued to users) is available from the Stores Inventory System (SIS).

The necessary data can be downloaded from the SIS Prime computer to a Personal Computer.

In non-SIS hospitals and for certain elements within SIS hospitals the availability of costing information is limited to manual extraction.

Expenditure and warrant details are available from the Finance General Ledger on a data download extract provided on a monthly basis. HSP have undertaken to have this data made available on a double pay (25 Day) basis.

- Visiting Medical Officers expenditure (and hours) will be available as an invoice part of the VMO payment system to be developed in Queensland.
- Staff expenditure and AS information is available from the Staff Control System.
- Other Sources have been identified as Asset Registers, PAFAS, SMS, and locally developed systems within the Hospitals.

PCS modules being developed, together with such systems as the Pharmacy and Pathology systems have been identified as potential sources of data to be used in general hospital reporting.

3.2 OUTPUT

Output information is compiled in a variety of manual and computerised systems. There are significant differences between the Institutions in the types and level of detail of data collected. These differences also extend to the ways in which this data is maintained and reported upon.

The one common source of output data is the A & D / PCS. There must an agreement to use PCS (as opposed to A & D) as the authoritative source of data.

All hospitals will be relying on data downloads from PCS to enable the uptake of data to their IHMIS. The present system of manual entry from printed PCS reports is both time consuming and subject to transcription errors.

Patient activity data, by ward, unit, speciality and specialist are produced by the current A & D system. These are:-

- available beds
- occupied bed days.
- discharges.
- length of stay for each separated patient.
- ward transfers.
- etc.

As previously mentioned there is much valuable data collected manually or on PC based applications around the hospitals. There will be an ongoing need to examine these systems to ensure the compatibility of data collected with the actual needs of management.

To provide a comprehensive information system, it will therefore be necessary to tie together this diverse range of resource and activity data from numerous widespread physical locations and design reporting mechanisms that will allow managers at all levels to use this information to best effect.

4 SYSTEM OUTPUT

4.1 OUTPUT REQUIREMENTS

The output requirements of the system are:-

- Administrative and Salaries expenditure, against budgets.
- ASL against budgets.
- Key activity indicators, against targets.
- Total costs (direct labour, direct material, overheads).
- Costs for each identifiable hospital product.

This output is required at the following levels:-

- Sub-program level.
- Whole hospital.
- Sectional e.g. Wards, Pathology, Domestic Services.
- Organisational e.g. Nursing, Medical.
- Activity Group (Cost Centre) e.g. individual wards, Microbiology.

4.2 INPUT REQUIREMENTS

The input required to produce the desired output can be broadly grouped as:-

- Expenditure Estimates.
- Costs.
- Budgets and Targets (both in cost and activity terms).
- Actual Outcomes.

The major data sets relate to:-

- Output such as Occupied Bed Days, Meals prepared, Pathology tests, Occasions of service, ASL to DACB ratio, Cost per service, Length of Stay.
- Salary and Wages costs, at payee level.
- Administrative costs, at Budget Item (PLF) level.
- Capital expenditure.
- ASL consumption.
- Cash expenditures
- Patient Data - the ability to directly download information from PCS will significantly improve the timeliness and completeness of performance data. In specific terms the types of data required on a weekly basis is :-

For individual wards by day

Date
Ward Number
Admissions
Discharges
Available Beds
Occupied Beds

For individual discharges

Date of Admission
Date of Discharge
Ward
Treating Specialist
Authority
Medical Category
Length of Stay
And in future years a profile of tests ordered.

These data fields will enable the compilation of reports on patient profiles, specialist and ward activity and facilitate the preparation of performance indicators and business plans.

There must be provision, at a later date, to incorporate qualitative performance measures within this information system.

These data sets enable the computation of a variety of Performance Indicators for the hospital and Activity Groups to be calculated.

The mathematical relationship between the outcomes needs to be established for variable budgets to be maintained.

5 SAMPLE REPORTS AND REPORT FORMATS

5.1 CENTRAL OFFICE REPORTS

During 1987/88 a system of management reporting was established between the hospitals and HSP; the MIRE report. The reporting mechanism is by a Lotus spread-sheet, prepared on a cost period basis and transferred to HSP on a floppy disk.

All State representatives at the June meeting agreed that the data content and format of the MIRE report would form the basis of the common reporting requirements. The MIRE is then to be taken as the absolute minimum requirement for standardisation between States.

A sample of this report is attached. (attachment A)

5.2 LOCAL REPORTS

A number of report formats were tabled at the meeting to enable an assessment of the diversity of reporting requirements to be determined. Overall, the meeting agreed that it is most desirable to report at a number of levels within the hospital and that the base unit for cost and activity reporting would be the Activity Centre. A sample of an agreed format for activity centre reports is attached. (attachment B)

In addition to the activity centre reports there is need to produce reports for Executives and Organisational management. The form of these reports are also attached. (attachment C)

In some of the hospitals there will be a need for the Management Information Group to prepare briefing papers and reports to the various committees within the hospital; in particular the Human Resources, Finance, Strategic Planning and Patient Care, etc. Committees.

There is general agreement that the need for flexibility in the database is a paramount consideration, particularly when preparation of ad hoc reports for management is considered. A most useful tool for report presentation is the graph. All hospitals saw the need for a report format facility that will enable the mix of tables, text and graphics on the one page.

6 DATA SIZING

The assessment of mass storage needs has been made on the basis of present and immediately identified data requirements.

For estimating purposes Heidelberg hospital has been used as the base site to calculate data storage.

DIRECT DATA SOURCE	FORTNIGHTLY DATA LOAD	ANNUALISED DATA LOAD
SMS	3000 Records By 190 Chr	14.820Mb
PAPAS	1000 Records By 100 Chr	2.500Mb
PCS WARD STATE	30 Records By 14 By 100 Chr	1.092Mb
PCS DISCHARGES	600 Records By 150 Chr	1.560Mb
SIS BUDGETS	100 Records By 120 Chr	0.312Mb
SIS COSTING	5000 Records By 120 Chr	15.600Mb
VMS COSTING	220 Records By 100 Chr	0.572Mb
FLS EXPENDITURE	100 Records By 60 Chr	0.156Mb
PATIENT SERVICES	23 Records By 14 By 50 Chr	0.412Mb
Total Direct Data		37.230Mb

TARGETS	FORTNIGHTLY DATA LOAD	ANNUALISED DATA LOAD
ASL ESTIMATES	220 RECORDS	0.25MB
WARD OUTPUTS	30 RECORDS	0.10MB
EXPENDITURE	100 RECORDS	0.25MB
CASH FLOW DATA	30 RECORDS	0.10MB
OUTPATIENT TARGETS	40 RECORDS	0.10MB
ACTIVITY BUDGETS	250 RECORDS	0.70MB
Total Targets Data		1.55MB

Data tables associated with the IHMIS are identified as Stores Users, APFN codes, Budget Codes, Stores Classifications, VMO specialties and PAPAS roster group codes. These tables currently occupy 0.702Mb on local PCs.

It is estimated that the overhead for System software will be in the vicinity of 10Mb.

The storage requirements for indexes and format reports is estimated to increase the data load 2 fold although it is realised that this will include temporary files. In addition there will be an overhead involved with application programs, Lotus files and wordprocessing. These aspects currently account for some 75Mb. on local PCs.

In summary the database sizing is seen to be around 90Mb p.a. for collected data, indexes and report formats with an additional 11Mb for data tables and system software.

The current proposal is to retain data for 24 months on line with the previous 12 months being in a summary form extract.

After 24 months at full implementation it is estimated that data storage will be in the vicinity of 90Mb. for current year plus 20Mb. for previous year. This excludes system overheads and ad hoc reports.

Therefore at the end of year 2 the storage requirement is seen to total some 130Mb. with a net growth rate of 20Mb. p.a.

7 PHYSICAL SYSTEM REQUIREMENTS

7.1 PERSONAL COMPUTER BASED SYSTEMS

Interim PC based system, such as that recommended in the Wright Report could not realistically be expected to emulate a fully integrated Mini or Main-frame computer based system. It is believed that a PC based system, despite limitations, will still provide a significant first step in improving the level of management information, with the major advantages of flexibility and short development time compared with PCS.

Such a system would depend on the development of a centralised data base which would store or have direct access to all of the data required for budget, activity and cost reporting. The major problem to be addressed is one of access to, and collection of, resource and activity data from the various key areas in the hospital. There are a number of alternatives to be considered:-

1. key data into the IHIMS PC from manual returns supplied from the relevant areas.
2. transfer from outlying computers using floppy discs to the central PC.
3. develop a network of personal computers, using a large capacity "file server" as the base for IHIMS.
4. develop a multi-user system, again based on a large capacity PC and using outlying computers as terminals.

All of these options require a central, large capacity PC linked to SIS, PCS and NCC.

In the short term, a combination of options 1 and 2 could be used, however, in order to provide more convenient, timely and reliable access to data, moves must be made towards options 3 and/or 4.

7.2 SOFTWARE

7.2.1 Data Base Management System.

An IHIMS will require the development of complex database applications. This type of application would be best suited to a fully relational Data Base Management System that utilises SQL (Structured Query Language). The advantages such a system provides over a product such as dBase are:-

- it allows the development of a truly relational system, which provides efficient storage of data by minimising data redundancy.
- a much simpler and more flexible query facility to allow for ad-hoc access to the information stored in the database.
- greater flexibility in the development of complex applications with much less need for program code with resultant labour savings.
- sophisticated database security facilities, including multilevel password security, data input validation, and audit trails.
- a "rollback" facility that guards against database corruption in the event of power or hardware failure.

7.2.2 Other Software Required

There will be a need to prepare reports and briefing papers which utilise data contained in the IHMIS databases. The preparation of estimates and other modelling applications will also need to be supported.

With these applications in mind the additional software requirements would be:-

- Spreadsheet (Lotus 123)
- Word Processing (Lotus Manuscript or DW4)
- Statistical Analysis Package
- Graphics Package
- Multi-user or LAN software depending on system configuration
- ACl Applications Manager

7.3 HARDWARE

7.3.1 CPU

As mentioned previously, any PC based system will require at least one central PC with a large storage capacity and processing power sufficient to allow it to be used as a file server for any future network or multi-user system. It is understood that relational DBMSs such as Oracle require a high performance computer to ensure satisfactory response times for complex database queries.

An effective IHMIS would also rely on the location of personal computers in key areas around the hospital for data collection and query operations.

7.3.2 DISK STORAGE

An estimate of data storage requirements has been provided in section 6.

The basis of this estimate is for the Heidelberg hospital and it would be appropriate to adjust other hospital requirements in accordance with their relative bed sizes.

7.3.3 PERIPHERALS

The CPUs will require the following minimum peripherals:-

- **PRINTER** - Preferably Laser because of the large volume of output and need for presentation style text and graphics.
- **MONITOR** (and graphics card) - high resolution colour required because of the frequent use of graphics and the requirement to emulate a PCS terminal.
- **LINKS** - to NCC and PCS will require a 32769 adapter.
- **TAPE BACKUP** - large capacity streaming tape backup units are required to protect the essential data that will be stored on these machines.

- **DISKETTE DRIVES** - to facilitate the exchange of data between existing PCs, both 5.25 (1.2 Mb) and 3.5 (1.4 Mb) inch diskette drives will be required.

7.4 OTHER PHYSICAL REQUIREMENTS

The hospitals agreed that accommodation, ergonomic furniture etc. will be provided from their own resources.

8 TRAINING

8.1 HOSPITAL AND HSP STAFF

Training will be required for all sites in the use of the DEMS software. Specifically:-

- IHMS will be implemented by an all states 7 member team. They will require comprehensive training in the development aspects of the chosen DEMS.
- Apart from the development team, it is essential that other user staff at each site receive training, at a lower level, in the use of the DEMS. It is also recognised that some sites may need other training (e.g. DOS, Lotus) to increase the available level of general computer skills.

Preliminary assessment of general training shows that 4 officers per State will need the lower level SQL enquiry training (with an additional 2 for those with Auxiliary hospitals).

8.2 CONSULTANT SUPPORT

It is envisaged that in addition to initial training, consultancy advice (in DEMS application development) may also be required by the development team.

The hospitals prefer to adopt a strategy of in-house development assisted by professionals rather than a system developed totally by outside consultants. In-house development is preferred because the diverse data sources and reporting requirements of each individual hospital requires team members with local knowledge of their own requirements. It will also enhance the level of computer skills and system knowledge for staff who will be using the HMS in each hospital. It is planned to develop a "core" data base for all hospitals with a common structure and organisation as an immediate follow-up to the intensive training session. This approach avoids duplication of effort and provides access to resources and expertise that may not exist in some hospitals.

9 DEVELOPMENT AND IMPLEMENTATION OF AN INFORMATION AND COSTING SYSTEM

There are a number of important considerations that must be kept in mind during the design of a Management Information System:-

- to minimise data input purely for information purposes, the system should use, as much as possible, data generated by existing computer systems.
- it must allow for phased development and implementation.
- the system should be flexible enough to allow for future changes in the information requirements of the hospital.

9.1 DOCUMENTATION

It is essential in order to safeguard the long term viability of the system, that proper documentation be maintained throughout the analysis and design stages of the system. Failure to provide adequate documentation will result in the system relying on the expert knowledge of one or two people. If these people leave the hospital, or even just the Hospital Information Group, the ongoing operation of the system is placed in jeopardy. Proper documentation provides important benefits during system analysis and design and "short-cutting" documentation during these stages will only be counter-productive in the long term. Essential elements of this documentation are:-

- Requirements Definition.
- Data Flow Diagrams.
- Data Dictionary.
- Application documentation.
- Procedural Manuals.

9.2 IMPLEMENTATION PLAN

This plan encompasses only the more immediate objectives that are possible to attain on a POC system. The implementation of long term objectives such as DRG reporting and dynamic Patient Costing, that will rely on POC, is beyond the scope of this discussion, although the data interfaces required by these facilities must be considered.

It is usual in the development of a system such as this, to complete the investigation and analysis phases for the system as a whole before the design and implementation phases are commenced. However, because of the pressing need for costing information an alternative approach must be accepted. It is obvious from preliminary analysis (APPENDIX A), that the system can be broken down into 5 distinct units. These are:-

1. Allocation of costs
2. Collection of Activity data
3. Calculation of Unit Costs
4. DRG grouping

5. Patient Costing

Of these, 3 and 4 must be developed on PCS.

To bring forward the date when useful management information will be available, development of the first 3 units can proceed separately, once the data interfaces between the units have been identified. Issues concerned with the development of the Cost Allocation Module only will be discussed at this stage.

HEALTH MANAGEMENT INFORMATION SYSTEM: PERIODIC REPORT Cost period -
R S H MEIDELBERG

11

Prepared by reports: 8 Apr 88 to 5 May 88
If based on Cost period or R if based on Month,
each. Adding below, in column S as indicated
file README before file return)

	ACTUAL COSTS		BUDGET:		FORECAST:		
	PERIOD	YTD	PERIOD	YTD	FY	END FY	NET FIN. YEAR
BY C/M/ EXPEND C/R -> C							
Salaries & Wages	4,235,358	41,502,390	3,879,756	42,411,117	47,849,597	49,982,390	52,349,142
Gas	248,810.77	3037082.37	298,200	3,290,200	3,874,600	3,874,600	3,742,000
Medical Supplies	404,710	4,719,954	494,385	5,440,251	6,452,000	6,452,000	6,552,000
Repairs & Maintenance	10,077	462,815	53,815	589,767	697,000	697,000	575,200
Operational Costs	704,959	5,420,595	717,426	7,391,792	9,328,564	9,345,344	10,262,200
Operational Expenditure	5,302,945	52,325,220	7,445,792	59,322,109	68,202,361	70,228,264	74,118,142
Cost/occupied bed day	8522	9591	9813	9541	8539	8525	9511
Cost/Discharge Patient	82,346	82,602	85,772	82,855	82,521	82,746	82,578
ADMIT DETAILS C/R -> C							
Admission	1531	15442	1299	15522	16782	16782	22112
Discharges	1470	15237	1259	15223	16782	16782	22112
Length of stay	6.94	7.38	7.13	7.13	7.13	7.13	7.30
Occupied bed days	11115	112678	9197	110676	122914	122914	154782
Available beds	12201	128444	12001	128134	125460	125442	126882
Bed occupancy	90.12	86.12	70.72	85.72	86.12	85.92	86.582
Bed turnover	0.3	1.2	2.9	1.2	1.12	1.29	1.39
Inpatient attendances	17292	177277	17259	178242	195900	195900	218900
FUND LEVEL C/R -> C							
Total - Allocated ASL	122.5	122.5	122.5	122.5	122.5	122.5	122.5
Total - Actual	114.5	114.5	119.3	114.7	115.4	115.4	122.5
Supplies - Allocated ASL	704.7	704.7	704.7	704.7	704.7	704.7	742.8
Supplies - Actual	715.2	686.9	736.3	678.9	679.2	679.2	742.8
Tech - Allocated ASL	222.3	222.3	222.3	222.3	222.3	222.3	240.0
Tech - Actual	225.3	212.8	221.0	212.4	215.3	215.3	240.0
Other services - Alloc ASL	459.3	459.3	459.3	459.3	459.3	459.3	481.2
Other services - Actual	455.5	442.3	445.3	442.7	444.5	444.5	481.2
Pharm - Allocated ASL	306.5	306.5	306.5	306.5	306.5	306.5	304.5
Pharm - Actual	301.2	283.2	301.5	284.3	295.0	295.0	304.5
Medical Allocated ASL	1825.0	1825.0	1825.0	1825.0	1825.0	1825.0	1859.7
Medical - ACTUAL	1815.5	1744.7	1825.5	1745.5	1782.5	1782.5	1859.7
Occupied ASL/Occ bed day	4.50	5.28	5.55	5.98	4.99	4.99	4.15
Cost/occupied bed day	4.59	4.36	5.55	4.36	4.82	4.82	4.45

AGS .L.S.M	C/N -> C	ACTUAL COSTS		BUDGET:		FORECAST:		
		PERIOD	YTD	PERIOD	YTD	FY	END FY	NEXT FIN YEAR
Salaries		347,200	3,639,523	340,445	3,644,073	4,225,463	4,279,704	4,992,341
Technics		1,300,530	12,625,182	1,229,152	12,519,019	14,908,953	15,244,214	17,174,210
Services		473,762	4,711,615	428,402	4,592,553	5,400,053	5,257,705	6,220,524
above-line staff costs:		578,323	6,089,523	556,222	6,267,341	7,057,791	7,265,540	8,130,147
Salaries		484,181	4,994,923	462,210	4,966,169	5,741,157	5,908,748	6,512,465
		108,191	1,084,709	2,147,199	3,126,399	1,304,175	1,244,208	1,594,574
		3,292,222	33,158,344	32,172,629	34,919,059	38,569,597	39,798,540	44,542,921
BELOW-LINE								
below-line staff costs:		100,348	1,029,505	92,423	982,675	1,160,954	1,225,332	1,268,022
below-line		842,489	7,207,231	617,694	6,709,284	8,019,046	8,295,217	9,426,889
		942,156	8,246,736	670,617	7,692,059	9,180,000	10,194,350	10,390,111
Specialised equipment		34,381	1,425,160	252,615	2,775,769	3,284,300	3,222,510	3,200,500
Furniture & fittings		18,246	81,979	25,285	279,221	320,300	320,300	421,000
Food		127,825	774,729	76,154	829,392	952,600	952,600	1,125,100
Drugs, Gas, Etc.		319,005	1,225,279	169,923	1,226,124	2,170,300	2,170,300	2,742,300
Other and consumables		285,705	3,492,515	329,462	3,624,077	4,222,300	4,222,300	5,242,300
Other general stores		86,976	576,913	86,377	946,349	1,119,300	1,119,300	1,291,300
VMS fees		242,511	3,227,084	258,200	3,229,200	3,276,600	3,276,600	3,742,000
Fuel light & power		122,790	625,724	65,200	717,200	847,600	847,600	1,047,500
Travel & subsistence		14,257	132,079	15,769	172,462	205,000	205,000	322,900
Stat & office renu's		55,190	367,190	46,154	507,692	600,300	600,300	608,300
Post & telephones		84,675	602,086	59,242	651,877	779,400	779,400	822,500
Motor vehicles		1,308	72,488	7,154	76,692	92,000	92,000	157,600
Repairs & maintenance		10,377	462,615	27,615	529,749	627,000	627,000	576,100
Incidental & other		25,192	257,921	26,928	296,022	350,200	350,200	411,500
Concession		124,507	621,328	56,529	621,206	724,264	724,264	800,300
OPERATIONAL EXPEND		5,262,645	55,782,220	7,445,782	59,222,109	68,202,361	70,222,154	79,112,142
REVENUE		69,225	1,049,475	106,300	1,165,000	1,222,000	1,222,000	1,234,225

