

1964

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SIXTY-SEVENTH REPORT

TREASURY MINUTES ON THE
TWENTY-FIRST, TWENTY-SECOND
AND FIFTY-EIGHTH REPORTS

TOGETHER WITH

SUMMARIES OF THOSE REPORTS

By Authority :

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

SIXTH COMMITTEE

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	R.H. WHITTORN, ESQUIRE, M.P.

The Senate appointed its Members of
the Committee on 4th March, 1964,
and the House of Representatives its
Members on 5th March, 1964.

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951 reads as follows:-

8. The duties of the Committee are -

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of Parliament by the Auditor-General in pursuance of subsection (1.) of section fifty-three of the Audit Act 1901-1961;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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TREASURY MINUTES ON THE REPORTS OF YOUR COMMITTEE

CHAPTER I - INTRODUCTION

In its Sixteenth Report, Your Committee described in detail the arrangements that had been made with the Treasurer to ensure follow-up action on Your Committee's Reports.

In its Sixty-Fifth Report Your Committee referred to a discussion that it had held on 9th April, 1964, with representatives of the Treasury relating to the delays that occur in the submission of Treasury Minutes. Following that discussion, the Treasury undertook to supply Your Committee with a biannual report on outstanding Treasury Minutes indicating progress made by the Department in dealing with the Committee's comments. The Treasury indicated that it would implement this practice during August, 1964.

The first biannual report on Treasury Minutes was submitted by the Treasury to Your Committee on 26th August, 1964.

Briefly the nature of the present arrangements relating to follow-up action on Your Committee's Reports are:-

1. The Report of the Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate; motions are moved in both Houses that the Report be printed as a Parliamentary Paper.
2. The Chairman of the Committee thereafter forwards a copy of the Report to the Departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's comments.
3. The replies received, which are in the form of Treasury Minutes, are then submitted to the Parliament as a Report of the Committee.
4. The Treasury furnishes Your Committee with a half-yearly report on outstanding Treasury Minutes, indicating the progress made in dealing with the Committee's comments.

CHAPTER II - TREASURY MINUTE ON THE TWENTY-FIRST AND TWENTY-SECOND
REPORTS OF YOUR COMMITTEE ON THE AUSTRALIAN ALUMINIUM
PRODUCTION COMMISSION.

To facilitate comparison, the conclusions in the Twenty-First and Twenty-Second Reports to which the Treasury Minute relates are set out below under the same headings as are used in the Treasury Minute.

Summary of Committee's Conclusions - Twenty-First Report
(1st June, 1955) and Twenty-Second Report (5th October, 1955)

Your Committee stated:-

The Committee's Conclusions relating to the Conduct of
the Commission's Affairs.

In the light of the embarrassment caused by the canvassing of Mr. Storey's qualifications, the Committee thinks inquiry should be made into the methods adopted to check the qualifications of candidates seeking employment by public authorities. (Conclusion No. 65, Twenty-First Report.)

In oral evidence to the Committee, the Auditor-General unequivocally committed himself to a decision not to accept any records which resulted from a re-writing or other treatment of the books and vouchers containing records of financial transactions that took place before June, 1952. Other witnesses, including representatives of the Commission, its Business Manager (recently appointed), and a Partner in Edwin V. Nixon and Partners told the Committee that the vouchers have been checked and posted, and are now in a sufficiently acceptable form to allow the allocation of costs to the various sections of the plant for the period prior to 30th June, 1952. As between these two approaches to the establishment of asset values, the Committee finds itself divided. (Conclusions Nos. 73 to 75, Twenty-First Report.)

The Committee has been told that the Commission now has an adequate accounting, costing and stores staff and that all the defects that existed prior to 1953 have been remedied. None but routine audit queries and on relatively minor matters have been made regarding transactions since 1953. (Conclusion No. 76, Twenty-First Report.)

Since the presentation of Part I, of our Report, we have been shown a copy of the Commission's balance sheet as at 30th June, 1954, and of the accompanying report by Edwin V. Nixon and Partners. We understand that if the balance-sheet now before the Auditor-General is accepted by him, the Commission will be in a position to fix the value of its assets, and will be able in future to submit annual statements of accounts to the Minister in accordance with the provisions of the Aluminium Industry Act 1944-1954. (Conclusion No. 35, Twenty-Second Report.)