LOGICAL
THORPAEDIC

USER 201
WARDS
GROUP P WM WDL

	COSTS PERIOD	COSTS YTD	BUDGET YTD	VARIANCE
DIRECT OPERATIONAL				
PROVISIONS	114	348	350	(12)
RUGS	2,308	4,456	5000	(1544)
BANDAGES AND DRESSING	233	1,233	1200	33
MEDICAL SUPPLIES	1,367	3,996	3500	496
TRICAL GASES	131	450	200	250
REPAIRS	2003	2003	500	1,503
TOTAL	6,355	12,487	10,750	1,737

LABOUR COSTS

MEDICAL	0	0	0	0
NURSING	28,993	86,979	86,979	0
HP/TECH			0	0
DOMESTIC	0	0	0	0
ADMIN. CLERICAL	1,532	5,001	5,001	0
TOTAL	30,525	91,980	91,980	0

TOTAL DIRECT COSTS 38,937 104,467 102,730 1,737

	PERIOD EXPEND.	YTD EXPEND.	ANNUAL BUDGET	BALANCE REMAINING
FURNITURE	0	0	1000	1000
SPEC EQUIP	1000	1200	2000	1800
OFF. MACHINES	200	250	250	00
TOTAL	1400	1450	21250	10800

ASL ALLOCATION AND RESULTS

	ASL PERD	ASL YTD	BUDGET	VARIATION
MEDICAL	0.00	0.00	0.00	0
NURSING	23.77	22.45	27.00	-4.54
HP/TECH	0.00	0.00	0.00	0
DOMESTIC	0.00	0.00	0.00	0
ADMIN. CLERICAL	1.00	1.00	1.00	0
TOTAL	24.77	23.45	28.00	-4.54

	PERIOD	YTD	BUDGET	VARIATION
OUTCOMES				
OED	512	2010	2014	-3
OED COST	54.97	51.82	50.76	1.06
ASL/DAGB	1.03	0.98	1.15	(0.17)
LOS	10.98	10.46	10.50	(0.04)
DISCHARGES	61.20	152.75	152.75	(0.03)
T/D INTERVAL	1.02	1.67	1.00	0.67

COMMENTS

REPATRIATION GENERAL HOSPITAL HEDELBERG

FORTNIGHT 23 ENDED 19 May 1988

INDICATOR	PERIOD				Y.T.D.			FULL YEAR Target
	Actual	Target	Var. (d)	Actual	Target	Var. (d)		
ADMISSIONS - TOTAL	775	816	-5.0% U	16218	16328	-0.7% U	18782	
- Day Care Units	320	310	3.1% F	6351	6247	1.7% F	7177	
- Overnight wards	455	505	-10.0% U	9867	10082	-2.2% U	11605	
- Refused	82	70	17.1% U	1953	1610	22.3% U	1622	
- Deferred	25	0	25 U	629	0	629 U	0	
AVAILABLE BEDS - TOTAL	6640	6598	0.6% F	126104	125732	-0.3% U	155480	
- Day Care Units	592	592	0.0% F	12923	12942	-0.1% U	15392	
- Overnight wards	6048	6006	0.7% F	123176	122790	-0.3% U	140088	
- Daily average	474	471	0.6% F	417	419	-0.5% U	425	
- CCE Tuesday	490	467	3					
OCCUPIED BED DAYS (a)	5661	5815	-154 U	116280	116491	-211 U	133514	
- Day Care Units	320	297	23 F	6351	6292	59 F	7187	
- Overnight wards	5361	5518	-157 U	109909	110199	-290 U	126727	
- Daily average	406	415	-10 U	359	360	-1 U	365	
OCCUPANCY	85.5%	88.1%	-2.9% U	86.1%	85.9%	0.2% F	86.1%	
- Day Care Units	54.1%	52.0%	4.0% F	49.1%	48.9%	1.2% F	48.9%	
- Overnight wards	88.6%	91.7%	-3.3% U	90.0%	89.3%	0.2% F	89.3%	
ACTUAL LENGTH OF STAY (Days)								
- All Beds (inc. DCU's)	7.36	7.13	10.2% U	7.12	7.13	-0.1% F	7.13	
- Overnight wards	12.58	10.92	15.2% U	11.03	10.92	1.5% U	10.92	
COMMUNITY PATIENTS - CED's	1180	966	20.1% U	22689	22958	-269 U	25254	
- Highest for fortnight	98	69	29 U	98	69	29 U		
- Ave. for fortnight	63	69	-14 U	71	69	2 U	69	
THEATRES								
- Available Patient Care Hours	670	670	0.0% F	14549	14651	-2.7% U	16921	
- Surgical hours Utilised	307	505	-35.3% U	6301	10860	-42.1% U	12235	
OPERATIVE STAFF (PAY 23)								
- Total (b)	NA	1644.0	NA NA	NA	1749.9	NA NA	NA	
- Per Ave. Daily Occ. Beds	NA	4.34	NA NA	NA	4.87	NA NA	NA	
EXPENDITURE								
- Administrative (c)	NA	\$12,100	NA NA	NA	14,499,000	NA NA	16,034,400	
- Staff	NA	2,009,100	NA NA	NA	43,932,000	NA NA	46,880,480	
- cost per CED	NA	\$450.74	NA NA	NA	\$301.85	NA NA	\$495.23	
- cost per discharge	NA	\$3,213.77	NA NA	NA	\$3,875.23	NA NA	\$3,830.87	

(a) CED targets are based on March projections.

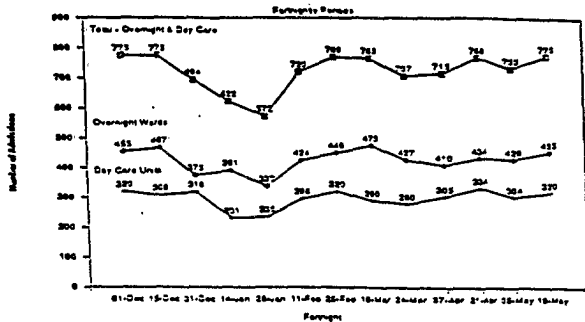
(b) Targets are based on Personnel ASL projection of 300/88. (as at Pay 20)

(c) Fortnightly targets are calculated from the full year allocation, on a pro-rata basis, after allowing for the payment of VMC areas (\$419,253) in fortnights 6 & 7.

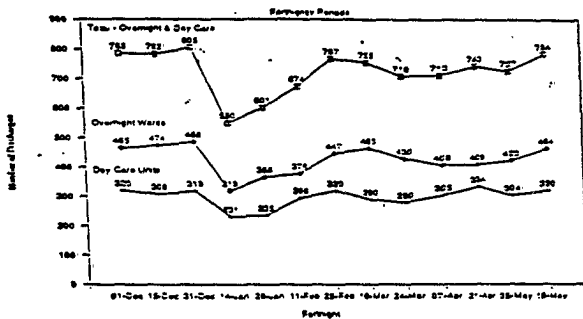
(d) U = Unfavourable, F = Favourable

Sources of data - A & D system, Patient Services Statistics Clerk, SCS, FLS, Theatre Secretary

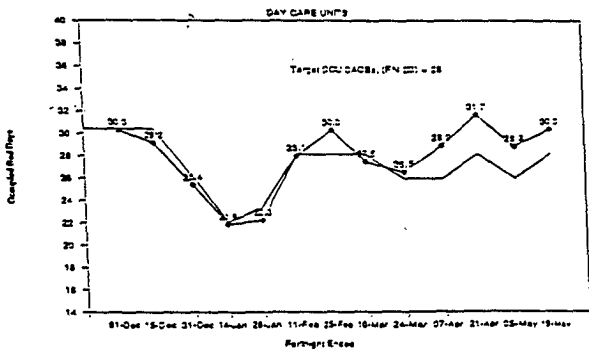
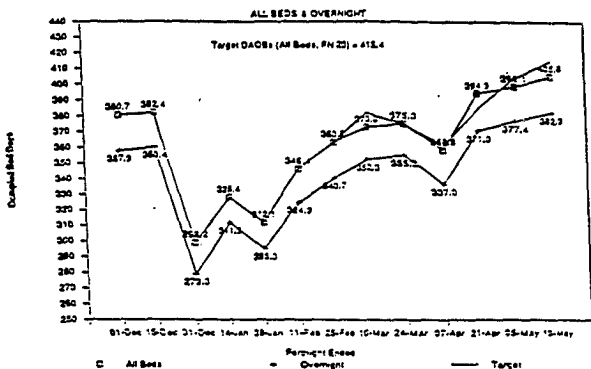
ADMISSIONS - RGHH



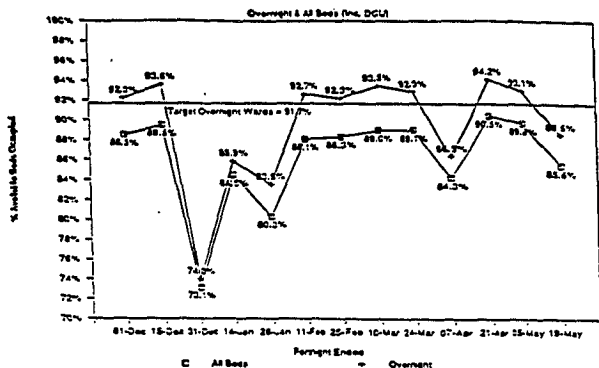
DISCHARGES - RGHH



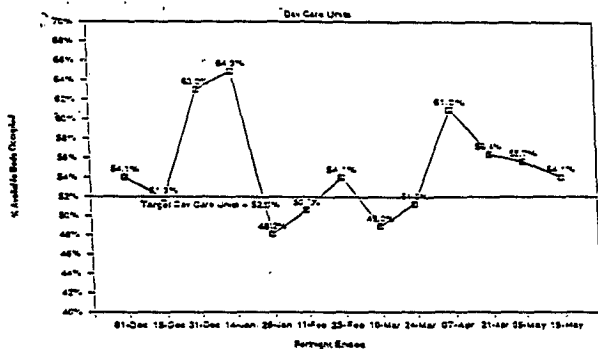
DAILY AVERAGE OCCUPIED BED DAYS - RGHH



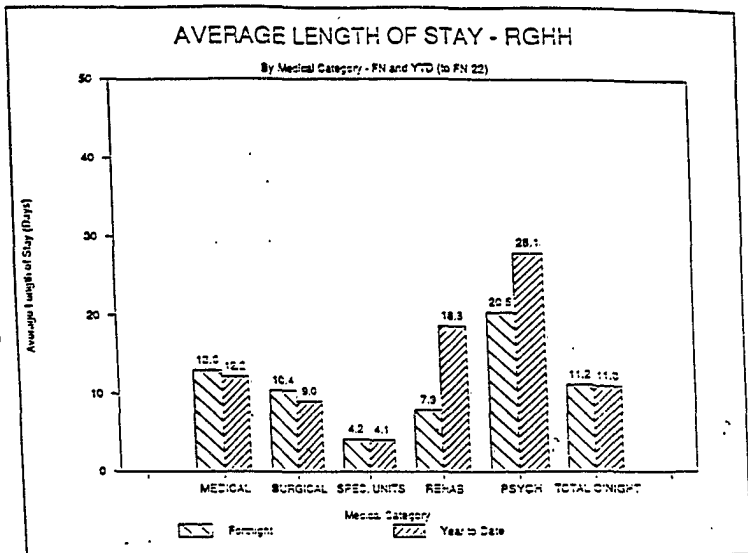
BED OCCUPANCY RATE - RGHH



BED OCCUPANCY RATE - RGHH

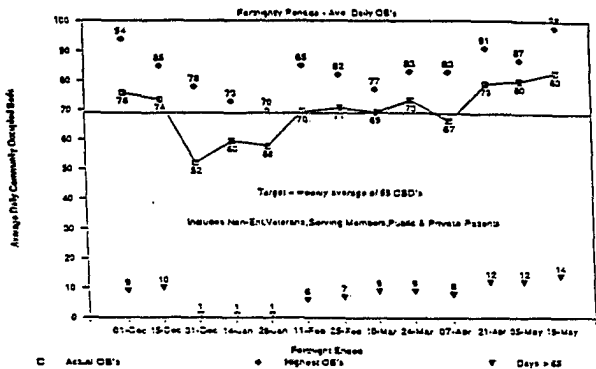


er also Bed Utilisation Analysis).



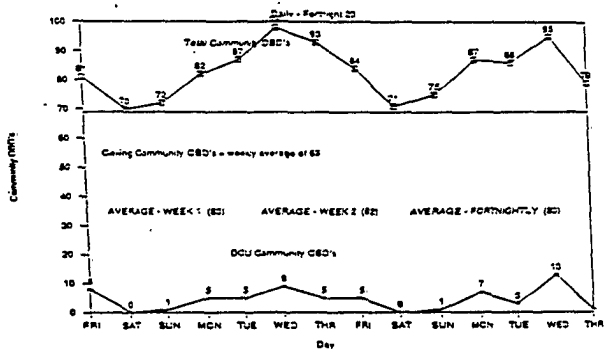
This graph shows the *actual* average length of stay for all patients discharged in the current formight and the year to date. The figures are compiled from the A & D system Daily Discharge Summary. A more detailed analysis is included in the Bed Utilization Analysis.

COMMUNITY PATIENTS - RGHH

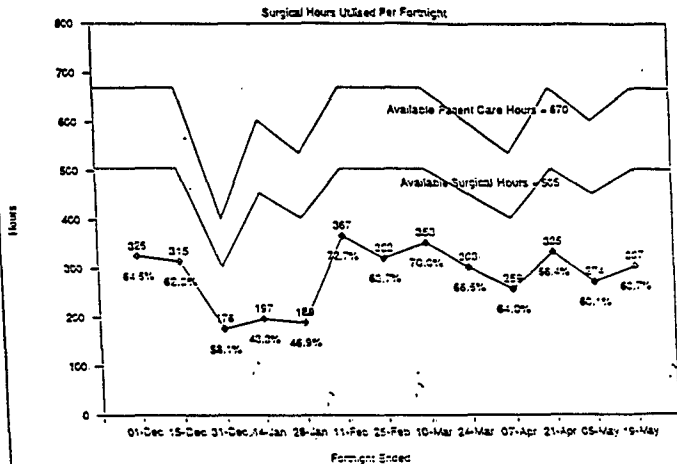


C Actual CB's

COMMUNITY OED'S - RGHH



OPERATING THEATRES UTILISATION - RGHH



Week days only and excluding emergency surgery.

WARD/CATEGORY*	AVERAGE AVAIL. BEDS	AVERAGE OCC. BEDS	% OCCUPANCY	TARGET % OCC.	BEDS	ALCE	PATIENT TURNOVER	TURNOVER INTERVAL	NET LOSSES GAINED	T
Cardiology	22.0	20.4	92.5%	91.7%	36	8.22	1.64	0.81	4	F
Coronary	34.0	32.1	94.5%	91.7%	33	21.55	0.97	0.79	14	F
18 - Oncology	14.0	13.1	93.9%	91.7%	26	8.00	1.96	0.46	4	F
10 - Female Medical	23.0	22.4	97.5%	91.7%	29	17.88	1.25	0.28	19	F
21 - General Medical	24.0	22.4	93.2%	91.7%	23	27.43	0.96	1.00	5	F
22 - General Medical	24.0	22.1	92.3%	91.7%	20	16.40	0.83	1.20	2	F
29 - Gastroenterology	25.0	22.9	91.1%	91.7%	18	18.22	0.72	1.72	-2	U
30 - General Medical	24.0	18.1	75.5%	91.7%	21	11.86	0.33	3.50	-34	U
TOTAL MEDICAL	180.0	173.8	91.4%	91.7%	206	15.84	1.08	1.12	-9	U
1 - General Surgical	35.0	29.1	83.1%	91.7%	25	10.58	0.74	3.19	-42	U
2 - Urology/Renal**	23.0	25.5	91.2%	91.7%	39	8.23	1.29	0.37	-1	U
3 - General Surgical	35.0	30.3	86.5%	91.7%	37	7.25	1.26	1.59	-18	U
6 - Orthopedic	35.0	32.9	93.9%	91.7%	21	19.25	0.80	1.43	11	F
7 - General Surgical	25.0	23.9	94.2%	91.7%	50	6.22	1.79	1.24	-25	U
14 - General Surgical	24.0	17.5	72.9%	91.7%	44	4.27	1.23	2.27	-43	U
23 - CLOSED	0.0	0.0	0.0%	91.7%	0	0.00	0.00	0.00	0	
32 - CLOSED	0.0	0.0	0.0%	91.7%	0	0.00	0.00	0.00	0	
TOTAL SURGICAL	182.0	159.4	86.1%	91.7%	217	8.42	1.17	1.55	-144	U
Primary Care Unit	6.0	4.8	77.4%	91.7%	5	1.50	0.93	3.20	-12	U
Intensive Care Unit	6.0	5.2	86.9%	91.7%	4	15.53	0.87	2.75	-4	U
Isolation - Observation	1.0	0.1	14.2%	91.7%	1	1.00	1.00	12.20	-11	U
TOTAL SPECIAL UNITS	13.0	10.9	78.2%	91.7%	10	7.10	0.77	4.23	-27	U
REHABILITATION (W 31)	24.0	21.9	91.4%	91.7%	20	19.25	0.52	1.45	-1	U
PSYCHIATRIC (W 32-4)	20.0	18.1	90.4%	91.7%	11	25.29	0.55	2.45	-4	U
TOTAL OVERNIGHT	422.0	382.9	88.5%	91.7%	464	12.52	1.07	1.48	-185	U
ICU Care Unit	14.0	9.4	66.9%	49.0%	122	1.00	8.24	0.52	34	F
Medical Day Care Unit	7.1	1.1	16.0%	49.0%	16	1.00	2.24	5.25	-33	U
Orthopedic Day Care	11.4	5.1	44.5%	49.0%	71	1.00	6.21	1.25	-7	U
Post-Operative Day Care	9.4	7.2	76.5%	49.0%	101	1.00	10.71	0.21	36	F
TOTAL DAY CARE	42.9	22.9	54.1%	49.0%	320	1.20	7.57	0.15	30	F
AND TOTAL	474.9	405.3	85.5%	87.9%	734	7.35	1.25	1.22	-155	U

JUSTMENTS - D.O.U.'s

Intensive Care Unit	6.0	4.8	77.4%	91.7%	30	2.77	5.00	0.50	-12	U
Isolation - Observation	6.0	5.2	86.9%	91.7%	14	6.14	2.23	0.79	-4	U
Isolation - Observation	1.0	0.1	14.2%	91.7%	1	1.00	1.00	12.20	-11	U
TOTAL SPECIAL UNITS	13.0	10.0	76.9%	91.7%	45	3.79	3.46	0.93	-27	U

JUSTMENTS - D.C.U.'s

ICU Care Unit	20.0	13.2	66.2%	49.0%	122	1.00	6.50	0.52	34	F
Medical Day Care Unit	10.0	1.8	18.0%	49.0%	16	1.00	1.60	5.25	-33	U
Orthopedic Day Care	16.0	7.1	44.4%	49.0%	71	1.00	4.44	1.25	-7	U
Post-Operative Day Care	11.0	8.4	76.5%	49.0%	101	1.00	9.18	0.21	36	F
TOTAL DAY CARE	67.0	30.5	46.1%	49.0%	320	1.20	8.87	0.35	30	F

* Figures in U - Unavailable. Details of variation from secondary rate target
see Appendix 2 (Appendix 2 - Patient Surveys)
** 2 months & direct care floor.

MANAGEMENT INFORMATION NETWORK 58
 USER COSTING REPORT FOR PERIOD 02/02/89 TO 30/03/89

WA 6 (OVERNIGHT)
 SURGICAL
 ORTHOPAEDIC

USER 201
 WARDS
 GROUP P WY WDL

CODE	DESCRIPTION	QTY PERIOD	COST PERIOD	QTY YTD	COST YTD	AVE QTY LAST 4 PERIOD
22345	BUTTER 500g	23	40.94	34	220.52	11.33
13552	COFFEE 500g INSTANT	5	17.2	6	7.5	2.00
37702	JAM PLUM 750g	28	55.44	105	44.95	35.00
23345	SALMON 504g			12	41.4	4.00
25674	TEA 250g			10	23.99	3.33
1010-9999	PROVISIONS		113.58		348.33	
SALARIES AND WAGES						
4010-0100	SALARIES		25348		21547	27,516
4020-0100	OVERTIME		1000		2400	800
4020-0200	PENALTIES		3000		6793	2,232
4020-0300	OTHER PAY		234		234	75
			30582		31980	30756

MANAGEMENT INFORMATION SYSTEM
SALARY EXPENDITURES REPORT FOR PAY 1

	ACTUAL FOR PAY	ACTUAL YTD	BUDGET FOR PAY	BUDGET YTD	VARIANCE FOR PAY	VARIANCE YTD
TOTAL	114.53	114.73	112.73	112.73	2.80	2.00
REGUL	752.54	752.54	752.43	752.43	0.11	0.11
SENIOR	222.41	222.41	222.33	222.33	0.08	0.08
NONREG	452.58	452.58	452.53	452.53	0.05	0.05
MEM	262.52	262.52	262.22	262.22	0.30	0.30
TOTAL OPERATIVE	1,690.04	1,690.04	1,690.00	1,690.00	0.04	0.00
OPERATIVE	88.50	88.50	87.51	87.51	0.99	0.99
TOTAL REGUL	1,672.04	1,672.04	1,672.00	1,672.00	0.04	0.00

MANAGEMENT INFORMATION SYSTEM
SALARY EXPENDITURES REPORT FOR PAY 2

	ACTUAL FOR PAY	ACTUAL YTD	BUDGET FOR PAY	BUDGET YTD	VARIANCE FOR PAY	VARIANCE YTD
TOTAL	222,242	272,222	222,222	222,222	20,020	50,000
REGUL	222,222	222,222	222,222	222,222	0.00	0.00
SENIOR	272,222	272,222	272,222	272,222	0.00	0.00
NONREG	222,222	222,222	222,222	222,222	0.00	0.00
MEM	222,222	222,222	222,222	222,222	0.00	0.00
TOTAL OPERATIVE	222,222	222,222	222,222	222,222	0.00	0.00
OPERATIVE	222,222	222,222	222,222	222,222	0.00	0.00
TOTAL SENIORS	222,222	222,222	222,222	222,222	0.00	0.00

MANAGEMENT INFORMATION SYSTEM
SALARY EXPENDITURES REPORT FOR PAY 3

	ACTUAL FOR PAY	ACTUAL YTD	BUDGET FOR PAY	BUDGET YTD	VARIANCE FOR PAY	VARIANCE YTD
TOTAL	22,222	22,222	22,222	22,222	0.00	0.00
REGUL	22,222	22,222	22,222	22,222	0.00	0.00
SENIOR	22,222	22,222	22,222	22,222	0.00	0.00
NONREG	22,222	22,222	22,222	22,222	0.00	0.00
MEM	22,222	22,222	22,222	22,222	0.00	0.00
TOTAL OPERATIVE	22,222	22,222	22,222	22,222	0.00	0.00
OPERATIVE	22,222	22,222	22,222	22,222	0.00	0.00
TOTAL SENIORS	22,222	22,222	22,222	22,222	0.00	0.00

STAFF MONITOR		SOUTH AUSTRALIA								YEAR : 1967/68			
		STAFF		R G H		UPDATE:		31-Mar					
		UNIT :		FIN. & SUPPLY :S/TOT		PAY NO:		20					
PAY PERIOD	OPERATIVE STAFFING				ABOVE LINE SALARIES (\$)					OVERTIME (\$)			
	ASL	ACTUAL	VAR.	BAL.	ALLOC	ACTUAL EXPEND	VAR.	BAL.	ASL	EXPEND EQUIVALENT	ALLOC	ACTUAL EXPEND	PROJ EXPEND
1	34.51	34.42	-0.09	0.00	26,077	24,667	-3390	0.00	0.00			165	
2	34.51	32.00	-2.51	0.00	26,077	22,912	-5165	0.00	0.00			108	
3	34.51	33.00	-1.51	0.00	26,077	24,873	-3204	0.00	0.00			184	
4	34.51	33.00	-1.51	0.00	26,077	24,967	-3110	0.00	0.00			0	
5	34.51	34.00	-0.51	0.00	26,077	25,267	-2810	0.00	0.00			0	
6	34.51	35.00	0.49	0.00	26,077	26,072	-2005	0.00	0.00			140	
7	34.51	35.00	0.49	0.00	26,077	26,212	-1865	0.00	0.00			165	
8	34.51	36.90	1.49	0.00	26,077	27,583	-494	0.00	0.00			0	
9	34.51	37.17	2.66	0.00	26,077	28,471	394	0.00	0.00			42	
10	34.51	35.00	0.49	0.00	26,077	26,230	-1847	0.00	0.00			122	
11	34.51	36.58	2.07	0.00	26,077	27,276	-601	0.00	0.00			662	
12	34.51	37.20	2.79	0.00	26,077	27,361	-217	0.00	0.00			366	
13	34.51	35.85	1.34	0.00	26,077	26,896	-1181	0.00	0.00			267	
14	34.51	37.90	3.39	0.00	26,077	29,513	1436	0.00	0.00			44	
15	34.51	40.20	5.69	0.00	26,077	31,248	3171	0.00	0.00			585	
16	34.51	39.90	5.39	0.00	26,077	30,552	2475	0.00	0.00			329	
17	34.51	39.10	4.59	0.00	26,077	29,795	1716	0.00	0.00			339	
18	34.51	37.90	3.39	0.00	26,077	29,243	1166	0.00	0.00			563	
19	34.51	38.20	3.69	0.00	26,077	30,452	2379	0.00	0.00			147	
20	34.51	35.95	1.34	0.00	26,077	29,702	1626	0.00	0.00			252	
21	34.51			28.98	26,077			30,031	37.40				
22	34.51			28.98	26,077			30,031	37.40				
23	34.51			28.98	26,077			30,031	37.40				
24	34.51			28.98	26,077			30,031	37.40				
25	34.51			28.98	26,077			30,031	37.40				
26	34.51			28.98	26,077			30,031	37.40				
	34.51	36.17	USAGE TO DATE		720,003	549,315	-11726	180,186			9,000	4,521	5,929

REMARKS:

CONTACT: Richard Clark, Proj. Off. (Resource Management), RGH (Est.1700)

STAFF MONITOR		SOUTH AUSTRALIA								YEAR : 1967/68		
		STAFF				R G H				UPDATE: 31-Mar		
		UNIT :				FIN. & SUPPLY -S/TOT				PAT NO: 20		
NO	OPERATIVE STAFFING				ABOVE LINE SALARIES (\$)					OVERTIME (\$)		
	ASL	ACTUAL	VAR.	BAL.	ALLOC	ACTUAL EXPEND	VAR.	BAL. EXPEND EQUIVALENT	ASL	ALLOC	ACTUAL EXPEND	PROJ EXPEND
1	34.51	34.42	-0.09	0.00	28,077	24,687	-3390	0.00	0.00		165	
2	34.51	32.00	-2.51	0.00	28,077	22,912	-5165	0.00	0.00		108	
3	34.51	33.00	-1.51	0.00	28,077	24,873	-3204	0.00	0.00		184	
4	34.51	33.00	-1.51	0.00	28,077	24,967	-3110	0.00	0.00		0	
5	34.51	34.00	-0.51	0.00	28,077	25,267	-2810	0.00	0.00		0	
6	34.51	35.00	0.49	0.00	28,077	26,072	-2005	0.00	0.00		140	
7	34.51	35.90	0.49	0.00	28,077	26,212	-1865	0.00	0.00		165	
8	34.51	36.90	1.49	0.00	28,077	27,583	-474	0.00	0.00		0	
9	34.51	37.17	2.66	0.00	28,077	28,471	394	0.00	0.00		42	
10	34.51	35.00	0.49	0.00	28,077	26,230	-1847	0.00	0.00		132	
11	34.51	36.58	2.07	0.00	28,077	27,276	-801	0.00	0.00		622	
12	34.51	37.20	2.79	0.00	28,077	27,961	-217	0.00	0.00		386	
13	34.51	35.85	1.34	0.00	28,077	26,896	-1181	0.00	0.00		257	
14	34.51	37.90	3.39	0.00	28,077	29,513	1436	0.00	0.00		44	
15	34.51	40.20	5.69	0.00	28,077	31,248	3171	0.00	0.00		685	
16	34.51	39.90	5.39	0.00	28,077	30,552	2475	0.00	0.00		329	
17	34.51	39.10	4.59	0.00	28,077	29,793	1716	0.00	0.00		339	
18	34.51	37.90	3.39	0.00	28,077	29,243	1166	0.00	0.00		562	
19	34.51	38.20	3.69	0.00	28,077	30,455	2379	0.00	0.00		147	
20	34.51	35.95	1.34	0.00	28,077	29,705	1628	0.00	0.00		252	
21	34.51			28.98	28,077			30,031	37.40			
22	34.51			28.98	28,077			30,031	37.40			
23	34.51			28.98	28,077			30,031	37.40			
24	34.51			28.98	28,077			30,031	37.40			
25	34.51			28.98	28,077			30,031	37.40			
26	34.51			28.98	28,077			30,031	37.40			
	34.51	36.17	USAGE TO DATE		730,003	549,915	-11726	180,166		9,220	4,561	5,929

ENTS:

ACT: Richard Clark, Proj. Off. (Resource Management), RGM (Ext.1700)

ASL %OC	ASL YTD AVGE	AVAIL ASL	CURRENT ASL	ASL EQUIV	A/L ALLOC	ACTUAL EXPEND	PROJECTED EXPEND 1	PROJECTED EXPEND 2	CURRENT EXPEND
7.36	6.75	8.79	8.00	6.10	220,802	189,054	225,571	220,110	7,957
3.35	2.75	6.63	7.00	6.36	86,190	61,966	73,335	90,630	7,315
34.51	34.17	23.37	33.10	37.43	730,063	609,854	724,938	725,060	29,519
249.31	240.27	255.00	260.00	231.34	4,070,445	3,450,973	4,115,515	4,147,560	186,311
30.68	30.64	63.91	34.40	33.44	948,184	805,301	959,153	971,160	41,276
21.47	20.66	25.90	22.90	23.96	510,572	412,661	490,596	495,640	20,596
8.10	9.18	2.15	9.00	6.18	166,756	142,466	169,454	169,910	7,210
48.84	39.81	46.51	42.19	44.17	1,559,559	1,381,807	1,632,139	1,647,110	63,646
4.52	4.05	7.24	5.79	5.50	110,145	87,172	104,320	111,240	6,006
4.36	4.29	4.36	4.00	3.93	22,064	72,529	86,230	65,300	3,764
2.67	2.42	4.02	3.23	3.23	67,058	54,069	62,615	67,220	2,627
11.63	11.02	14.96	12.58	11.72	275,029	228,928	272,358	276,340	12,625
29.01	21.24	22.05	20.50	27.37	692,458	574,057	684,366	696,360	30,910
15.92	15.76	16.78	15.96	16.42	396,631	334,170	396,052	396,630	15,956
15.92	15.00	16.66	17.58	16.59	469,872	343,840	406,714	413,490	17,677
1.00	1.00	1.00	1.00	1.00	20,160	17,044	20,160	20,160	784
2.60	2.01	1.54	2.00	1.91	58,029	51,002	60,300	60,240	2,330
14.17	12.97	15.25	15.86	16.34	304,276	220,316	296,463	305,890	15,353
2.00	2.00	2.00	2.00	1.77	40,295	41,409	49,190	49,190	2,164
10.24	9.40	15.06	11.69	9.44	232,176	195,960	222,249	226,070	10,630
3.33	3.23	3.67	3.42	4.11	92,531	75,324	86,052	89,680	3,575
359.74	367.01	374.22	378.02	375.08	7,208,075	6,115,284	7,248,913	7,311,690	297,766
0.98	0.17	-0.75	0.14	0.19	2,587	2,045	2,424	2,440	99
2.12	1.95	3.60	1.46	3.62	46,862	34,660	40,602	39,570	1,268
3.00	3.02	2.75	3.00	2.69	75,093	63,251	75,021	75,040	2,630
-0.71	0.00	-4.62	0.00	4.72	15,238	0	0	0	0
1.24	0.00	6.71	0.00	6.76	26,268	0	0	0	0
3.22	3.65	-0.26	0.00	-0.30	67,917	85,164	101,162	65,160	0
899.05	890.82	949.44	941.06	930.51	10,776,114	15,695,168	10,518,592	10,769,430	780,326
24.91	22.49	23.74	24.90	27.49	527,284	447,507	527,873	526,160	20,921
926.76	910.21	972.90	967.90	950.00	19,304,000	16,140,674	19,146,467	19,215,590	609,257

EXPLANATION OF HEADINGS USED IN TABLE:

ASL ALLOC(ation): Full time Equivalent staff numbers allocated to area for year

ASL YTD AVGE: Average ASL used so far this year

AVAILABLE ASL: Unused portion of ASL Allocation adjusted for remaining periods.
(It is "available" only to the extent of available funds)

CURRENT ASL: ASL used in current period as per Line Manager Reports

ASL EQUIV(alent): Remainder of Above Line Salary Allocation expressed as an ASL estimate,
based on average cost per ASL from PAY 15 onwards.

A/L SAL ALLOC: Above Line Salary allocated (includes normal salary and higher duties
but excludes overtime, penalties, leave loading etc)

ACTUAL EXPEND(iture): Total above line salary expenditure so far this year

PROJECTED EXPEND 1: Expenditure to date plus maintenance of YTD Average ASL for remainder of year.

PROJECTED EXPEND 2: Expenditure to date plus maintenance of Current Period ASL for remainder of year.

CURRENT EXPEND: Above Line salary expenditure in current period

	Other	Inlet	Budget	Expnd.	Variation	Sched. Transactions	Sched. Quantities	Variation	Exp. V. Total	Expnd. Variations	Res. V. Utilization	Res. V. Utilization	Res. V. Utilization
Production	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Fuel & Utility	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Wearables	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Electricity	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Telephone	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Repairs	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Travel	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Advertising	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Interest	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Income Tax	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Depreciation	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Other	1000	1000	1000	1000	0	1000	1000	0	1000	1000	1000	1000	1000
Total	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Public Power	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Water	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Sewerage	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Sanitation	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Police	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Fire	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Public Works	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Street Cleaning	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Maintenance	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Construction	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Administration	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
General	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Medical	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Education	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Library	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Public Buildings	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
General	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Public	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Police	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Fire	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Public Works	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Administration	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
General	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Medical	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Education	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Library	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Public Buildings	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
General	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000
Public	10000	10000	10000	10000	0	10000	10000	0	10000	10000	10000	10000	10000

is based on a straight line projection of past to date expenditures.

For 18 Date

Division	Total Estimate	Total		Budgeted Committed	Budgeted		Scheduling Waived Fee
		Expd.	Variance		Var. 3	Expd.	
Provisions	133000	1100	200	10000	9000	-400	10000
Book & Supply	25000	1000	1000	10000	10000	-400	10000
Facilities	30000	2000	2000	15000	15000	200	15000
Medical Supplies	30000	1000	1000	10000	10000	400	10000
Medical Buildings	20000	1000	1000	10000	10000	400	10000
Medical Equipment	18000	1000	1000	10000	10000	400	10000
Medical Office	12000	1000	1000	10000	10000	400	10000
Other Bldg	5000	1000	1000	10000	10000	400	10000
Supplies	10000	1000	1000	10000	10000	400	10000
Total	310000	5000	1000	45000	43000	-300	45000
Medical Stores							
Group	130000	10000	10000	100000	100000	4000	100000
Medical Composites	10000	1000	1000	10000	10000	400	10000
Phos 3 5 Day	10000	1000	1000	10000	10000	400	10000
Total	150000	12000	2000	120000	120000	4800	120000
Other General Stores							
General Composites	10000	1000	1000	10000	10000	400	10000
Clothing Shoes & Bedding	1000	100	100	1000	1000	40	1000
Bedroom	1000	100	100	1000	1000	40	1000
Linens	1000	100	100	1000	1000	40	1000
Receptional Theory	1000	100	100	1000	1000	40	1000
Distribution	1000	100	100	1000	1000	40	1000
Total	10000	1000	1000	10000	10000	400	10000
Medical Specialties							
Medical Specialties	300000	10000	10000	100000	100000	4000	100000
Just Appliances	5000	500	500	5000	5000	200	5000
Medical Buildings	20000	1000	1000	20000	20000	400	20000
Medical Equipment	10000	1000	1000	10000	10000	400	10000
Medical Office	10000	1000	1000	10000	10000	400	10000
Medical Supply	10000	1000	1000	10000	10000	400	10000
Medical Books	10000	1000	1000	10000	10000	400	10000
Total	310000	12000	2000	140000	140000	4800	140000

As used in the Schedule (Part 1) of 1933

Regeneration General Hospital

O.A. Activity	Concord	Reddell	Green Lanes	Hollywell	New Park	Edgart
Case Review	X	X	X			X
Patient Care Review				X	X	X
Medical Care Review	X	X	X	X	X	X
Clinical Care Review	X		X	X	X	X
Tissue Review	X	X				
Infection Control	X	X	X	X	X	X
Utilization Review	X	X	X	X		X
Blood Utilization Review	X		X	X	X	X
Pharm /Brum/Therapeutic Review	X	X	X	X	X	X

Report/Action General Hospital

Q.A. Activity	Concord	Hickory	Greensboro	Hollywood	New York	Hubert
Death Review	X	X		X		
Autopsy Review		X		X		
Maternal/Infant Death Review						
Medical Records Review	X	X	X	X	X	
Continuity of Care Review						
Incident Reports	X	X	X	X	X	X
Continuing Education (clinical/patient)	X	X	X	X		
Profile Analysis				X		
Tracer Analysis				X		
Special Topic Survey	X	X	X	X		

Regeneration General Hospital

Q.A. Activity	Concord	Heidelberg	Grenslakes	Hollywood	New York	Hobart
Patient Satisfaction Survey	X	X		X	X	X
Nursing Care Review	X	X	X	X	X	X
Physiotherapy Care Review	X	X	X			
Occupational Therapy Care Review	X	X	X	X	X	X
Social Work Review	X	X	X		X	
Speech Pathology Care Review	X	X	X		X	
Nutrition Review	X	X		X		
Clinical Psychology Review	X					
Adverse Patient Occurrence					X	
Peer Review			X			X

Repatriation General Hospital

Q.A. Activity	Concord	Reidherst	Geelong	Red Lywood	Dun Park	Robart
Psych. Registrar Training			X			
Surgical Review				X	X	
Patient Satisfaction Surveys			X			
Anaesthetic Record Audits		X				
Safety Committee				X		
Pathology				X		
Discharge Summary Review				X		
A.H.P. - id.				X		
Theatre Audit Group				X		
O.P.D. Waiting Time Review			X			

QUALITY ASSURANCE ACTIVITIES

BGH CONCORD

1. CLINICAL REVIEW

1.1 Clinical Review Meetings

- . Physiotherapy Department
- . Medical Records
- . Nursing Division
- . Pharmacy Department
- . Speech Pathology
- . Occupational Therapy
- . Social Work Department

1.2 Nursing Services - conduct audits regularly on:-

- . patient care
- . documentation
- . environment

Q.A. Committee examines audit results and also the occurrence of ward/unit incidents, ie.

- . medication errors
- . patient falls and injuries
- . decubitus ulcer incidence
- . infection rates

1.3 Organ Imaging Department

- . Peer review

1.4 Physicians' Association - Medical Review Sub-Committee

- . Protocols/Guidelines
- . Clinical Points
- . Audits
- . Admin.
- . Continuing Education

Unit Reviews

- . Geriatric Medicine
- . Thoracic Medicine
- . Endocrinology
- . Blood Transfusion Surgery
- . Low Back Pain Study
- . Pharmacy Department Review of Diuretics

1.5 Psychiatry Department

Peer Review Meetings

1.6 Surgical Wound Infections - Infection Control

- . MRSA
- . ADP Surgical Wound Survey

1.7 Division of Surgery

Peer Review Meetings

- . Diagnosis Problems
- . Management Problems
- . Surgical patients with medical problems
- . Surgical techniques and complications

2. Case Review
3. Tissue Review
4. Infection Control
5. Utilisation Review
6. Blood Utilisation Review
7. Pharmacy/Drug/Therapeutic Review
8. Death Review
9. Medical Records Review
10. Incident Reports
11. Continuing Education
12. Special Topic Survey
13. Patient Satisfaction Survey
14. Nursing Care Review
15. Physiotherapy Care Review
16. Occupational Therapy Care Review
17. Social Work Review
18. Speech Pathology Care Review
19. Nutrition Review
20. Clinical Psychology Review

QUALITY ASSURANCE ACTIVITIES

RGH HEIDELBERG

1. Medical/Clinical Review
2. Case Review
3. Tissue Review
4. Infection Control
5. Utilisation Review
6. Pharmacy/Drug/Therapeutic Review
7. Death Review
8. Autopsy Review
9. Medical Records Review
10. Incident Reports
11. Continuing Education
12. Special Topic Survey
13. Patient Satisfaction Survey
14. Nursing Care Review
15. Physiotherapy Care Review
16. Occupational Therapy Care Review
17. Social Work Review
18. Speech Pathology Care Review
19. Nutrition Review.