The Committee's Conclusions relating to Statutory
Corporations Generally.

The provisions of the Acts constituting the Commission are ambiguous respecting the duties of the Auditor-General. The Committee found that there were wide differences of opinion as to whether or not the Audit Act applied in its entirety before October, 1952. (Conclusion No. 11, Twenty-First Report.)

The Committee considers that the type of Audit conducted at the offices at Bell Bay during 1950-51, 1951-52 and 1952-53 was inadequate for the purpose. (Conclusion No. 12, Twenty-First Report.)

The Committee notes that it was not until his Report of 1953-54 to the Parliament (2nd November, 1954) and his letter to the Minister (2nd December, 1954) that the Auditor-General disclosed any details of his criticism of the Accounts of the Commission to support his refusal to certify. (Conclusion No. 13, Twenty-First Report.)

The Committee accepted the Auditor-General's contention that he need give no reasons for his refusal to certify; but it is surprised that not until November, 1954, did he indicate that the state of the accounts was such that he might not be able, except with a complete physical valuation, to certify the accounts of the Commission after 1950-51. (Conclusion No. 14, Twenty-First Report.)

The Committee recommends that the whole question of the audit of statutory corporations should be reviewed when amendments to the Audit Act are being made. Meanwhile, consideration should be given to securing commercial audit of the accounts of the Australian Aluminium Production Commission to supplement that of the Auditor-General. (Conclusion No. 15, Twenty-First Report.)

The Committee considers that the question of responsibility for the form of the accounts of statutory corporations and Government trading undertakings should be reviewed when the amendments to the Audit Act are being considered. (Conclusion No. 16, Twenty-First Report.)

The Acts constituting the Commission do not contain any prohibition restraining Members of the Commission from engaging in business transactions with the Commission. (Conclusion No. 17, Twenty-First Report.)

The Committee considers that engaging in such transactions as were entered into was not only unwise, but showed a lack of appreciation of the limitations imposed by official practice. (Conclusion No. 18, Twenty-First Report.)

There has been a trend away from the autonomy of statutory corporations, especially marked in Australia since World War I, because of a desire to insist upon Ministerial responsibility. (Conclusion No. 15, Twenty-Second Report.)

We consider that statutory corporations should with whatever modifications may be required by the particular circumstances of the corporation, enjoy a degree of autonomy, and we support the desire on the part of the seven major statutory corporations created by the Commonwealth and consulted by us to retain such a status. (Conclusion No. 16, Twenty-Second Report.)

There is insufficient understanding of the nature and purpose of statutory corporations in Australia and this has resulted in a failure to draw clear statutory lines of authority between the corporation and the Minister. This is particularly the case with regard to the Australian Aluminium Production Commission and the Minister. (Conclusion No. 17, Twenty-Second Report.)

Your Committee are of the opinion that, generally, it is undesirable that Members of Commissions should have any pecuniary interest in transactions with their corporations. Nevertheless, the prohibition of such transactions may prevent the appointment of Commissioners capable of rendering special service to a corporation. (Conclusion No. 19, Twenty-Second Report.)

Where provisions are enacted for disqualification from office on the ground of pecuniary interest, the method of appointment "during pleasure" is most calculated to evoke Parliamentary scrutiny. When considering the enactment of general provisions for disqualification from office, regard will naturally be had to the terms of appointment of, and the duties to be performed by Commissioners. If the "during pleasure" principle is rejected as a method of terminating employment because of pecuniary interest, then we recommend that the provision contained in the United Kingdom Atomic Energy Authority Act 1954 might be used as a standard. (Conclusion No. 20, Twenty-Second Report.)

We have been advised by the Solicitor-General -

- (a) that until October, 1952, the Trust Account was open for the transactions of the Commission and was properly used under the authority of the Aluminium Industry Act 1944;
- (b) that between October, 1952, and June, 1953, the Aluminium Industry Act 1944-1952 gave no authority for the continued operation of the Trust Account; and
- (c) that after June, 1953, only the "basic requirements" of the Audit Act have applied. (Conclusion No. 25, Twenty-Second Report.)

Having regard to the legal doubts about the powers and duties of the Auditor-General in relation to the Australian Aluminium Production Commission, as well as to the accounting considerations raised, it is clear that a revision of the Audit Act is necessary. (Conclusion No. 26, Twenty-Second Report.)