Other Special Projects

- a. Anaesthetic Department Audit
- b. File Census
- c. Medical Record Committee File Audits
- d. Number of records unavailable for outpatients appointment
- e. Identification Survey
- f. Quality Assurance Project
- g. The effects of CPM after total knee arthroplasty
- h. Criteria Audits
- i. Nursing Care Audits
- j. Performance Appraisal
- k. I.C.U. Bedside Testing
- l. Hospital Blood Glucose Monitoring
- m. Therapeutic Drug Monitoring Committee

Clinical Audits

See attached proforma

REPATRIATION GENERAL HOSPITAL (HEIDELBERG)

CLINICAL AUDITS

1 ON-GOING QUALITY ASSURANCE PROGRAMS

DIVISION OF MEDICINE

Case Reviews

Departmental Audits

Medical Record Audit - concurrent audit
of sample of IP histories

DIVISION OF SURGERY

Deaths and Complications Review

Tissue Audit

Autopsy Review

Anaesthetic Record Audits

Infection Audit - surgical wound survey
- urinary infection survey

DIVISION OF LABORATORY SERVICES

Royal College of Pathologists of Australasia QA Program
- all Departments

College of American Pathologists QA Program
- Haematology

Wellcome Quality Control Program
- Biochemistry

DIVISION OF RADIATION SCIENCES

Case reviews

PHARMACY AUDITS

Therapeutic Drug Monitoring

Antibiotic Usage

IV Drug Usage

Parenteral Nutrition Program

MEDICAL RECORD DEPT AUDITS

File audits

File census

Records unavailable for admission, OPD, Emergency
Department.

NURSING DEPARTMENT

Nursing Care audits

2 SPECIFIC PROJECTS

Examples over past 16 months

Occasional criteria audits

Paramedical dept audits on specific topics

ICU bedside testing

Hospital blood glucose monitoring

Orthopaedic Dept 1987 Audit

Quality Assurance/MMA one day workshop

QUALITY ASSURANCE ACTIVITIES

RGH GREENSLOPES

1. Clinical Review or Patient Care Review
2. Blood Utilisation Review
3. Special Topic Surveys
4. Patient Satisfaction Surveys
5. Case Review
6. Infection Control
7. Utilisation Review
8. Pharmacy/Drug/Therapeutic Review
9. Medical Records Review
10. Incident Reports
11. Continuing Education
12. Nursing Care Review
13. Physiotherapy Case Review
14. Occupational Therapy Care Review
15. Social Work Review
16. Speech Pathology Care Review
17. Nutrition Review
18. Adverse Patient Occurrence
19. Peer Review
20. Psych. Registrar Training

Note: Deaths and Complications, Tissue and Autopsy Review lapsed for the duration of the VMOs dispute. However, the functions of these review committees are encompassed within the Surgical Grand Rounds and Peer Review.

QUALITY ASSURANCE ACTIVITIES

RCH DAN PARK

1. Medical Audit and Case Review
2. Patient Care Committee
3. Surgical Audit and Case Review
4. Drug and Therapeutic Review
5. Medical Records Audits
6. Patient Care Review
7. Incident Reports
8. Patient Satisfaction Review
9. Nursing Care Review

QUALITY ASSURANCE ACTIVITIES

RGH HOLLYWOOD

1. Patient Care Review
2. Branch Drug Committee
3. Surgical Audit
4. Infection Control
5. Medical Records
6. Safety Committee
7. Mortality Review
8. Physiotherapy Care Review
9. Speech Therapy Care Review
10. Utilisation Review
11. Profile Analysis
12. Tracer Analysis
13. Special Topic Survey
14. Pathology - per Royal College of Pathologists and Australian Association of Clinical Biochemists
15. Discharge Summary Review
16. Peer Review - Clinical Specialists/VMOs
17. Medical File Audit
18. Surgical File Audit
19. Computerised Audit Systems - Surgical, Gastroenterological and Urological
20. Pharmacy Audit - Antibiotics
21. Occupational Therapy Review
22. Allied Health Professionals - interdisciplinary
23. Social Work - audit of Nursing Home/Hostel disposal
24. Theatre Audit group
25. Patient Injury Analysis
26. Nursing Record Audit

QUALITY ASSURANCE ACTIVITIES

RGH HOBART

1. Patient Care Review
2. Discharge Summary Review
3. T.I.A. Audit
4. Criteria for Management of Renal Failure
5. Operating Theatre Utilisation
6. Utilisation Review Outpatients
7. Infection Control
8. Chronic Obstructive Airways Disease (COAD)
9. Antibiotic Utilisation Review
10. Blood Utilisation Review
11. Post-operative Pain Review
12. Nursing Care Review
13. Incident Report Review
14. Patient Questionnaire
15. Staff Appraisal
16. Indwelling Catheter Survey
17. Patient Dependency
18. Orientation to Hospital
19. Medication Sheet Audit
20. Medication Storage Survey
21. Patient Discharge Audit
22. Patient Observation and Observation of Patient Environment Study
23. Total Hip Replacement Care Review
24. Medical Records Review
25. Special Topic Survey
26. Social Work Review
27. Speech Pathology Care Review
28. Adverse Patient Occurrence Review
29. Food Services Review
30. Domestic Services Review

NOTE: Items 29 and 30 will look at the patient expectations/or experiences of the Food Services Section and the services provided by the Domestic Services Department eg. portage, cleaning, security.

CLINICAL/UTILISATION REVIEW ACTIVITIES

The following is a list of current clinical review and utilisation review activities being undertaken in this hospital. These overlap with continuing education activities.

2. Bringing this to your notice may persuade you to become involved in those that are of interest to you.

3. Dr Rosalie Parton can be approached for further information (Extn. 318) and copies of audits and reviews will in due course be available from her.

(Dr Murray Drew)
QUALITY ASSURANCE CO-ORDINATOR

23 February 1988

HOSPITAL BASED ACTIVITIES

1. QUALITY ASSURANCE PROJECTS

- 1.1 Quality Control Check Sheets for all Departments are being devised and will be reviewed quarterly by the Quality Assurance Committee.
- 2.3 Adverse Patient Occurrences - A three month trial of reporting these to the Assistant Medical Superintendent by RMO at time of patient discharge. Set criteria being used. Those requiring further investigation being reported to the Quality Assurance Committee.

2. CLINICAL MEETINGS

- 2.1 Hospital Clinical Meeting - Medical, paramedical staff. Held every Tuesday 12.30pm - 2.00pm in Lecture Theatre on 1st Floor of Multi-Storey Building - Luncheon provided.
- 2.2 Case Presentations - Hospital medical staff and VMO's. Held approximately every third week from 12.30pm - 2.00pm in Reception Room, 1st Floor, Multi-Storey Building - Light luncheon provided.
- 2.3 Discharge Summary Reviews - As in 2.1 above. These meetings are minuted and copies circulated.
- 2.4 Organ Imaging Reviews - Resident Medical Officers and Visiting Medical Officers. These are held at 12.00 noon every Thursday in the X-Ray Department by Dr Bloomfield who reviews current problem and interesting x-rays.

3. CRITERIA AUDITS - Hospital Medical Staff and V.M.O.s
- 3.1 Rational Use of Diuretics - Dr Farmer/Dr Oliver.
Reception Room, 1st Floor, Multi-Storey Building.
Date : 12.30pm - 2.00pm, 14 March. Light lunch.
- 3.2 Aspects of Joint Replacement - Dr Borowsky/Dr Walker.
Date : 25 April - otherwise in 3.1.
- 3.3 Subject to be Announced - Date : 13 June.
4. MEETINGS AT ROYAL HOBART HOSPITAL
- 4.1 Surgical Audit Meetings - R.M.O.s and V.M.O.s. Held in 3D Clinical Room on second Wednesday of each month from 1.00pm - 2.00pm. Light lunch. Minuted and circulated.
- 4.2 Medical Review Meeting - Held in 3D Clinical Room every third Monday in each month - 1.00pm - 2.00pm. Lunch provided.
5. MEDICAL UTILISATION REVIEWS AT R.G.H.
- 5.1 Dr Paul Fisher - is undertaking a utilisation reviews course of failure to keep appointments, particularly in relation to Out-Patients and Respiratory Function Unit, with a view to improving attendances.
- 5.2 Sister Wanda Spaulding - is continuing utilisation review of theatre usage as a basis for future rationalisation.
- 5.3 Dr Liam Walker - is investigating the effectiveness of pre-anaesthetic investigations with a view to altering present system.

6. ALLIED HEALTH SERVICES

6.1 Pharmacy Service - (Mr J. Galloway)

- 6.1.1 Completion of antibiotic survey of 1987.
- 6.1.2 Review of use of histamine antagonists at
RGH.

6.2 Occupational Therapy - (Ms E. Baldey)

- 6.2.1 Repeat audit of hip replacement therapy.
- 6.2.2 Review of documentation procedures in
Department in relationship to effectiveness.

6.3 Speech Therapy - (Mrs H. Potgeiter)

Review of speech recovery after CVA's.

6.4 Social Worker - (Mr N. Hammer)

Alcoholics placement review.

7. NON MEDICAL STAFF ACTIVITIES

7.1 Food Services - (Mr P. Radloff)

Review of patient acceptances of type of food provided.

7.2 Domestic Services - (Mr T. Barrett)

Review and acceptance by patients of method used in
cleaning.

8. NURSING - QUALITY ASSURANCE PROJECTS

8.1 Quality Control Checks - The following have been reviewed and implemented in all areas :

- . Drug Storage Check
- . Medication Sheet Check
- . Patient Orientation
- . Patient Questionnaire/Consumer Satisfaction

8.2 Staff Appraisals - The appraisal forms for Registered and Enrolled Nurses are being reviewed and will be implemented shortly.

8.3 Nursing Manuals - Continually updated.

8.4 Meetings with Director of Nursing - These are on a monthly basis :

- . Quality Assurance Committee - First Wednesday
- . Senior Registered Nurses - Third Monday
- . Ward Staff - each area/once per month

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**FINANCE MINUTE ON
REPORT 294
FIVE EFFICIENCY AUDITS**

DEPARTMENT OF FINANCE MINUTE

1. This Minute has been prepared on the basis of responses received from the Departments of Defence and Primary Industries and Energy, and the Australian Customs Service.

2. In this Chapter each of the Committee's recommendations is reproduced in turn and is followed by the response.

Department of Defence: Army Mapping

Committee Comment (paragraph 2.18 of Report 294)

The Committee is concerned at the delay in finalising the review of RASvy and recommends that the Committee be advised of the results of the review by the end of March 1989.

Response by the Department of Defence

3. The Royal Australian Survey Corps (RASvy) review was completed in mid-1988 and considered by the Chief of the General Staff's Advisory Committee (CGSAC). In November 1988, the Chief of the General Staff (CGS) advised the Chief of the Defence Force (CDF) and the Secretary of the outcome of the Review. A copy of the CGSAC-endorsed recommendations has been forwarded separately to the Committee in May 1989. Implementation of these recommendations has started but the timescale for completion will depend largely on the priority to be allocated to Project PARARE (see paragraph 9 below).

Committee Comment (paragraph 2.19 of Report 294)

The Committee is concerned that there should be no unnecessary duplication between the civil and defence programs and between the Commonwealth and the States. The Committee seeks reassurance that co-ordination of mapping activities and the sharing of data is being given a high priority in order to minimise the drawings on public moneys.

Response by the Department of Defence

4. A range of measures has been introduced to minimise duplication between agencies:

- a. under administrative arrangements agreed in 1987 between the Ministers for Defence, Administrative Services, and the Minister Assisting the Prime Minister for Public Service Matters, Defence now has prime responsibility for 1:50,000 series mapping in Defence Priority Areas;

- b. mapping agencies, including Defence, regularly meet to share information in forums such as the Inter-Governmental Advisory Committee on Surveying and Mapping (IGASM) and the Australian Land Information Council (ALIC). (All the States and both Territories are represented on the IGASM. All the States and Territories except for Queensland and the ACT are represented on the ALIC. Queensland and the ACT are expected to join within the next six months, and the ACT is expected to attend the Council's biennial meeting in June 1989 as an observer);
 - c. in September 1988, the Government agreed that the Australian Survey and Land Information Group in the Department of Administrative Services should become the central co-ordinating agency for the collection and dissemination of data; and
 - d. as part of the restructuring of RASvy, the Review recommended that comprehensive collection and management plans be developed for the incorporation of relevant data from civil sources in the production of the proposed Military Geographic Information Data Base. (Initial work on the development of comprehensive collection and management plans for geographic information is currently being undertaken by a Departmental working party, and will be pursued more extensively in the context of Project PARARE. Defence membership of IGASM and ALIC will facilitate the exchange of relevant data from civil sources).
5. Defence is satisfied that these measures will prove adequate to minimise the prospect of duplication and will provide a suitable mechanism to remedy any duplication that might nevertheless occur.

Committee Comment (paragraph 2.20 of Report 294)

The Committee is concerned at the Department's delay in resolving its data base accuracy requirements, the time frame for completion of Priority Areas 1, 2 and 3 and expects to be kept informed on any developments of these matters. The Committee also expects to be provided with full details on Project PARARE. Similarly the Committee would like advice of completed action by the end of March 1989.

Response by the Department of Defence

Data Base Accuracy

6. Army has adopted 1:50,000 scale mapping as the accuracy standard for wide area coverage.

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Response by the Department of Defence

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6. Army has adopted 1:50,000 scale mapping as the accuracy standard for wide area coverage.

Time Frame for Completion of Priority Areas

7. It was agreed between the Ministers for Defence, Resources and Energy and the Minister Assisting the Prime Minister for Public Service Matters in March 1987 that in view of the resources required to undertake a comprehensive map series program, the 1:50,000 scale program should be confined in the first instance to Defence Priority Areas 1 (Northwest Australia) and 2 (North and West Australia), and that any defence or civilian need for a Commonwealth 1:50,000 program outside these areas should be the subject of an independent inquiry. Area 3 (Southwest Australia) is of significantly less Defence priority than Areas 1 and 2, and the duration of the mapping task in this area will depend on the extent and standard of 1:50,000 scale civil mapping cover available. In the interests of avoiding duplication, Defence will not map locations for which there is already good quality 1:50,000 scale civil mapping.

8. The timetable for completion of Priority Areas 1 and 2 at the 1:50,000 scale (ie, 1998 to 2000) cannot be significantly shortened with AUTOMAP II. The limitations are computing power and work stations for digital data capture. AUTOMAP II will be operating at full capacity when the minor improvements to throughput capacity proposed in the review of RASvy are put in place during 1989.

Project PARARE

9. Army proposes to replace AUTOMAP II at the end of its life-of-type with a digital topographic data collection and product output system (PARARE) at an estimated total cost of some \$36m (April 1988 prices). This digital topographic database will provide the prime topographic data layer for a geographic information system. This in turn will allow specific topographic products to be generated. Such products include: maps and overlays; intervisibility data for the siting of communications and electronic warfare equipment; and terrain analysis products. PARARE will also provide computer generated map displays for use by command and control systems. As advised above, the content, cost and timing of PARARE are subject to further review.

Department of Defence: Principal Item Stock Control Entitlement System

Committee Comment (paragraph 3.10 of Report 294)

The Committee acknowledges that the problems associated with the development and implementation of PISCES identified by Audit have been resolved. The Committee believes, however, that it is important for an effective monitoring mechanism to be established to determine what degree of success is being achieved by the new system. The Department of Defence should develop appropriate performance indicators to measure progress against performance standards both of efficiency and effectiveness, ie:

- a measure of the progress in achieving specific objectives (eg estimated cost saving, improved service levels, etc); and
- an assessment of the effectiveness of the project in achieving the Army's broad objectives.

Response by the Department of Defence

10. In assessing the performance of PISCES it is appropriate to distinguish between system and management performance. System performance relates to the ability of the system to perform in accordance with its design specifications, to be available on-line for enquiry and update purposes to system users during specified periods and to provide printed reports and production of vouchers automatically or on request as appropriate. Management performance, in the context of PISCES, encompasses the definition of management's requirements and the degree of success in using the output of PISCES to achieve management's goals.

System Performance

11. The collection and interpretation of historical data on the operation of PISCES is the measurement methodology presently used by Army to indicate problem areas and measure functional performance of the system. Functional performance indicators presently in use include:

- a. number of enhancement requests (recovery, maintenance, initial) received;
- b. percentage of enquiries resulting in Recovery/Maintenance Enhancements;
- c. number of enquiries processed by PISCES Maintenance Team;
- d. number of Reject Transaction Rates by transaction type;

- e. number of reports requested by PISCES Maintenance Team;
- f. hardware downtime;
- g. rate of production and actioning of exception reports; and
- h. rate and level of management intervention.

12. Because PISCES was developed primarily as an exception reporting system one of the prime functional performance indicators is the production and actioning of exception reports. Some important exception reports in this regard are Out of Target Reports, Comparison of Rejects against Transactions Input Reports and Unactioned Reject Reports.

13. Exception reports produced at each management level are subject to management scrutiny and action. Lack of resolution (after set intervals) results in progressive notification of the problem to the next higher management level until the problem is resolved. Management at each level can therefore assess the problems emanating from PISCES that fall within their specific area of responsibility. In this light, the rate and level of management intervention is an important indicator of the functional effectiveness of the PISCES system.

14. Current indicators reveal a steady downward trend in management intervention suggesting an improved effectiveness, probably due to a maturation of the system and improved user competence.

15. The next stage in the process of functional performance measurement is the development of performance indicators capable of being assessed against management set standards. Appropriate standardised performance indicators to be developed for example are Clearance of Out of Target Reports and Reject Transactions at each management level within predetermined timeframes, and the rate and level of exception reports referred to higher level management.

Management Performance

16. The overall management objective associated with the development of PISCES is to provide accurate entitlement and asset information to allow control of Army's principal equipment resources. This broad objective may be translated into the following specific management objectives:

- a. calculation of Initial and Maintenance equipment discrepancies, to support the acquisition process;
- b. regulation of the distribution of Principal Items according to the purpose and priorities established by Army; and

- c. establishment of a management information system involving the collection, maintenance and distribution of asset information to support the in-service management of Principal Items.

17. Given the original design criteria the Department views PISCES as having been successful in assisting management to meet its management objectives. PISCES provides an effective stock control and reporting system for the management of Army's Principal Items and provides management with a data base of total equipment surpluses of deficiencies against recorded asset and asset entitlement information, to support the acquisition and distribution of Principal Items.

18. While attention has focused on the development of functional performance indicators, the Department is yet to develop performance indicators based on productivity measures. With the progressive implementation of Program Management and Budgeting, closer attention will be given to the development of performance indicators for the measurement of improved service levels, productivity and cost savings.

19. A glossary of terminology contained in the above response is provided at Appendix A.

Committee Comment (paragraph 3.11 of Report 294)

The Committee would expect to see evidence that the Department has profited from its experience of the implementation of PISCES as it redevelops three major administrative systems: the Supply Systems Redevelopment Project, the Manpower Systems Redevelopment Project and the proposals for a Defence Financial Management Information System.

Response by the Department of Defence

20. The PISCES project was a conversion rather than a development project. It was undertaken, at the time of the impending demise of the Defence Honeywell computer systems in the late 1970s, as a conversion of the existing Honeywell system, without enhancement, to enable the system to run on the then recently acquired Univac computers. In contrast, the current Defence projects, namely Supply Systems Redevelopment Project (SSRP), Financial Systems Redevelopment Project (FSRP) and Manpower Systems Redevelopment Project (MSRP) are new development activities. They involve the replacement, with enhancement, of a range of existing computer systems which run on a variety of manufacturers' hardware and software. The projects are being undertaken within the DESINE environment.

21. The PISCES experience has focused attention mainly on the areas of efficiency measurement, approval and developmental processes.

22. The most significant of Audit's recommendations flowing from the FISCES efficiency audit related to management of the implementation project and were based on the following criticisms:

- a. detailed and measureable objectives were not produced;
- b. there was no formal statement of requirement;
- c. criteria for justification of a computer system were not established;
- d. an approved system development methodology was not used; and
- e. user analysis was not performed.

23. In respect of the major Defence projects, these areas have been addressed in the following ways:

Objectives

24. Each of the redevelopment projects has undergone rigorous management examination and is subjected to the Defence Committee process as well as the Acquisition Council process. The Committee process ensures that all significant projects must provide measureable objectives to ensure cost effective implementation and quantifiable, realisable tangible benefits. The objectives are examined during this process and finally examined in the Post Implementation Review Process (PIR) conducted on each system. PIR procedures are currently being revised to incorporate procedures to ensure that objectives are realised.

Statement of Requirement

25. All new system development projects must contain a formal Statement of Requirement which reflects the expectations of the respective user organisation. This requirement is couched in terms which are also measureable ensuring that development managers can achieve the desired results.

Justification

26. The process of justifying any new Defence computer system development is performed by a hierarchy of approval Committees which ensures that all management options are promulgated and analysed. All information system developments must be approved at several levels depending on implementation cost. Smaller requirements are examined by the respective Service or Defence Central Computing Management Committee, whereas the major projects require exhaustive review by an Acquisition Council and Cabinet.

System Development Methodology

27. The Spectrum system development methodology is the approved Departmental methodology which has been in operation since 1981. The Defence Information System Policy Committee on 19 February 1988 reaffirmed that the methodology is to be used for the development of all information projects except those of a minor nature. The committee endorsed:

- a. The use of Spectrum Productivity/Manager as the defence standard for the planning, estimating, development and maintenance of information systems;
- b. the purchase of Spectrum Productivity/Manager for implementation in all appropriated areas of the defence organisation;
- c. functional and project managers assuming responsibility for the use of a suitable methodology for small/non-complex computing projects; and
- d. the requirement for commitment from management at all levels to the use of Spectrum Productivity/Manager.

User Analysis

28. Each of the major redevelopment projects mentioned has had extensive user analysis. The MSRP project recently was examined critically by the Force Structure Committee and returned for further documentation, justification and analysis.

29. The Force Structure Committee is also actively examining the degree of commonality between major projects with a view to saving resources in development, implementation and management.

30. In conclusion, in respect of the major projects referred to, the Department has a standard system development methodology and an appropriate approval and review mechanism which will ensure that objectives are clearly identified and attained. While these mechanisms were not implemented directly as a result of the PISCES outcome, they reflect the degree of seriousness with which the Department regards the implementation of information system projects.

31. The Defence Information System development environment will be enhanced by the introduction of a standard environment across new projects, but in particular the major projects of SSRP, FSRP, MSRP and CMM II. The DESINE environment will enable improved connectivity and common development tools providing better use of skilled resources and reduced training costs.

Australian Customs Service: Licensing and Administration of Customs Agents

Committee Comment (paragraphs 4.19 and 4.20 of Report 294)

The deficiencies identified by Audit clearly indicate the need for improvements to the current system of licensing and administration of Customs agents. At the same time, it appears that Customs will shortly be moving towards a system of industry self-regulation. If this occurs many of the recommendations made by Audit for strengthening the licensing system would no longer be applicable. Accordingly, the Committee should avoid placing too great an emphasis on these recommendations while the deliberations on self-regulation are continuing.

Instead, considering that the departmental report on self-regulation is expected to be completed by the end of 1988, it is recommended that the Committee wait until the findings of that report are available before it considers whether further action is required in relation to the findings and recommendations of the Auditor-General. The Committee would then have all the relevant information before it and could make a more complete and timely assessment of whether Customs is dealing appropriately with the deficiencies identified in the licensing and administration of Customs agents.

Response by the Australian Customs Service

32. The Customs Agents Industry Self Regulation Working Party submitted its draft report to the Comptroller-General of Customs in May 1989 for initial consideration.

33. In its draft report, the Working Party concluded that self-regulation of customs agents is both desirable and achievable and made a number of recommendations to this end.

34. The delay in finalising the report was caused to some extent by the resignation and replacement of the Australian Customs Service representative on the Working Party. However, the major contributing factor in delaying the finalisation of the report was the Government's decision early this year to re-introduce legislation to impose administrative penalties for incorrect entries which result in short-payment of duty.

35. The legislation, embodied in Customs and Excise Legislation Amendment Act (No 2) 1989, was passed by Parliament in April 1989. The Working Party believed that its study could not proceed without consideration of the impact of the legislation on the Customs Agents Industry.

36. Consequently, the draft report includes points made in the previous April 1988 interim report and incorporates further expert views and industry views made in the light of the new legislative framework.

37. It is expected that the final report will be completed and presented to the Comptroller-General for his consideration in September 1989. A copy of the report will also be made available to the Committee.

Department of Primary Industries and Energy:
Administration of Meat Inspection Services By The Export
Inspection Service

Committee Comment (paragraphs 5.4 and 5.5 of
Report 294)

The Committee is generally satisfied with the Department's response to the Auditor-General's report. In particular the Committee is pleased to note that no case of meat substitution has been reported since the 1981 incident.

However, in relation to the Meat Transfer Certificate System (MTC), the Committee notes that while Audit viewed delays in reconciliation of MTC duplicates with some concern, the Department considered such delays to be inevitable because of the large volume of MTCs involved. The Committee agrees with Audit that to be effective, the MTC system requires prompt checking that products dispatched have been received or investigation of reasons why they were not received. Accordingly, the Committee expects greater effort in ensuring the timeliness of MTC reconciliation.

Response by the Department of Primary Industries and Energy

38. The need for prompt reconciliation of Meat Transfer Certificates (MTC's) is well understood and the present system is effective. Given the resource constraints being placed on the Australian Quarantine and Inspection Service (AQIS) and the widely dispersed location of meatworks in Australia, a major change in reconciliation procedures can only occur when the computerised system for preparation and processing of meat export documentation (EXDOC) is successfully implemented (see response to paragraph 5.6).

39. In this regard, however, it should be noted that the MTC is only a single component of the export meat security system. Its effectiveness should not be judged in isolation. The export security system has been subjected to two extensive reviews by consultants:

- a. 'Review of Effectiveness of the Revised System for the Documentary and Physical Control of Export Meat' by Price Waterhouse Associates Pty Ltd 1982 which:
 - . in relation to MTC, identified a problem with non receipting (which has been rectified); and
 - . concluded that the MTC fulfills its purpose but needs redesigning (which has been done).

b. 'Review of Effectiveness of Security Arrangements for the Control of Export Meat' by Arthur Young Services Management Consulting which:

- . while identifying some minor areas that need further consideration, concluded that the system as a whole is working well and is effective; and
- . in relation to MTC, emphasised the need for diligent processing and reconciliation (which, as outlined above, AQIS considers is operating).

Committee Comment (paragraph 5.6 of Report 294)

The Committee also agrees with the view that a computer system for validation of MTC duplicates would bring a number of advantages, particularly in relation to clerical effort, and notes that a departmental feasibility study has recommended that a computer based export documentation system be implemented. This study is to be considered by the Meat Industry Advisory Committee in late 1988. The Committee believes that such a system should be introduced as soon as the proposal becomes viable.

Response by the Department of Primary Industries and Energy

40. Among the recommendations of a report commissioned by AQIS by consultants Computer Sciences of Australia Pty Ltd in July 1988 into the feasibility of computerising the preparation and processing of meat export documentation (EXDOC) it was recommended that AQIS investigate the computerisation of the MTC.

41. At its meeting on 12 October 1988, the Meat Industry Advisory Committee (MIAC) considered the consultant's report. The MIAC agreed that the consultant's report should be progressed, with the emphasis on EXDOC, and a small working group was established to examine it in detail.

42. The working group supported the recommendations of the consultants, and to progress the exercise, a joint AQIS/Industry Steering Committee has been established to oversee the developmental phase of the implementation of the proposed new system. It is anticipated that the development phase will be completed by 30 June 1989.

43. Implementation of a computerised MTC system is dependent on the successful introduction of EXDOC and is one of a number of 'transactions' that could be undertaken in addition to EXDOC.

44. If funding is made available it is hoped to have EXDOC operational on 1 July 1990. If this occurs hardware will be in place (at meatworks and DPIE regional offices) to allow development of software utilising the EXDOC system for MTC's.

Committee Comment (paragraph 5.7 of Report 294)

The Committee acknowledges the implementation of new inspection initiatives aimed at achieving savings within the inspection service. The Committee notes that the introduction of such changes can be delayed because of the need to negotiate with several groups, including the meat industry, staff associations and foreign governments. Nevertheless, the Committee emphasises the importance of timeliness in the consideration of any revised procedures to ensure that the maximum benefits are achieved.

Response by the Department of Primary Industries and Energy

45. The review of the slaughter floor staff loading standards has been completed and recommendations are currently before the AQIS Executive. It should be noted that the Meat Inspectors Association (MIA) has submitted a minority report disagreeing with the findings and some industrial action has already commenced. Given that an equitable solution can be reached it is hoped to introduce the new arrangements in the second half of 1989 with 1 October 1989 being the target date.

46. A major review of ancillary inspection arrangements (inspection after the slaughter floor) has also commenced. The target date for completion of this review is mid June 1989 with implementation again being targeted towards 1 October 1989. MIA has already indicated that it will oppose any changes.

47. However, as the Committee has recognised, there are many other outside influences that may delay implementation.

Committee Comment (paragraph 5.9 of Report 294)

Finally, the Committee is concerned that delays in the development of an appropriate charging strategy are responsible for maintaining the inequities and inefficiencies of the levy system. In this regard the Committee is pleased to note that fee-for-service for slaughter floor meat inspection in export and domestic abattoirs under departmental control was introduced on 1 July 1988. The Committee also notes that the

Department has undertaken an examination to determine the adaptability of meat inspection functions. This is to be introduced in 1989 if viable. The Committee expects to be advised of progress on the full implementation of fee-for-service in the response to this report.

Response by the Department of Primary Industries and Energy

48. Following approval of the Minister for Resources to proceed with the project, AQIS has commenced work on developing possible alternative Fee-for-Service (FFS) charging schemes for ancillary meat inspection services.

49. These alternative schemes are being considered by a Joint Commonwealth/Industry Working Party (JWP). The JWP has been given the task of designing a scheme which can be recommended to the Minister for implementation.

50. It is expected that a new FFS scheme for ancillary meat inspection services will be put in place by October 1989.

Department of Resources and Energy: Offshore Petroleum
Royalties and Excise

Committee Comment (paragraph 6.8 of Report 294)

The Committee notes that the compliance reviews of late 1987 and early 1988 have been completed and that a further four compliance reviews have been scheduled for the next two-year cycle commencing in October 1988. The Committee also notes that the systems review is proceeding on schedule and is expected to be completed by the end of 1988. The Committee will monitor any developments in the above matters arising from the compliance and system reviews. The Committee expects to be informed of the outcome of the systems review.

Response by the Department of Primary Industries
and Energy

51. The Systems Review of Bass Strait Excise and Royalty Arrangements has been completed and a summary of findings, together with the Department's responses thereto, is provided at Appendix B. In brief, the consultants have indicated that the Bass Strait systems of internal control are essentially sound, but they have suggested some changes to the way in which the Bass Strait excise and royalty regime is administered.

Michael Keating

M S KEATING
SECRETARY
Department of Finance

GLOSSARY OF TERMINOLOGY CONTAINED IN RESPONSE
TO PARAGRAPH 3.10

a. System Performance

- (1) Enhancements - modifications to PISCES so as to improve performance or respecify to accord with revised requirements.
- (2) Recovery (enhancements) - respecification necessary to restore current system to full operation and integrity consequent upon some system interruption.
- (3) Maintenance (enhancements) - improvements to existing system specifications.
- (4) Initial (enhancements) - new requirements which will provide greater capability to the system.
- (5) Enquiries - formally registered minor investigations of the system which cannot be immediately resolved; input can be from any source.
- (6) Reject (may be synonymous with reject transactions) - non-acceptance of input data through failure to meet edit criteria; re-input usually required.
- (7) Reject transactions - executive action on central database has not occurred due to incorrect input transaction being applied by system user; notification of non-acceptance of input transaction is referred back to source input for investigation and re-input if required.
- (8) Out of Target reports - a document which acts as a hastener notifying that action required has not occurred by a due target date.

b. Management Performance

- (1) Initial (discrepancy) - the difference between the authorised entitlement to an item and the actual authorised stock level, taking due account of any inflows and outflows in the pipeline.
- (2) Maintenance (discrepancy) - the difference between the quantity of items issued initially and current stock held, taking due account of any inflows and outflows in the pipeline.
- (3) Discrepancies - surplus or deficient quantities of an item.

SYSTEMS REVIEW OF BASS STRAIT EXCISE AND ROYALTY ARRANGEMENTS -
 CONDUCTED BY KINHILL ENGINEERS PTY LTD (TECHNICAL), COOPERS AND
 LYBRAND (FINANCIAL AND ACCOUNTING AND AUDIT) AND RYDER SCOTT
 COMPANY (REVIEW OF FULLWELLSTREAM ANALYSIS)

SUMMARY OF FINDINGS

Technical Section - Kinhill Engineers Pty Ltd

The technical aspects of the systems review relate primarily to matters associated with the mass balance phase of the ROYAL computer program, encompassing the measurement techniques, sources of information, calculation methods and systems and the documentation used in establishing each of the input data items to the program.

The findings from this Section of the review relate mainly to the adequacy of the measurement systems in place in the Bass Strait system. The consultants physically examined each of the 13 platforms in Bass Strait, the production facility at Longford and the Long Island Point fractionation plant, including the crude oil tank farm and the liquids jetty.

With the exception of some minor metering deficiencies (minor in so far as their effect on royalty is concerned) and some concerns on the frequency of calibration of some meters, the examination by the consultants of the systems in place in these areas indicated a satisfactory situation.

Financial and Accounting and Audit - Coopers and Lybrand

Systems of internal control

The overall finding of Coopers and Lybrand was that the systems of internal control were strong in every area considered. However, they have reported concerns in the following areas:

- . approvals of program changes by the Department of Primary Industries and Energy (DPIE) have not been promptly performed. At the time of their examination, approvals were at least 8 months behind implementation of amendments.
- . resources should be arranged to enable DPIE to effect program changes more quickly, either through additional staff or contractors or an external bureau.

The Department is aware that the current backlog of program runs is unsatisfactory given the recent criticisms of the Auditor-General and is committed to removing the backlog in as short a time as possible. The backlog occurred primarily because Divisional personnel responsible for the maintenance and operation of the Division's Mass Balance program were asked to conduct a detailed analysis of the financial impact of Kinhill's

recommendations from their earlier consultancy review of the Mass Balance program. It is anticipated that the current backlog of program changes and program runs will be removed by the end of the current financial year.

Accounting treatment

No major matters were reported where procedures are not consistent with good accounting practice, with the following exception:

- . the Royalty depreciation deduction for fixed asset expenditure may exceed the cost of the asset. This arises for assets more than 20 years old because the net book value for a specific asset cannot be identified (ie it is a part of a whole or consolidated asset for depreciation purposes).

This concern is being addressed by the producers, in conjunction with the Victorian Department of Industry Technology and Resources (DITR), and will be resolved by the time the first such situation arises in the near future.

Efficiency of procedures

The consultants have reported that as the output from Bass Strait has now passed its peak, consideration should be given to a simplification of the taxation arrangements to something more appropriate to the shrinking production base. The alternatives tendered for possible evaluation, some of which are recognised by the consultants as being too simplistic to succeed, are as follows:

- . Legislate the taxation amounts annually required;
- . use an alternative taxation philosophy (eg Resource Rent Tax);
- . remove the requirement for the payment of royalties (with suitable compensation to Victoria);
- . levy excise duty on despatched product irrespective of source, obviating the need to back allocate sales to excise production areas;
- . reduce the frequency of excise payments, which are currently every 10 days, to monthly;
- . reduce royalty to a percentage of gross wellhead value, relieving the onerous necessity of deduction calculation to arrive at a net wellhead value, the current basis for royalty calculation;
- . replace royalty depreciation deductions for fixed assets with a straight line fixed percentage of total gross asset expenditure. This would reduce the need to classify assets by particular royalty categories, and could also be applied to deductions for operating expenses;

- reduce royalty to a single rate;
- allow royalty deductions to be claimed on an accrual basis, not a cash basis as at present. This would bring uniformity into Esso's accounting, and obviate the need for Esso to perform the monthly conversion, for royalty purposes, of their accounts from accrual to cash.

These options will be evaluated by DPIE in the context of the excise review in conjunction with the operators Esso/BHP, the Australian Customs Service and the DITR.

Auditing responsibilities

Coopers and Lybrand have recommended that DITR allocate a greater proportion of their audit activity to the verification of deductions for royalty purposes, by performing a testing of the controls over the general ledger and associated subsidiary systems.

Duplication of audit activity

Coopers and Lybrand have identified several areas where they believe duplication of audit effort exists. The main areas are as follows:

- there appeared to be no confirmation of the data audited by DITR and the data accepted by DPIE from Esso. To satisfy themselves that the Esso version of the program is working properly, DITR perform a small amount of calculation testing, directly duplicating DPIE's running of their version of the program;
- The Australian Customs Service (ACS) perform an "overall" check on the calculation of excise. To some extent this duplicates DPIE's running of the Royal program, and is seen as a need by ACS to assure themselves that excise has been properly calculated. The informal relationship between ACS and DPIE has resulted, in Coopers and Lybrand's view, in ACS being reluctant to fully rely on the work performed by DPIE.

Consolidation of audit activity to reduce cost

Coopers and Lybrand have suggested that direct audit involvement could be restricted to one party who is independent of the producers. At present, eleven separate audit organisations are involved in auditing the Esso and BHP systems. The scope, frequency, method and level of audit testing together with reporting requirements could be established and approved jointly by the interested parties. Coopers and Lybrand have recognised that such an arrangement could not succeed without legislated changes.

Informal relationship between audit bodies

Coopers and Lybrand state that there appears to be informal reliance being placed on some auditors and in some circumstances uncertainty as to the amount of reliance that can be made on other auditors. They believe the situation warrants some rationalisation, and in particular state that the ACS could in fact duplicate all areas covered by DPIE and DITR in the verification of excise (and royalty). This does not occur in practice but there is no formal agreement between ACS, DPIE and DITR on the extent of reliance which ACS can place on DPIE and DITR.

Coopers and Lybrand strongly recommend that if the current level of audit activity is to be maintained, a formal strategy be prepared between all auditors, clearly documenting the reliance that can be placed on each other.

DITR's audit approach

Coopers and Lybrand recommend that DITR change the nature of their current audit approach from total substantiation of results to a mix of testing of the controls in the Esso system and minimal substantiation supported by analytical review. DITR has agreed in principle with this recommendation.

DPIE verification of the "royal" program

Coopers and Lybrand are of the opinion that the parallel running of an independent version of the "Royal" program by DPIE is one of the most important aspects of the verification process and should be performed as close as possible to the running of the actual live program.

They have therefore recommended that DPIE bring up to date as soon as possible the running of the "Royal" program. As indicated above, steps have already been taken within the Division to bring the program up to date, to the point where the DPIE version should be in parallel with Esso's by end-June 1989.

On a related issue, Coopers and Lybrand believe that it may be more efficient to use a version of the program code which is identical to that used by Esso, as program changes can be more easily identified and subsequently verified. This would mean that DPIE would have less requirement to perform detailed program analysis to ensure that changes are consistent with those supplied by Esso, as is currently the case. This issue will be examined by DPIE in more detail over coming months.

Reliance on DITR and DPIE staff

As a general comment, Coopers and Lybrand have stated that they believe that both DITR and DPIE are exposed from an audit viewpoint in that they place a heavy reliance on a few key personnel in the verification of royalty and excise processes.

Suggestions to overcome this exposure are to engage an assistant for the DITR royalty engineer and, in the case of DPIE, to maintain an identical version of the Esso "Royal" program, as discussed above.

Review of fullwellstream compositional data section - Ryder Scott Company

Ryder Scott Company has recommended that changes to the frequency of sampling for some streams of Bass Strait production be implemented in the light of their analysis. These changes include both increases and decreases in frequency, dependent on the results of their analysis.

In addition, they have recommended the following:

- the accuracy of the fullwellstream (FWS) compositional data could be improved by adding new instrumentation to more closely monitor the FWS compositions, although they have stated that due to the expense of these enhancements, they should be done on a very selective basis and only to those streams where variations in composition gave a significant impact on the excise and royalty calculation;
- the statistical procedure currently used by Esso to reject outlier compositions from the data base is more stringent than is intended, causing too many of the compositional analyses to be rejected. Ryder Scott have recommended the Dixon test should be applied using the critical values for a two-tailed, rather than for a one-tailed test, as is used at present. This would increase the critical value and would therefore decrease the number of compositions rejected.

**FINANCE MINUTE ON
REPORT 295
THERAPEUTIC GOODS**

DEPARTMENT OF FINANCE MINUTE

1. This Minute has been prepared on the basis of responses received from the Department of Community Services and Health. However, some recommendations of JCPA Report No 295 will require the consideration of the Government, namely Recommendations No 1, 25, 26, 28 and 30. The Committee will be notified as decisions are made by the Government.

2. In this Minute each of the Committee's recommendations is reproduced in turn and is followed by the response.

Department of Community Services and Health

Legislation

Recommendation 1 (paragraph 2.63 of Report 295)

The Committee recommends that:

The Department of Community Services and Health should ensure full consultation with all interested parties including the States and industry and consumer groups and that urgent efforts be made to ensure introduction of the bill for uniform national legislation to control therapeutic goods into the Parliament in the Autumn sittings 1989 with a commencement date no later than 1 January 1990.

Response

3. States, industry and consumers were forwarded a discussion paper describing the new legislative proposals in November 1988. This was to facilitate consultation.

4. The original response date of 31 January 1989 was extended, at industry request, to 28 February 1989 by which time detailed comments were available from most of the major parties. The Department is continuing to consider representations from organisations and individual parties and will do so until the legislative timetable precludes any further amendment. Industry has been raising a variety of questions, which have assisted the Department in clarifying its position and making adjustments accordingly. The States and Territories were further consulted through the National Coordinating Committee on Therapeutic Goods when it met in mid-April 1989. They have been kept closely advised of the new legislation proposals and following consideration of the draft legislation have given general support for the Commonwealth to produce model complementary legislation.