Because of the inability of the Auditor-General to comply with the requirements of the Aluminium Industry Act 1944-1954 we recommend that the provisions of the Act regarding audit should be amended when a revision of the Act is made.

We consider that the provisions regarding audit contained in the Australian National Airlines Act 1945-1952 might well serve as a model. (Conclusion No. 27, Twenty-Second Report.)

In his report on the Treasurer's Statement of Receipts and Expenditure for 1954-55, the Auditor-General mentions his lack of power to surcharge an Accounting Officer of an Authority in the same way as he can an Accounting Officer of a Department. He suggests some provisions that might be included when legislation is being drawn to remedy the present defects of the Audit Act and Treasury Regulations in respect of their application to Commonwealth Authorities.

We intend to examine these matters when the revised Audit Act is placed before us for consideration. (Conclusion No. 28, Twenty-Second Report.)

We find that the Aluminium Industry Act imposed upon the Treasurer an obligation to approve the form of the accounts to be kept by the Commission. This obligation appears from the Opinion of the Solicitor-General to be unexpectedly onerous, and one that in fact was not discharged by the Treasurer. (Conclusion No. 29, Twenty-Second Report.)

We are of the opinion that this burden is inappropriate and recommend that the determination of the form of the accounts should be the duty of the responsible Minister. The responsible Minister should consult with the Treasurer when determining the form of the accounts. If the Minister fails to act, the Treasurer should be invested with an over-riding power to prescribe the form of the accounts of an Authority, and he might also exercise that power as the interests of uniformity demand. (Conclusion No. 30, Twenty-Second Report.)

We look, in any event, for a presentation to the Parliament of the accounts of the commercial undertakings of the Commonwealth in a clear and reasonable standard form. (Conclusion No. 31, Twenty-Second Report.)

We agree with the view of the Auditor-General that his prime responsibility is to examine and report upon, not to institute proper accounting procedures for, an Authority whose accounts he subsequently audits. (Conclusion No. 32, Twenty-Second Report.)

We doubt the wisdom of appointing public servants as departmental representatives to the governing boards of statutory corporations, especially when they are from the Treasury or the Department of the responsible Minister. (Conclusion No. 34, Twenty-Second Report.)

The Committee's Conclusions relating to Provisions
of the Aluminium Industry Act 1944-1954

The Acts constituting the Australian Aluminium Production Commission do not clearly set out either the terms and conditions upon which the Members of the Commission hold their office, or their duties and responsibilities as "representatives" of the Commonwealth on the Commission. The Committee recommends that the several Governments consider a review of the legislation now that the aluminium plant is in operation. (Conclusion No. 1, Twenty-First Report.)

The Committee notes that it was the intention of the Minister when appointing the Members of the Commission in 1945 that the various Members should apply their several qualifications and resources to achieving the purposes of the Commission. (Conclusion No. 2, Twenty-First Report.)

The Committee directs attention to the Opinion of the Solicitor-General that individual Members of the Commission do not have individual responsibilities and believes that adherence to this view resulted in much of the confusion to which it has drawn attention. (Conclusion No. 3, Twenty-First Report.)

The evidence given to the Committee indicated no common agreement regarding the duties and responsibilities of Members of the Commission in their "representative" capacity. (Conclusion No. 4, Twenty-First Report.)

In the opinion of the Committee, a Member who was at the time also a Treasury official owed a duty to the Treasury to report the state of the accounts, if he knew of it, to his Permanent Head or to the Treasurer, which transcended his loyalty to the Commission to keep his counsel respecting its affairs. (Conclusion No. 5, Twenty-First Report.)

The provisions of the Acts constituting the Commission are ambiguous respecting the duties of the Auditor-General. The Committee found that there were wide differences of opinion as to whether or not the Audit Act applied in its entirety before October, 1952. (Conclusion No. 11, Twenty-First Report.)

The Acts constituting the Commission do not contain any prohibition restraining Members of the Commission from engaging in business transactions with the Commission. (Conclusion No. 17, Twenty-First Report.)

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- (c) that after June, 1953, only the "basic requirements" of the Audit Act have applied. (Conclusion No. 25, Twenty-Second Report)

Having regard to the legal doubts about the powers and duties of the Auditor-General in relation to the Australian Aluminium Production Commission, as well as to the accounting considerations raised, it is clear that a revision of the Audit Act is necessary. (Conclusion No. 26, Twenty-Second Report.)