5. As regulations to accompany the Bill are progressively drafted there will be some need for further consultation with relevant sectors of industry. In addition to situations where it takes the initiative, the Department has been meeting with interested parties where requested. The parties include the Australian Pharmaceutical Manufacturer's Association, Australian Medical Devices and Diagnostics Association, Nutritional Foods Association of Australia and the Proprietary Association of Australia. Discussion have also taken place with representatives of the Attorney General's Department, the Department of Primary Industries and Energy and the Department of Industry, Technology and Commerce.

6. It was decided at the beginning of the 1988/89 financial year that the resources were not available to develop, and more importantly to prepare for the administrative reforms of a Bill in time for the Autumn sittings of 1989. The Department is now preparing the Bill and regulations for introduction in the 1989 Budget sittings; however the Government has yet to determine its legislation priorities for those sittings and, indeed, has yet to consider the Bill. Given the revised timetable, it has been possible to meet requests from interested parties for a greater time in which to comment.

7. Depending on the timing of the passage of the Bill a commencement date of 1 March 1990 is possible.

Recommendation 2 (paragraph 2.63 of Report 295)

The Committee recommends that:

The Department of Community Services and Health prepare within 6 months a report on progress made towards having the legislation in place by the commencement date or earlier to enable a review by the Public Accounts Committee, independent of the Finance Minute process, to be undertaken.

Response

8. The response has been prepared and submitted separately as requested.

Medical Devices

Recommendation 3 (paragraph 4.45 of Report 295)

The Committee recommends that:

The Department of Community Services and Health urgently consider and implement means by which improved control can be exercised over devices entering Australia:

- (i) Determine if there are any further devices on the Australian market that have been subject to regulatory action by comparable overseas authorities.

- (ii) Examine its records to determine whether any letters have been issued to USA companies to authorise import into Australia of devices that have been subject to regulatory action in the USA with a view to reviewing the authorised devices in Australia.
- (iii) That the companies be required to advise the Department if a device marketed in Australia has been the subject of regulatory action by a comparable overseas authority. Marketing approval should only be given if the Department is satisfied the product is safe.

These measures should be examined as an interim measure pending passage of the proposed legislation as well as a requirement after that.

Response

9. In relation to (i), eighty five percent of the medical devices used in Australia are imported.
10. All published information from overseas, including agency reports, has been examined and no devices have been identified that have been subject to regulatory action by comparable overseas authorities. However, few countries release information against which comparisons can be made. The USA is the only country publishing regulatory action and this is carefully examined by Australia. It is not considered practical to approach these countries in an attempt to match Australian products with details of regulatory action. Quite apart from the considerable resource that would need to be involved, we do not have a complete list of marketed devices in Australia, there are very real problems in ensuring a comparison of like with like and products which have been subject to regulatory action could have returned to the market after rectification in some cases within a matter of weeks.
11. In relation to (ii), the Department has examined its records and has been unable to find any situation of a letter approving import of a product which was at the time subject to some form of regulatory embargo in the USA.
12. Acting on a suggestion made by the Joint Committee, the Department has drawn up guidelines and prescribed information which is to be required from the importer/exporter prior to the issuing of any letters.
13. This system became operative during February 1989. A copy of the guidelines has been forwarded to the Committee. The Guidelines outline the information to be supplied with applications for USA medical device export facilitation letters. The information requested is detailed and requires all limitations imposed on the supply of the device by the Food and Drugs Administration or Institutional Review Board to be stated.

14. In relation to (iii), it is proposed that under the new legislation, an application to register a product for marketing in Australia will include a declaration as to whether the product has ever been rejected for marketing in countries nominated as having comprehensive regulatory systems. A condition of registration will be that the Department is advised of recall actions as and when they occur in overseas markets.

15. The main countries supplying medical devices to Australia are the USA and UK. Subject to a satisfactory declaration, and Departmental records not showing any reported problems with a product, particularly in relation to usage over time, most products will be allowed for marketing without further checks. Even with the small number of products subject to more detailed evaluation the Department is, in the final analysis, unable to guarantee their safety because of inherent limitations on testing and control.

16. Sponsors of the vast majority of devices on the Australian market are not required to seek government approval prior to marketing. However the Department will be approaching all sponsors on the current register seeking an undertaking to advise of any regulatory actions taken by overseas countries against any of their products marketed in Australia.

17. It would be most time consuming and resource intensive to introduce changes to the Customs (Prohibited Imports) Regulations to include such requirements and it is unlikely that any changes could be implemented prior to the introduction of the new legislation. Therefore, the use of Customs (Prohibited Imports) Regulations to enforce a declaration with each individual importation in the interim period is not considered justified. As recognised by the JCPA the problem would be overcome with the introduction of the proposed legislation wherein control over devices will be exercised through the requirement to be registered or listed.

Recommendation 4 (paragraph 4.57 of Report 295)

The Committee recommends that:

The Department of Community Services and Health review its list of designated devices requiring marketing approval before supply to the Australian market on the basis of what is desirable for public health and safety. The statistical model, data from overseas regulatory authorities and data from Australian experience to date should be used.

Response

18. The Department is now validating the 'statistical model' prepared by Dr J.R.G. Butler, Chief investigator, Q Search, Queensland University of Technology, prior to its becoming a formal part of a process to provide a systematic and quantitative method of allocating device priorities. Priority selection by the "model" will be considered by the Therapeutic Devices Evaluation Committee (TDEC) for inclusion in the Therapeutic Device Program.

19. Following implementation of the "model" and as results are generated priority categories of device will change.

20. Recently because of the transfer of responsibility from the Drug Evaluation Branch to the Medical Devices and Dental Products Branch the priorities for the evaluation of device material (non drug therapeutic materials) were reconsidered and certain of these products have now become designated for premarket review, whereas previously all of these device materials had been subject to review.

Recommendation 5 (paragraph 4.57 of Report 295)

The Committee recommends that:

If this list of devices is greater than resources would allow, the Department of Community Services and Health should reconsider the resource allocation within the Department. The advisory committees should draw the Minister's attention to these issues.

Response

21. In relation to recommendations 4 and 5 it is not possible to simply classify product categories into concern/no concern classes. Levels of concern form a continuum which is addressed to the extent that allocated resources permit, with available resources allocated to those categories of highest concern. The views of the Committees as to the adequacy of resource levels will be drawn to the attention of the Minister. Such a view was relayed to the Minister from TDEC following its December 1988 meetings. The Department will reconsider resource allocations between competing priorities in the context of the 1989/90 staffing allocation.

Recommendation 6 (paragraph 4.66 of Report 295)

The Committee recommends that:

The Department of Community Services and Health make effective use of evaluations from comparable overseas countries in the Australian device evaluation program.

Response

22. Industry has been advised that the Department will be prepared to consider, on a case by case basis, the use of overseas evaluations. Generally the marketing submission to the overseas regulatory authority will be required, together with a copy of the authority's evaluation if possible. Any other information which would support the submission, and information on any current regulatory action relating to the device, should also be provided. It will be necessary to confirm that the device to be supplied in Australia is constructed and manufactured in an identical manner to that referred to in the overseas submission. More detailed guidelines are to be developed late this year. An agreement has been signed with an international organisation, the Centre for Information on Technology for Public Health (CITECH) to facilitate international acceptance of product approval. CITECH is a co-operative arrangement between three agencies namely:- Emergency Care Research Institute, (ECRI) USA; Swedish Testing Institute for Medical Supplies, (SPRIMA) Sweden, and The Netherlands Organisation, (TNO) Netherlands. It is a nonprofit making agency which evaluates and provides certification for devices for International Standards. It was formed in August 1988.

Good Manufacturing Practice

Recommendation 7 (paragraph 5.107 of Report 295)

The Committee recommends that:

The Department of Community Services and Health review its list of manufacturers showing critical deficiencies to determine if further delisting from the Pharmaceutical Benefits Schedule is warranted for any manufacturers.

Response

23. The list of manufacturers with critical deficiencies has been kept under continual review. The delisting of a company late last year, which received considerable publicity has had a most salutary effect. There have been quite dramatic improvements in the manufacturing practices of the other companies that were put on notice at that time. There are only two from the original list of thirteen that are still being closely monitored in the context of possible delisting of their PBS products.

24. The Department now maintains a data base for immediate identification of manufacturing establishments which fall into the critical category while producing products within the PBS. The review process will thus be continual. There are, of course, other companies not dependant on PBS listing and where corrective action may need to await licensing.

Recommendation 8 (paragraph 5.83 of Report 295)

The Committee recommends that:

The Department of Community Services and Health increase its education program of both State and Territory good manufacturing practice inspectors and manufacturers.

Response

25. If the new legislation proceeds as proposed with its emphasis on eliminating duplication there should be a reduction in State and Territorial inspection activities; also in the breadth of expertise which will be needed by the States. Nevertheless the Department intends to continue running an annual training meeting for all State and Territory officers, as well as for its own officers. The Good Manufacturing Practice (GMP) Newsletter that is sent to all manufacturers of therapeutic goods has been expanded to include a greater educational component. A brochure describing the role of the National Biological Standards Laboratory (NBSL) Inspectorate and the purpose of GMP inspections has been widely distributed. The NBSL Inspectorate has increased the number of lectures given to seminars and conferences attended by industry personnel. In addition to current assistance to manufacturers, the Department would see considerable benefit in regional seminars for quality control personnel. These could be enhanced by the involvement of international experts. It would be proposed to develop such seminars as and when resources permit.

Recommendation 9 (paragraph 5.83 of Report 295)

The Committee recommends that:

The Department of Community Services and Health enter into discussions with State and Territory governments with the aim of signing agreements regarding introduction of complementary legislation to allow enforcement of the Code of Good Manufacturing Practice for unincorporated bodies that operate intra-State.

Response

26. This matter was discussed with States and Territories at a meeting of the national Co-ordinating Committee Therapeutic Goods on 13 and 14 April 1989. There was general support for complementary legislation. It was agreed that the Commonwealth would produce 'model' complementary legislation which would be forwarded to the States and Territories and at which time formal agreement to its introduction would be sought. The Department is currently arranging for the preparation of model legislation.

Recommendation 10 (paragraph 5.83 of Report 295)

The Committee recommends that:

The Department of Community Services and Health advise all manufacturers of the requirements under the proposed legislation and the need to comply to ensure licensing under the new legislation.

Response

27. This issue was widely canvassed in the consultation process referred to in the response to Recommendation 1. Once the new legislation is in place, the Department will issue a special edition of the GMP Newsletter specifically drawing attention to the proposed licensing arrangements and the associated requirements. Consideration will be given to the Department conducting regional seminars if this appears necessary. It is also proposed to place advertisements in the daily press.

Recommendation 11 (paragraph 5.99 of Report 295)

The Committee recommends that:

The Department of Community Services and Health pursue both bilateral and multilateral inspection agreement discussions with a view to concluding such agreements as soon as possible.

28. Bilateral arrangements are being pursued with Sweden, Canada and Britain. It is possible that an agreement with Sweden will be concluded this year and the signs are encouraging for similar agreements with Canada before the end of the year. Britain has made it clear that a national licensing system for Australia will need to be in place before discussions can be taken much further.

29. On the multilateral front the next meeting of members of the Pharmaceutical Inspection Convention (PIC) will be in September 1989. Australia will attend and it is hoped that the new bill will be sufficiently advanced to enable Australia's membership to be agreed, subject to the passing of relevant sections of the bill.

Export Certificates

Recommendation 12 (paragraph 5.129 of Report 295)

The Committee recommends that:

The Department of Community Services and Health urgently formally write to all remaining State authorities urging them to cease the practice of issuing certificates of free sale as South Australia had done.

Response

30. The Department wrote to all States in January. Responses indicate that all State and Territory Authorities are fully co-operating and no longer issue certificates of free sale.

Diagnostic Products

Recommendation 13 (paragraph 4.72 of Report 295)

The Committee recommends that:

The Department of Community Services and Health should review comparable overseas literature and procedures to determine its own evaluation procedures for diagnostic products.

Response

31. A review has been conducted by the Department and a copy of the report forwarded to the Committee. The report includes papers dealing with:-

- . categories of diagnostic goods;
- . current Commonwealth and State controls and activities concerning diagnostic goods;

- proposed controls over in vitro diagnostic goods under the new legislation;
- summary of current controls over diagnostic goods examined by overseas authorities.

32. Evaluation procedures will be determined as various categories of diagnostic products are addressed.

Recommendation 14 (paragraph 4.72 of Report 295)

The Committee recommends that:

The Department of Community Services and Health examine the category of products known as diagnostics and determine which, if any, require immediate evaluation prior to introduction of the proposed legislation.

Response

33. The Department has considered this recommendation and determined that any new in vivo diagnostics should be subject to evaluation before being approved for marketing. This encompasses diagnostic vaccines, contrast agents, allergens of biological origin and radiopharmaceuticals. This group will also require evaluation under the new legislation. In vitro diagnostics of human origin, home use diagnostic kits and products available through the Pharmaceutical Benefits Scheme may be subject to evaluation, but not as a matter of routine. All other diagnostic products will be exempted.

34. The Department is continuing to monitor reports on the use of diagnostic products, both locally and overseas, to enable early identification of any problems.

Recommendation 15 (paragraph 4.72 of Report 295)

The Committee recommends that:

The Department of Community Services and Health should determine whether diagnostic products fall into the drug, device or another category of therapeutic good and also whether Australian Drug Evaluation Committee or Therapeutic Device Evaluation Committee is the appropriate and relevant advisory committee.

Response

35. The Department views diagnostics as forming a third group of products with in vivo diagnostics. ADEC is deemed the appropriate advisory committee. If in vitro diagnostics of human origin or home use diagnostics are seen as being of priority concern they would be referred to TDEC. None are at present. Labelling issues would be handled by the Therapeutic Goods Committee (TGC).

Recommendation 16 (paragraph 3.42 of Report 295)

The Committee recommends that:

The Department of Community Services and Health report comprehensively in the Finance Minute on progress made in carrying out the recommendations of the Public Service Board Review of Drug Evaluation Procedures. If a recommendation is not to be implemented then detailed reasons should be provided.

Response

36. The Department provided the JCPA with an update on the implementation of the Public Service Board Review recommendations during the course of the hearing. This has been further updated in preparing the Finance Minute and is attached (Appendix A).

Recommendation 17 (paragraph 3.42 of Report 295)

The Committee recommends that:

The Department of Community Services and Health determine what resources are required in both the Drug Evaluation and Evaluation Support Branches to carry out the drug evaluation function in a more timely and efficient manner.

Response

37. An assessment of the additional resources required in the Drug Evaluation and the Evaluation Support Branches has been made and is now being considered by the Government in the context of determining proposed fees and charges to be levied against industry.

Recommendation 18 (paragraph 3.42 of Report 295)

The Committee recommends that:

The Department of Community Services and Health examine the issue of a centralised drug evaluation agency and advise in the Finance Minute what advantages and disadvantages the Department foresees with such a proposal.

Response

38. In theory, the advantages of an international evaluation agency which had the respect of a significant section of the world community would be overwhelming. In reality the likelihood of being able to establish such an organisation in the foreseeable future would seem, at best, remote. This has been adequately demonstrated by the practical difficulties in seeking to establish bilateral agreements (see response to Recommendation 11).

39. The best hope would seem to lie in the European Economic Community (EEC) managing to establish a centralised body which could then form the nucleus for an agency as envisaged in the recommendation. However despite statements of intent it is far from certain that the EEC will be able to accomplish the first phase.

Recommendation 19 (paragraph 3.42 of Report 295)

The Committee recommends that:

The Department of Community Services and Health consider the fast-track procedure for evaluating Australian developed modifications to drugs which are likely to have export potential.

Response

40. The Department has considered this suggestion but does not feel that its responsibility extends to the assessment of the export potential of particular products, quite apart from whether it has the capacity to do so. It is believed that top priority for evaluation should go to those products which represent a significant therapeutic advance. Included in the category could, of course, be Australian developed modifications to drugs which may in turn have export potential.

National Drug Policy

Recommendation 20 (paragraph 2.79 of Report 295)

The Committee recommends that:

The Department of Community Services and Health actively pursue the development of a national drug policy. Extensive liaison should be undertaken with all interested parties.

Response

41. The Consumers Health Forum (CHF) has been active in promoting the development of a national medicinal drug policy for Australia, and has undertaken liaison with interested parties. The Department has encouraged the Forum in this endeavour.

42. The CHF released a report in April 1989 "Towards a National Medicinal Drug Policy". The Forum has recommended, inter alia, that a Specialist Advisory Committee be established to further develop a national medicinal drug policy. The Department is considering its response to this report.

Recommendation 21 (paragraph 2.79 of Report 295)

The Committee recommends that:

The Department of Community Services and Health provide, in the Finance Minute, its response to the Report on Drug Education, together with a timetable for implementing those recommendations it accepts.

Response

43. The Report on Drug Education needs to be considered in the context of a wider agenda, including the Consumer's Health Forum's Report on a National Medication Drugs Policy, the proposed new therapeutic goods legislation, the current focus on pharmaceuticals by the National Campaign against Drug Abuse and prescriber education under the Pharmaceutical Benefits Scheme.

Accordingly the Secretary of the Department has established a committee with the Chief Medical Adviser as Chairman. The Committee is charged with developing a coordinated response to these reports and activities.

Recommendation 22 (paragraph 2.79 of Report 295)

The Committee recommends that:

The Department of Community Services and Health explore ways in which pharmacists can contribute to consumer education and ways that pharmacists' reimbursement can be changed to acknowledge their contribution.

Response

44. Pharmacist's remuneration has for many years included an estimate of the proportion of dispensing time allocated to patient counselling. This element is also included in an updated data base study undertaken recently by the Pharmaceutical Benefits Remuneration Tribunal that will be the subject of public hearings in early June 1989.

45. The Government recently held lengthy negotiations with the Pharmacy Guild over proposals to restructure pharmacy remuneration. However, a range of restructuring options proposed by the Government were rejected by the Guild's executive. Pharmacy remuneration is likely to be re-assessed by the Tribunal as part of the data base study.

46. As announced in the May 1988 economic statement the Government proposes to spend \$2m annually from 1988/89 to encourage more appropriate use of prescription drugs. As part of this initiative the Department is currently developing a public awareness campaign that will involve distribution of information material through pharmacists. In addition the Department is funding the Pharmaceutical Society of Australia to conduct a pilot study of the Society's "medi-reckoner" designed to educate elderly patients in the proper use of their medication.

Advisory Committees

Recommendation 23 (paragraph 2. 31 of Report 295)

The Committee recommends that:

The Department of Community Services and Health review the terms of reference of the independent advisory committees and review the activities of such committees and their inter-relationships to ensure that coverage of the therapeutic goods program is comprehensive and without duplication. Each committee in its separate terms of reference, should give priority to those therapeutic goods which entail a high community risk.

Response

47. The terms of reference of the Australian Drug Evaluation Committee (ADEC) and the Therapeutic Devices Evaluation Committee (TDEC) have been rewritten to enable an exchange of information and, in particular, for one body to provide advice directly to the other. The new terms of reference are such as to avoid gaps in the functions of the two committees and due to their complimentary nature allow easy referral of products to the appropriate committee.

48. The Therapeutics Goods Committee (TGC) includes representatives from consumer organisations and industry and is external to the Department. The TGC essentially addresses the preparation of standards.

49. The National Biological Standards Laboratory (NBSL) Advisory Committee arose from the Ross Enquiry into Commonwealth Laboratory Services and Facilities and directs most of its attention to the administration and internal workings of the NBSL Laboratories.

50. The TGC and NBSL Advisory Committee have little regulatory responsibility and therefore do not duplicate the responsibilities of the other committees.

Recommendation 24 (paragraph 2.31 of Report 295)

The Committee recommends that:

The Therapeutic Device Evaluation Committee, the Australian Drug Evaluation Committee and the Therapeutic Goods Committee should provide explicit advice direct to the Minister.

Response

51. Their terms of reference provide for each committee to report direct to the Minister. The Department, in servicing these committees, will ensure that this happens. At the same time it is not realistic to expect .

the Minister to cope with voluminous material often of a highly technical nature unaided. Officers servicing the Committees need to assist the Minister in receiving committee reports by summarising their contents, in identifying the more important or contentious issues and providing background information where needed.

Statutory Authority

Recommendation 25 (paragraph 7.9 of Report 295)

The Committee recommends that:

The Department of Community Services and Health consider the establishment of a statutory authority which includes the evaluation, testing and post-marketing surveillance functions. It should also have responsibility for developing the national drug policy.

Response

52. This is a matter to be considered by the Government. However, consideration has been given by the Department to the Therapeutic Goods Program being administered by a statutory authority. Some of the perceived advantages of a statutory authority are:-

- . a greater image of independence;
- . that resources would be more responsive to demand and less influenced by Budgetary fluctuation;
- . that recruitment difficulties which have plagued the Program might be alleviated.

However it is considered that the major advantages envisaged from a statutory authority can be achieved while retaining the program within the Department.

Location of Drug Evaluation Function

Recommendation 26 (paragraph 7.13 of Report 295)

The Committee recommends that:

The Department of Community Services and Health carries out comprehensive cost/benefit studies of locating the drug evaluation function in a major capital city. →

Response

53. It is clear that any precipitous transfer would cripple the drug evaluation function. The critical issue remains that of recruiting suitable personnel. If it

appears that a long term solution to this problem lies in relocating the function then the benefits of a carefully orchestrated transfer would outweigh any costs. A number of clinical evaluators have been located in Sydney and in its most recent advertisements for medical officers the Department indicated its willingness to consider such a location. A preliminary assessment has been made of the pros and cons of such a move. When decisions have been finalised on legislation, charging, and future organisational arrangements, the Department will again look at the question of a wholesale transfer including cost/benefit studies which would not only assess any move from Canberra but would need to decide the merits of different locations.

Recommendation 27 (paragraph 7.13 of Report 295)

The Committee recommends that:

The Department of Community Services and Health carries out comprehensive cost/benefit studies of co-locating the drug evaluation and laboratory functions. The question of co-location of drug evaluation with laboratory functions should be reconsidered.

Response

54. The Public Works Committee recommendation that work commence on the new laboratory facility for NBSL at Symonston in the ACT was approved by Federal Parliament on 10 April 1989. The Government decided that the new laboratory building would not accommodate the drug evaluation function. This would not preclude the co-location of a free standing office block on the same site and this option is being evaluated within the context of the broader locational considerations.

Fees

Recommendation 28 (paragraph 7.30 of Report 295)

The Committee recommends that:

The Department of Community Services and Health report in the Finance Minute on progress made in developing a fees policy.

Response

55. Proposals on a fees policy have been developed by-a working party from the Departments of Community Services and Health, Finance and Industry, Technology and Commerce. Four Industry organisations were formally consulted by the working party. They are the Australian Pharmaceutical Manufacturer Association, the Proprietary Association of Australia, the Australian Medical Devices and Diagnostics Association and the Nutritional Foods Association. In addition to face-to-face discussions, each provided detailed written responses: final proposals, along with industry comments, are now being considered by Government.

The Committee recommends that:

The Department of Community Services and Health, in developing a fee structure, should not allow cross-subsidisation for evaluation or other costs by one category of goods in respect of any other.

Response

56. It was recognised in discussions with industry that the original pattern of charges advanced in those discussions did involve significant cross-subsidisation between categories of goods. The proposals put to the Government were accordingly modified in an effort to minimise any cross-subsidisation between categories. However, it is inevitable that a broadly based system of fees and charges will give rise to some cross-subsidisation.

Recommendation 30 (paragraph 7.30 of Report 295)

The Committee recommends that:

The Department of Community Services and Health, in considering the establishment of a statutory authority, concurrently develop a funding proposal for such a statutory authority.

Response

57. An analysis of funding requirements was undertaken in conjunction with the consideration of future organisational arrangements and the development of charging proposals.

58. The funding requirement was assessed at \$30M p.a. as summarised below.

A. Appropriation as per Budget for Therapeutic Goods Program
(Explanatory Notes for 88/89)

\$million

Includes

Salaries Administrative Expenses and
Capital Works and Services \$ 13.1

B. Corporate on-costs for current resources.

Includes

below the line salaries, superannuation,
compensation, corporate support,
accommodation and opportunity cost of
capital. \$ 10.5

C. Additional resources
(including corporate on-costs)
as above, at \$2.9 million)
to facilitate

- (a) Improvement of service levels (enhancement)
 - (b) Administration of new legislation
(legislation)
 - (c) To upgrade resource to adequate functional
level (catch-up and maintenance) \$ 6.3
- Total - \$ 29.9

59. This costing, in accordance with the Department of Finance "Guidelines for Costing Government Activities", includes all "on-costs" such as superannuation and accommodation and reflects current activities and organisational structures. If the Government were to establish a statutory authority, there would be additional establishment costs plus ongoing running costs not included above.

60. As with the proposal to establish the Statutory Authority, the source of the above funding would be a matter for the Government.

Recalls

Recommendation 31 (paragraph 6.19 of Report 295)

The Committee recommends that:

The Department of Community Services and Health monitor media outlets to assess to what extent media releases concerning consumer level recalls are given immediate and thorough publicity. If, following such a review, the extent of publicity is not adequate, the Department should determine whether advertisements could be placed more expeditiously and prominently.

Response

61. Media response to notice of consumer level recalls is now being monitored by a commercial service. After a suitable period the results will be analysed and the need for enhanced publicity assessed.

Recommendation 32 (paragraph 6.19 of Report 295)

The Committee recommends that:

The Department of Community Services and Health investigate and institute other mechanisms whereby information concerning retail and consumer level recalls can be brought to public attention.

Response

62. The Department uses "Medianet", a computerised news information system, to ensure that its press releases concerning consumer level recalls are as widely circulated as possible.

63. Nevertheless, it has been found that the ethnic media does not make extensive use of "Medianet". Accordingly media releases concerning consumer level recalls are now being posted directly to all ethnic media organisations. The 008 number for recall information listed is now listed in the front of the telephone directories. Consideration is being given to the routine publishing of details of retail level recalls.

Adverse Reactions

Recommendation 33 (paragraph 6.25 of Report 295)

The Committee recommends that:

The Department of Community Services and Health encourage all possible reports of adverse reactions to therapeutic goods to be made to the Department.

Response

64. The Department will continue to encourage the reporting of adverse reactions by health professionals. This includes articles in the Adverse Drug Bulletin, exposure of trade displays and direct communication. Reservations remain concerning the encouragement of direct consumer reporting. The value of spontaneous consumer reports has been questioned and any reports of an unstructured nature and lacking key clinical details are of little use in drug safety surveillance. Nevertheless the Department would support future research into ways by which consumer reporting might be effectively utilised in adverse reactions monitoring. It has recently invited direct reporting from consumers on their experiences with Copper 7 intra-uterine contraceptive device. This will enable the Department to assess its capacity to effectively use such information.

Advertising and Promotion

Recommendation 34 (paragraph 6.32 of Report 295)

The Committee recommends that:

The Department of Community Services and Health commence monitoring of advertising, electronic and printed, to assess whether it complies with the guidelines.

Response

65. The Department currently approves the electronic advertising of over-the-counter medicines. The Australian Publishers Bureau approves print media advertisements of these products. Negotiations are underway with the Proprietary Association of Australia (PAA) for it to approve all electronic and print advertisements for such products. The Australian Pharmaceutical Manufacturers Association (APMA) regulates the advertising of prescription products in professional journals. Such self-regulation is in line with general Government philosophy.

66. There is no routine monitoring but the Department reacts to external complaints and registers complaints with the appropriate bodies. There is evidence the APMA is achieving greater success with its self-regulation, and this will be reviewed before the end of a trial which is to be completed at the end of 1989. In the absence of compelling evidence to support Department monitoring these resources can be put to more productive use.

Recommendation 35 (paragraph 6.32 of Report 295)

The Committee recommends that:

The Department of Community Services and Health should monitor the promotional activities of manufacturers as part of the national drug policy.

Response

67. It is strategically difficult to monitor non-media promotion due to the many forms that it takes.

68. At the moment the Department investigates promotional activities on a case by case basis. The question of some form of monitoring will be considered when priority setting under a national drug policy is addressed.

Michael Keating
M S KEATING
SECRETARY
Department of Finance

ATTACHMENT A

ATTACHMENT A

Departments Response To Recommendations Of PSB Review Of
Drug Evaluation Procedures

MAY 1989

RECOMMENDATIONS ACCEPTED



- 2 The Therapeutics Division should assess which of the recommendations of the Ralph and Walters Reports have continuing relevance to drug regulation, and prepare a strategy for the implementation of those that are judged likely to assist in the attainment of the Division's corporate goal. (Para 2.39)
- 3 The current process of revising the guidelines to applicants for various types of approval should include a discussion with the APMA to resolve the question of whether the current requirements with those for the format of clinical data are exceptional and unreasonable, and whether there is scope for the alignment of those requirements with those of the Canadian and Swedish regulatory agencies. The revised guideline document should also contain a brief statement of ADEC's attitude in regard to the applications to market "fixed combination" drugs. (para 2.89 - 2.90)
- 4 The Department should expedite the signature of a memorandum of agreement with the Government of Sweden to co-operate in drug regulatory matters. (Para 3.10)
- 6 Priorities. A more discriminating and effective system of setting priorities should be adopted in relation to the processing of applications in the Branch.

The Department has reviewed these recommendations. Those which are relevant to the Therapeutics Division have been implemented or will be subsumed by action in response to the PSB Report.

All aspects of current guidelines (NDF4) have been discussed with APMA (See 13).

Draft revised guidelines (NDF5) were discussed with the APMA on 3 March 1988. These discussions have resulted in a major restructuring of the guidelines which will be subject to further discussion with APMA. The restructuring included substantial changes to clinical data format requirements.

A statement on policy in relation to "fixed combination" drugs has been approved by ADEC and provided to the APMA, and is in operation.

A Memorandum of Understanding was signed by Australia and Sweden on 1 February 1989.

A new system of priority setting is in operation. The new system, which allows for government policy objectives in relation to the Pharmaceutical Benefits Scheme, has had its

The system should be capable of differentiating between applications for approval of drugs of different degrees of therapeutic importance. It should also be able to reflect the government's policy objectives. The criteria used in allocating priorities should have ministerial approval and be well publicised. (Paras 4.45 - 4.48)

7

Consultation with Industry. Industry should be notified of each major step in the evaluation process as it is reached, including receipt of what goes into the application, acceptance and priority assigned, commencement of evaluation and pre-ADEC consultation. (Paras 4.49 - 4.50)

Exchange of Information with Overseas Authorities. Australia should exchange evaluation reports with Sweden and - if possible - Canada, with a view to sharing the heavy workload of evaluation in the longer term. (Paras 4.51 - 4.53)

criteria approved by the Minister. The criteria will be publicised in the near future. They are in order of priority.

1. New chemical entities perceived by ADEC as offering a significant therapeutic advantage, Products which are nominated as being likely to contribute to the cost effective achievement of the objectives of the Pharmaceutical Benefits Scheme.
3. All other products - in order of receipt.

Industry is now provided with quarterly reports which track each application through the evaluation process. Some additional work is necessary to improve the quality of these reports.

Some exchange with Sweden is already underway. This requires individual company approval, which has been generally forthcoming. A senior evaluator who has been working with the Swedish authorities for the last year, has now returned to Australia. With his return it is proposed to increase the level of exchange.

There has been an exchange of correspondence on this subject with Canada. Firm proposals have yet to be developed. An officer will be visiting Canada later in the year to further explore opportunities for exchange.

- 10 External Evaluations. More concentrated oversight of the external evaluation programs should be provided to ensure that the best possible use is made of the valuable resource that external evaluators represent. Timeliness of completion of external evaluations should be encouraged both by more assiduous follow-up and by implementation of a fee structure that provides an incentive. The specialist societies of the Royal Australasian Colleges of Physicians and Surgeons, and the Pharmaceutical Society of Australia, should be approached and advertisements placed in the press and professional journals, with a view to establishing a sizeable core of suitably qualified external evaluators. More attention should be paid to the training of external evaluators in evaluation techniques, and feedback should be provided on their work. (Paras 4.59 - 4.69)
- 11 Expert Reports. The Department should undertake a trial of the acceptance of 'expert reports' on product applications, prepared by four or five interested manufacturers, over a period of two years. (Paras 4.70 - 4.74)
- 13 Guidelines. Clear and comprehensive guidelines on requirements for information submitted in support of all applications for marketing of drugs should be prepared in consultation with industry by 1 January 1988. If the task cannot be completed by that date using internal resources, consultants should be employed to undertake the task. (Para 4.78)

Recommendation on closer oversighting of external evaluators is accepted in principle.

Advertisements were placed in September 1987 for external evaluators. Suitable applicants are being used progressively as work in their areas of expertise becomes available.

Training and feedback for external evaluators is very dependent upon designation of staff specifically to carry out this task. This entails recruitment of at least one extra staff member in all three sections. In the Pharmaceutical Chemistry Evaluation Section successful recruitment has permitted a senior evaluator to specifically undertake training and feedback of external evaluators. Similar action in the other sections will follow as staffing permits.

One company undertook full evaluation of their own data before submission. In this case both the Department and ADEC considered that it hindered rather than assisted the evaluation process. Other companies have expressed interest in submitting expert reports and a few have been received. It is too early to assess their worth.

The suggested completion date, 1 January 1988, was unrealistic for a project requiring industry consultation. The consultation process began in Jan. 1988. Drafting of the new edition of the guidelines has reached a point at which progression to the next consultation with the APMA requires input which can be provided only from within the Department. Resources for this have not been available but further work is about to commence.

Clinical Trials

- 16 Implementation of CTX should proceed as planned, but with a small number of minor changes, including: continuation of the practice of holding clinical trial meetings where the Department raises objections to the proposed trial; a still more streamlined approach to the evaluation of some late phase trials where certain criteria are met; and the time allowed for notification by the Department of objections to proposed trials reduced from 60 working days to 30 working days. (Paras 4.94 - 4.104)

Standards

- 19 The routine development of Australian Standards for therapeutics substances should cease. (Para 4.152)
- 20 New Australian Standards should only be developed for uniquely Australian products or in response to a public health need, where the benefits of the Standard outweigh the costs involved, and the issue cannot be or is not being addressed internationally. (Para 4.153)
- 23 For every drug that is the subject of a general marketing application, a document should be drawn up between the Department and the company reflecting the relevant official standards and/or agreed specifications. (Paras 4.155 - 4.157)

The new clinical trial arrangements came into operation on 1 July 1987. Current resource levels preclude us from contemplating a reduction to 30 working days.

A review of the operation of the arrangements is due to commence in May 1989.

The policy recommended is already in operation. Standards are developed on a needs basis, and not as a matter of routine.

Current policy (See 19, above).

This forms part of the proposal for revised guidelines (see 13).

Good Manufacturing Practice

- 24 The GMP standard of manufacturers should be given greater weight in the evaluation process. (Para 4.165)
- 25 The adherence of overseas manufacturers to a code of GMP should be determined by either:
- inspections by Australian inspectors on a cost recovery basis. (Para 4.167); or
 - entering into bilateral inspection agreements. (Para 4.169); or
 - accession to multilateral inspection conventions such as the Pharmaceutical Inspection Convention (PIC). (Para 4.171)
- 26 The proposed new registration scheme for therapeutic goods should provide for the licensing of manufacturers so as to ensure uniformity in manufacturing standards. Pending passage of the legislation, the Department should investigate whether attainment of GMP standards should be a criterion for general marketing approval and PBS listing. (Para 4.172)
- Reports of GMP inspections are sent routinely to PCE Section and have been found to have some value. Additionally the P.C.E. Section is provided with a regular listing of each manufacturer's level of compliance with G.M.P.
- Manufacturers with a very poor standard of GMP are to be advised that their application for product evaluation will not be dealt with by the Department until the standard of manufacture of the products is acceptable.
- Microbiology questions are often settled by reference to GMP inspections.
- Negotiations on bilateral and multilateral agreements continue but are dependent on the introduction of national licensing via the proposed amendments to the Therapeutic Goods Act. It is also proposed to include in the legislation the provision that where acceptable certification of the overseas manufacturer's GMP status is not available, the sponsor will be required to agree to pay the costs of inspection by Australian inspectors, if inspection is necessary.
- Attainment of GMP standards will be a condition for general marketing approval for Australian manufactured products and overseas manufacturers are to be asked to demonstrate their compliance with GMP. Manufacturers of Pharmaceutical Benefit Items with an unsatisfactory history of compliance with GMP are advised that unless a satisfactory response is noted within a reasonable time, consideration will be given to delisting.

One manufacturer has had its pharmaceutical benefit items delisted because of a long history of non-compliance with GMP and lack of action to rectify deficiencies. Similar action is likely to be taken against another manufacturer in the near future. All other companies which were previously unsatisfactory have made suitable improvements to their operations and procedures. See also response to No.24 above.

Two extra GMP Inspectors were appointed in mid 1988.

The production of drug profiles by NDIS has been discontinued, and staff transferred to other duties.

Pre-marketing testing could mean that testing might occur on non-representative pilot batches. Instead post-marketing testing on the first available production batches of drugs has been implemented.

Some testing at retail level does occur. This is usually done in parallel with testing similar products taken from the manufacturer and is limited to products where stability is a concern.

Stability testing of some products is being incorporated into the sampling program.

A revised structure as set out in the October report has been implemented.

27 Two extra GMP inspectors should be appointed. (Para 4.176)

Drug Policy, Information and Education

30 National Drug Information Service. The National Drug Information Service (NDIS) should be discontinued, and its staff transferred to other duties. (Para 4.199)

34 All drugs approved by ADEC should be subject to pre-marketing testing by the Therapeutics Laboratories.

Test samples should be provided at the manufacturer's expense, and should more frequently be obtained from retail pharmacies, so that any effect of transport and storage can be detected. (Para 4.215)

Chapter 6 - Organisation and Management of Resources
Drug Evaluation Branch

40 The Department should implement the proposed structure for Drug Evaluation Branch described in Chapter 6.

Management Information Systems

- 42 An adequate Management Information System should be installed as a matter of urgency, and be fully operational by 31 December 1987. (Para 6.94)

Letters, Files and Papers

- 43 The Department should ensure that procedures for dealing with correspondence, files and letters do not involve unnecessary duplication of effort. Specifically:

- professional staff should write their own letters
- each evaluation section should take responsibility for their own files and correspondence. (Para 6.97)

- 44 The Department should examine whether the problem of data storage can be solved using modern electronic technology. (Para 6.105 - 6.106)

Chapter 7 - Legislation

- 45 Legislation providing for the establishment of a uniform national registration scheme for therapeutic goods should be drafted urgently, with a view to consultation with the States and industry before its passage in the Autumn 1988 Session of Parliament. The target date for the introduction of the scheme should be 1 January 1989. The draft legislation should include provision for:

An interim system is in operation. A permanent, more sophisticated system will be commissioned in July 1989 (refer to 7).

We have implemented a successful "triage" system for inwards correspondence and promulgated uniform administrative guidelines. Most professional staff write their own letters. Further consideration will be given in the context of the provision of integrated keyboard facilities.

Opportunities for receipt and storage of data taking advantage of modern technology are under continuing review. System compatibility and ease of use by evaluators are important factors.

A Bill for a new Act and Regulations are now being drafted.

A paper outlining features of the new legislation was circulated to States/Territories, industry associations and consumer organisations in October 1988.

It is planned that the legislation will be introduced in the Autumn 1989 sitting.

- registration of pharmaceuticals and
therapeutic devices
- licensing and inspection of
manufacturers and wholesalers
- uniform application of standards to
imported and locally produced goods
- application of uniform testing
procedures (paras 7.2 - 7.9)
- an adequate appeal mechanism (Paras
7.10 - 7.16)

- A two-tier system of 'registration' and
'listing' is proposed, to apply nationally
to therapeutic goods whether imported or
locally manufactured. For pharmaceuticals,
registration or listing will involve an
evaluation process of varying degree for
products proposed for marketing or clinical
trial after the commencement of the
legislation. For therapeutic devices, full
evaluation will be required for specified
classes of devices (those currently subject
to import control); other listed devices
will be assessed for compliance with
relevant standards or other special
requirements as appropriate.

- The Act will provide for a national system
of licensing and inspection of manufacturers.

- Requirements will be applied uniformly to
therapeutic goods whether imported,
exported, or supplied within Australia.

- Uniform requirements for the quality of
goods will apply.

- The appeal mechanism in the draft
legislation is in accord with para 7.13 and
in fact goes further with provision for
appeal to the AMT after the Ministers
decision.

Freedom of Information

- 46 The Department should seek to prevent access under the FOI Act to data submitted by manufacturers in support of marketing applications and should discuss the most appropriate means of doing so with the Attorney-General's Department. (para 7.20)

This has been pursued with the Attorney-General's Department. A blanket exemption clause is not possible.

The Department has always claimed commercial-in-confidence exemption and this has been upheld by the AAT.

We are exploring the possibility of including appropriate "release" and "property" provisions in the revision of the Therapeutic Goods Act.

- Chapter 9 - The Marketing of Drugs in Australia
The role of the Pharmaceutical Benefits Advisory Committee

- 54 The Department should initiate a review of the charter, structure and operation of the PBAC. (Para 9.10)

Implementation

- 68 The Department should develop, in conjunction with the Public Service Board, a strategy for the implementation of these recommendations.

The Government has already reviewed the PBAC's structure and operations, and its charter now takes into account cost effectiveness and comparative efficacy of drugs. The legislation has also been amended to allow for increased membership and appointment of sub-committees.

The Department will continue to monitor implementation and will review the status of implementation during the second half of 1988.

Attachment B

RECOMMENDATIONS ACCEPTED IN PRINCIPLE

- 5 The step-by-step approach to the processing of general marketing applications set out in Chapter 4 (page 55 - 57) should be adopted. The main features of this approach include a higher level of co-ordination of work between sections; more comprehensive screening of applications to prevent the commitment of resources to evaluation of inadequate applications; setting of target processing times, and the assignment of responsibility for meeting those targets to section heads; and greater consultation with industry during the process. The initial target time for processing all new drug applications should be 15 months. The principles embodied in this approach should be applied to the processing of all applications. (Paras 4.34 - 4.44)
- Step 1 Applications are checked and returned to the company if they do not comply with the NDR4. Checking the status of applications with overseas authorities is not applicable.
- Step 2 Professional screening is being undertaken.
- Step 3 TLC has been retained with its larger membership as it is an essential vehicle for information exchange. The Co-ordination Unit provides secretarial services. TLC usually meets on a weekly basis.
- Step 3A Implemented
- Step 4 MSA's are responsible for allocation of evaluations. Evaluators may contact companies to seek clarification of issues. Computerised tracking system will allow us to measure the process.
- Step 5 This step has required discussion with ADEC and industry. ADEC has decided that a procedure for providing evaluations of all applications to the sponsoring company, with an option for comment prior to consideration by the committee, should be introduced on a trial basis. Administrative procedures developed by the Department have taken into account the suggestions put forward by the Australian Pharmaceutical Manufacturers' Association (APMA).
- A proposal which has met with the approval of ADEC and APMA is about to be put on trial for a two year period.

Step 6 Refer to Attachment C (Recommendations to be rejected).

- 15 Backlog Reduction. A taskforce of 3-5 expert evaluators should be established for a period of 6-9 months to remove the backlog. The taskforce should be led by an outside consultant with demonstrated management and drug evaluation skills, and should include other staff from outside and inside the Department. The work should be done on a contract basis. (Paras 4.82 - 4.86)

Individual Patient Use Approvals (IPUs)

- 17 Responsibility for authorising the use by specialist clinicians of non-approved drugs to treat individual patients should be devolved from Departmental staff to the Medical Superintendents of major teaching hospitals. Control of personal imports should be re-examined in the context of the proposed new registration scheme for therapeutic goods, to determine whether a mechanism analogous to the one proposed for IPUs can be devised. (Paras 4.112 - 4.124)

Changes to Approved Drugs

- 18 A changed medicines notification scheme, similar to the one operating in New Zealand and including target processing times, should be implemented in Australia. If resources permit the evaluation of "grandfather drugs", this should be undertaken on the basis of an organised review of therapeutically important classes of drugs. (Paras 4.135 - 4.145)

While the need to reduce the backlog was accepted the concept of a short-term task force was found to be impractical.

Temporary evaluators have been recruited to the Pharmaceutical Chemistry Evaluation Section, and have reduced the backlog to normal turnover levels.

Responses to a letter asking hospital medical superintendents to undertake the approval of IPUs indicated that many were not willing to undertake this function. The matter is to be re-examined by the Department.

The Department proposes that, under the new Therapeutic Goods legislation, the importation of medicines, except those on a prohibited list, in quantities commensurate with personal use, will not be regulated.

The Department is concerned that the current New Zealand scheme permits too wide a range of changes to be made to a drug product or product information on a "notification" basis. The Department will include procedures for more circumscribed "notification" changes to pharmaceutical aspects of drugs and product information in the new guidelines.

Given the present workloads, there is no prospect of a systematic review of grandfather drugs.

The recommendations on international participation are accepted, and Australia's contribution is being expanded within the limits of available resources.

The Department participates in the development of international standards. The NBSL Laboratories provide input into International Standards Organisation standards both directly and via the Standards Association of Australia and Laboratory staff are corresponding members of British Pharmacopoeia Committees. Participation with the International Committee of Drug Control Laboratories is being investigated.

Accepted in Principle.

Provision is being made for fees in the new Therapeutic Goods legislation.

A system of fees, together with a proposal for trust fund accounting is currently being considered by the Government.

These matters were addressed in the Report on Drug Education prepared for the Department.

The Report considered that there was scope for a national advisory body.

21 Australians should make a greater contribution to the development of international standards. (Para 4.154)

22 Responsibility for contributing to international Standards should be carried by laboratory staff. (Para 4.154)

Fees

29 A system of fees for the evaluation of drugs and their annual registration should be implemented. Fees should be charged for all prescription and proprietary medicines and the levels should be set in consultation with the Department of Finance. A system of trust fund accounting should be introduced. (Para 4.193)

31 Guiding the Community about the drugs it uses. The Department should include in the terms of reference for the study it proposes of its drug education activities an examination of whether there is scope for a national advisory body on drug use policy. (Paras 4.204 - 4.207)

32 Informing the Patient. Revised guidelines to manufacturers and the proposed new registration scheme for therapeutic goods should require manufacturers to submit for evaluation, along with the Product Information now supplied, a plain language patient information sheet to accompany all products dispensed. (Paras 4.208 - 4.209)

Pre- and Post-marketing Surveillance

33 Testing of Raw Materials and Finished Products. The proposed new registration scheme for therapeutic goods should encompass all locally manufactured therapeutic goods, so that the testing requirements of the Code of Good Manufacturing Practice would apply to all imported raw materials used in the formulation of therapeutic drugs. (Para 4.210 - 4.213)

35 Moves to bring the laboratories together under one roof should proceed as quickly as possible. The planned new laboratory for building should include accommodation for all staff involved in drug evaluation and post-marketing surveillance. (Paras 4.127 - 4.128)

36 Cost recovery procedures should be instituted by or for the laboratories, as recommended by the Ross Report, in conjunction with trust fund accounting. (Paras 4.220 - 4.222)

This recommendation has still to be addressed.

Accepted in Principle and provided for in the proposed legislation.

Locally manufactured goods or imported raw materials will be subject to the requirements of the legislation for compliance with standards and the Codes of G.M.P.

The Parliamentary Works Committee recommended the construction of the new MBSL building and Parliamentary approval was given in April 1989. The building will be completed by December 1992.

Cabinet specifically rejected the proposal that the laboratory building incorporate drug evaluation activities.

Cost-recovery procedures are being developed as part of the new legislation.

38 Advertising and Promotion. The Department should invite the APMA and the PAA to develop a new advertising code, and to propose a monitoring mechanism that involves the medical profession and consumers, so that a two year trial of self-regulation can be undertaken. (Para 4.236)

Departmental vetting of promotional materials for new drugs has ceased for a two-year trial period during which the APMA has assumed responsibility. Cessation of electronic media censorship by the Department would require changes to the Broadcasting Act.

Recently the Proprietary Association of Australia agreed to monitor OTC advertising on a trial basis with support from other industry groups.

Chapter 5 - ADEC

39 The Department of Community Services and Health should encourage ADEC to adopt the proposals for changes to the Committee's structure and operations set out in Chapter 5. Matters covered by these proposals include:

- . presentation of papers;
- . introduction of evaluations;
- . Departmental attendance at and venue of meetings;
- . preparation of minutes;
- . dissemination of decisions;
- . membership;
- . sub-committee structure; and
- . conflicts of interest.

Membership. The Minister has agreed that ADEC membership should be increased to 10.

The presentation of papers has been improved by using paper of different colours for the evaluation summaries and has satisfied ADEC. Introduction of evaluations is usually requested from the evaluator when present at the meeting. Application to all evaluations for a particular meeting is impractical - the duration of the meeting may need to be increased two fold and there would be a negative effect on the members.

The proposal for draft resolution to be prepared before the meeting is not feasible with the type of matter discussed by ADEC. The perceived need for pharmaceutical chemists on ADEC is less following the establishment of a working party which includes such persons and which reviews all pharmaceutical applications going to ADEC. Potential conflicts of interest are currently handled as envisaged in the first two points of item 5.31 of the Review. No conflict of interest has required the more serious responses of absence or resignation.

Revised Structure and Resource Implications

- 41 The Department should work towards the establishment of a statutory authority with responsibility for the evaluation and post-marketing surveillance of therapeutic goods (drugs and devices) located in a major state capital city. The Department should not allow consideration of this goal to impede the implementation of the other practical and more immediately achievable changes recommended in Chapter 6. (Paras 6.63 - 6.87)

Chapter 8 - Competence and Confidence

Interaction Between Departmental Officers and Industry

- 47 There should be increased interaction between Departmental Staff and Industry, particularly during the evaluation process. (Para 8.7 - 8.11)

Attendance at ADEC

- 48 More departmental officers should attend ADEC. (Paras 8.12 - 8.14)

Departmental Staff Involvement in Specialist Sub-Committees

- 49 Officers from the evaluation sections should play a greater role in the ADEC Sub-committees. (Para 8.15)

A decision has yet to be taken on the question of a statutory authority. Some evaluators have been located in Sydney for some years and further consideration is being given to state capital relocation. However, the new NBSL building will be in Canberra, as planned.

Relocation of the Drug Evaluation function to a State capital will not necessarily be dependent upon the formation of a statutory authority.

A decision is expected shortly.

f

Increased interaction is being encouraged. Regular quarterly progress reports on evaluation are being supplied to industry on individual applications.

Being implemented.

Evaluation unit pharmacists are considered to be the most appropriate officers to service the majority of ADEC subcommittees. Greater use will be made of evaluation staff on specific projects, subject to availability.

Professional Staff Meetings

- 50 For the purpose of professional development, there should be more frequent formal meetings of staff in the evaluation sections to discuss problems and practices in relation to drug evaluation, dealings with industry, therapeutic advances, etc. (Paras 6.16 - 6.17)

Attendance at Training Courses and Conferences

- 51 Evaluation staff should make more effort to attend professional conferences. The Department should make funds available for them to do so. (Para 8.19)

Laboratory and Clinical Experience

- 52 Evaluators should engage in laboratory or clinical practice to maintain and upgrade their professional skills. (Paras 8.20 - 8.24)
- 53 To maintain the clinical skills of its medical staff, the Department should consider the adoption of a more flexible basis for the employment of medical staff, including part-time employment. (Para 8.25)

Are there too many drugs on the market?

- 55 The Department should identify those "old" drugs sold in Australia which have been judged in the United States, Britain and West Germany to be ineffective, and should publish the generic and brand names of these products. Manufacturers and importers of these products should be informed that they

Staff of Pharmaceutical Chemistry Evaluation Section and Toxicology Section meet regularly to discuss issues and problems.

Accepted in principle and a staff development strategy has been proposed. This has resource implications both in terms of funding and personnel. The proposal has strong support from senior officers in DCSH. The proposal requires further refinement when resources are available. We aim to achieve a substantial improvement in conference attendance and this has commenced.

(See 51 above).
Microbiology, antibiotic and pharmacology aspects of BI evaluations are carried out by laboratory based NBSL staff.

Availability of part-time work is being indicated in all advertisements for clinical evaluators.

Resources to undertake a systematic review of old drugs marketed in Australia will not be available in the foreseeable future.

will not be eligible for registration under the new national registration scheme. (Paras 9.30 - 9.31)

Chapter 12 - The Future Evaluation of Generic Products

Verification of Authenticity of Raw Data

56 A new Code relating to the conduct of bioavailability trials should be developed, to include requirements relating to laboratory and clinical practice.

Self-auditing should be an element of this code. (Paras 12.7 - 12.9)

57 Bioavailability studies submitted to the Department should include comparisons with other trial reports for the same drugs. (Para 12.10)

ADEC Review of Bioequivalence Data

58 A list of generic drug applications submitted to the Department should be tabled at each ADEC meeting. ADEC should play a role in the assessment of these drugs if ADEC believes it needs to, or if the Department seeks ADEC's advice. (Paras 12.11 - 12.13)

Procedures for the Evaluation of Generics

59 Evaluation of bioequivalence trial reports should continue to be undertaken in the Pharmaceutical Chemistry and Clinical Evaluation Sections. (Paras 12.14 - 12.16)

Computer Facilities

60 The Department should urgently acquire up-to-date pharmacokinetic software packages for the analysis of bioequivalence trials. (Para 12.17)

Recommendation 56 - 59

Meetings between Departmental officers, APMA representatives, ADEC members and investigators were held on 11 December 1987 and 8 April 1988. The results of these discussions and the recommendations of external consultants will be incorporated into new guidelines on bioavailability and bioequivalence studies. These have been forwarded to the APMA for comment and a response is due.

Implemented. In addition, a Pharmaceutical Working Party comprising external advisors has been established by ADEC. Its functions will include review of evaluation reports on bioequivalence prepared by the Department.

Current practice.

Implemented.

Training

61 Pharmaceutical chemistry evaluators should receive specialised training in the conduct and evaluation of bioavailability trials. (Paras 12.18 - 12.19)

Data Requirements for Generics

62 Bioequivalence and Clinical Equivalence.

Bioequivalence trials for generic drugs should be requested on the same grounds as would apply to innovator products. In special cases clinical trials may be required. (Paras 12.20 - 12.22)

63 Chemistry and Quality Control. Generic drugs should have to comply with recognised pharmacopoeial monographs. In addition, product specifications should be agreed between the Department and the applicant company. (Paras 12.23 - 12.28)

Criteria for Pharmaceutical Benefit Listing

64 General marketing approval should be a pre-requisite for PB listing. (Para 12.29)

65 All Pharmaceutical Benefit items should be manufactured according to the Code of GMP. (Para 12.29)

Guidelines for Bioavailability Trials

66 Departmental guidelines for bioavailability trials and their evaluation should be updated and expanded. (Paras 12.30 - 12.33)

3 pharmaceutical chemistry evaluators gained "hands on" experience of bioavailability trials. Others have attended conferences dealing with bioavailability issues.

This has been Departmental policy for some years and will continue.

Already in operation.

This condition is already a pre-requisite.

Recommendation accepted.
(See also response to 26).

Accepted in principle

Legislative Control

67 The proposed new registration scheme for therapeutic goods should ensure that all generic drugs are subject to the same controls. (Para 12.36)

The new legislation will seek to ensure that all generic drugs are subject to the same standard of evaluation.

RECOMMENDATIONS TO BE REJECTED

- 1 The name "National Biological Standards Laboratory" should no longer be used as a collective label for the laboratories responsible for testing drugs, and should be replaced by the name "Pharmaceutical Laboratories". (Para. 2.12)
- 5 The step-by-step approach to the processing of general marketing applications set out in Chapter 4 (page 55 - 57) should be adopted. The main features of this approach include a higher level of co-ordination of work between sections; more comprehensive screening of applications to prevent the commitment of resources to evaluation of inadequate applications; setting of target processing times, and the assignment of responsibility for meeting those targets to section heads; and greater consultation with industry during the process. The initial target time for processing all new drug applications should be 15 months. The principles embodied in this approach should be applied to the processing of all applications. (Paras 4.34 - 4.44)

Rejected.

Consensus is that nothing is to be gained from changing the name, while loss of NBSL identity could cause confusion and meet some opposition. While it is true that the laboratories' functions are somewhat broader than the word "Biological" implies, NBSL is concerned principally with testing for compliance with standards.

Step 6 is rejected.

- Step 6: Proposal for completion of pharmaceutical chemistry matters before ADEC would be dependent on clearance of the pharmaceutical chemistry backlog. Proposal for clearance of product information (PI) at ADEC would mean time must be left between completion of evaluation and ADEC for the Company's draft PI to be checked against those for comparable products by a departmental officer. In committee, unless the PI were entirely acceptable, ADEC would have two options:
(a) reject the application, inviting the applicant to submit a revised PI to the next meeting, or
(b) spend time redrafting the PI.

After ADEC, the Company would have two options:
(a) accept the PI as endorsed by ADEC, or
(b) open possibly lengthy negotiations with a view to changing it.

Note that resolution of pharmaceutical chemistry matters and PI before ADEC would mean waste of time for those drugs rejected by ADEC.

9 MSAs Overview. Preparation of the MSAs ADEC overview paper should be discontinued and replaced with a system of cover sheets and summaries. Where evaluators disagree, the head of the Clinical Evaluation Section should provide brief comment setting out areas of dispute and include a firm recommendation. (Paras 4.54 - 4.58)

Rejected.
ADEC is strongly against discontinuing the MSA's overview. The possibility of a "split" recommendation being placed before ADEC (Para 4.55), far from being a problem, is an advantage in that it can draw controversial aspects to the committee's attention. A cover sheet or index to the papers for each item is currently presented to ADEC. The MSA's overview normally includes a brief statement of the action expected of ADEC.

12 Pharmaceutical Chemistry Checklist. The checklist approach adopted in relation to pharmaceutical chemistry and quality control matters for the Clinical Trial Exemption Scheme should be extended to all applications for approval to market drugs. (Paras 4.75 - 4.77)

Rejected, as contrary to the interests of public safety.

The Review has neglected an important point - that in early phase trials, the drug is being used under close supervision, in marked contrast to the situation when the drug is on the market.

34 Rating of Applications. In order to encourage a higher standard of applications an annual "league table", compiled on the basis of ratings of the quality of companies' applications should be published. (Paras 4.79 - 4.81)

21 Australians should make a greater contribution to the development of international standards. (Paras 4.154)

28 The goal of publishing information about violations of the code of GMP should be pursued in the context of the proposed new registration scheme for therapeutic goods. (Paras 4.172)

37 Monitoring Drug Consumption. The Department should support the Recorded Drug Use Project of Dr H. L. Washford of St. Vincent's Hospital, Melbourne, to assist in the development of effective techniques for monitoring the consumption of drugs. (Para 4.231)

Rejected.

This would likely lead to acrimony and the need for copious explanations. It would be difficult for external evaluators to judge with any uniformity. Occasional meetings with industry to discuss general areas of concern, and more detailed discussions with companies about particularly bad applications, are preferable, and already occurs in practice.

Para 4.154 is rejected.

The recommendation at the end of paragraph 4.154, that two positions in the Pharmaceuticals and Biologicals Branches should be abolished, is rejected. The Review has not recognised that these two positions are not solely concerned with drafting of standards but include Branch management and committee secretariat duties.

Rejected.

More can be achieved by negotiation and consultation, particularly as there would be provisions under the new legislation for the withdrawal of products from the market and revocation of licences to manufacture.

Rejected.

It is not considered appropriate for the Department at this stage to give preference to a specific proposal for Drug Monitoring or Utilisation Schemes. Should financial support be available either through NH & MRC or Pharmaceutical Benefits Branch, proposal should be publicly solicited and subjected to expert assessment.

SUPPLEMENT TO FINANCE MINUTE 295

THERAPEUTIC GOODS

SUPPLEMENT TO DEPARTMENT OF FINANCE MINUTE

The original Department of Finance Minute on JCPA Report No. 295 noted that a number of the Committee's recommendations - namely, Nos. 1, 25, 26, 28 and 30 - required consideration by the Government, and that the Committee would be notified as decisions were made by the Government.

2. With the exception of recommendation 26, the Government has now considered matters raised in these recommendations and supplementary responses are provided below:

Department of Community Services and Health

Legislation

Recommendation 1 (paragraph 2.63 of Report 295)

The Committee recommends that:

The Department of Community Services and Health should ensure full consultation with all interested parties including the States and industry and consumer groups and that urgent efforts be made to ensure introduction of the bill for uniform national legislation to control therapeutic goods into the Parliament in the Autumn sittings 1989 with a commencement date no later than 1 January 1990.

Supplementary Response

3. As mentioned in the original Finance Minute, it was not possible to prepare a bill in time for the Autumn sittings of 1989. The Government has decided that legislation will be introduced in the Budget session, to come into effect from 1 March 1990.

Statutory Authority

Recommendation 25 (paragraph 7.9 of Report 295)

The Committee recommends that:

The Department of Community Services and Health consider the establishment of a statutory authority which includes the evaluation, testing and post-marketing surveillance functions. It should also have responsibility for developing the national drug policy.

Supplementary Response

4. The Government has decided that the activities of the Therapeutic Goods Program will be carried out through a Group 2 Trust Account within the Department, rather than a statutory authority. Use of such a Trust Account will allow some management independence and flexibility in resource use.

Location of Drug Evaluation Function

Recommendation 26 (paragraph 7.13 of Report 295)

The Committee recommends that:

The Department of Community Services and Health carries out comprehensive cost/benefit studies of locating the drug evaluation function in a major capital city.

Supplementary Response

5. In the event, this matter was not considered by the Government.

6. As foreshadowed in the original Finance Minute, this matter has been reviewed by the Department and it has been decided not to change the principal location of the drug evaluation function. However, the potential for recruiting to a satellite unit in one or more of the major capital cities is currently being assessed.

Fees

Recommendation 28 (paragraph 7.30 of Report 295)

The Committee recommends that:

The Department of Community Services and Health report in the Finance Minute on progress made in developing a fees policy.

Supplementary Response

7. The Government has decided that 50% of the cost of the Program will be recovered by fees and charges on industry. Such charging is to commence from 1 July 1990.

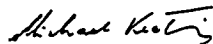
Recommendation 30 (paragraph 7.30 of Report 295)

The Committee recommends that:

The Department of Community Services and Health, in considering the establishment of a statutory authority, concurrently develop a funding proposal for such a statutory authority.

Supplementary Response

8. See supplementary response to Recommendation 25.



**M S KEATING
SECRETARY
Department of Finance**