Because of the inability of the Auditor-General to comply with the requirements of the Aluminium Industry Act 1944-1954 we recommend that the provisions of the Act regarding audit should be amended when a revision of the Act is made.

We consider that the provisions regarding audit contained in the Australian National Airlines Act 1945-1952 might well serve as a model. (Conclusion No. 27, Twenty-Second Report.)

We find that the Aluminium Industry Act imposed upon the Treasurer an obligation to approve the form of the accounts to be kept by the Commission. This obligation appears from the Opinion of the Solicitor-General to be unexpectedly onerous, and one that in fact was not discharged by the Treasurer. (Conclusion No. 29, Twenty-Second Report.)

We are of the opinion that this burden is inappropriate and recommend that the determination of the form of the accounts should be the duty of the responsible Minister. The responsible Minister should consult with the Treasurer when determining the form of the accounts. If the Minister fails to act, the Treasurer should be invested with an over-riding power to prescribe the form of the accounts of an Authority, and he might also exercise that power as the interests of uniformity demand. (Conclusion No. 30, Twenty-Second Report.)

Treasury Minute
(20th April, 1964.)

I am directed to state:

1. The Inquiry that was the subject of the Committee's Twenty-First and Twenty-Second Reports arose from a decision by the Committee in 1954 to investigate the affairs of the Australian Aluminium Production Commission (hereafter called "the Commission"). The Inquiry dealt primarily with the conduct of the affairs of the Commission during the period July, 1950, to June, 1953, and included an examination of the manner in which the Commission's accounts were kept, stores recorded and costing carried out during that period. But the Committee's deliberations went far beyond that; they extended to a consideration of the status of statutory corporations in the scheme of Parliamentary government and of legislative provisions governing the constitution and operation of statutory corporations. Indeed, the Committee's conclusions in the latter connection are undoubtedly to be regarded as being of much more lasting importance than its conclusions about the conduct of the Commission's affairs during the abovementioned period.

2. The conclusions in the Committee's Twenty-First and Twenty-Second Reports may conveniently be divided into the following categories:-

- (a) conclusions relating to the conduct of the Commission's affairs;
- (b) conclusions relating to statutory corporation legislation generally; and
- (c) conclusions relating to particular provisions of the Aluminium Industry Act 1944-1954.

The Committee's Conclusions relating to the Conduct of
the Commission's Affairs

3. In terms of numbers, the great bulk of the seventy-seven conclusions recorded by the Committee in its Twenty-First Report and of the thirty-eight conclusions recorded by it in its Twenty-Second Report related to detailed matters, which were ventilated in the course of the Inquiry, regarding administration of the Commission's affairs during the three-year period ending in June, 1953. With only two exceptions, the conclusions in this category were not of a nature requiring follow-up action and therefore do not call for special comment. As noted by the Committee in Conclusion No. 76 of its Twenty-First Report, the Committee was informed that at the time of preparation of that Report the Commission had an adequate accounting, costing and stores staff and that all the defects that existed prior to 1953 had been remedied. The Committee also noted in the same conclusion that none but routine audit queries and on relatively minor matters had been made regarding the Commission's transactions since 1953. It is relevant, too, that the Commission was reconstituted in April, 1953, and that the Committee's criticisms related in the main to administrative weaknesses during a period prior to the reconstitution of the Commission.

4. The first of the abovementioned exceptions concerns the establishment of the Commission's asset values. In Conclusion No. 75 of its Twenty-First Report, the Committee found itself divided on the question whether reliable asset values could be established by reference to the Commission's records or whether, as asserted by the then Auditor-General, reliable asset values could not be so established.

5. As foreshadowed in Conclusion No. 35 of the Committee's Twenty-Second Report, this matter was subsequently resolved. On 20th March, 1956, the succeeding Auditor-General issued to Parliament, pursuant to the provisions of section 54 of the Audit Act 1901-1955, a special report on the Commission's accounts up to 1953-54. In the special report the Auditor-General reported inter alia that he had certified that, in his opinion, the balance-sheet drawn up by the Commission as at 30th June, 1954, exhibited a true and fair view of the state of the Commission's affairs as at that date. The balance-sheet so drawn up by the Commission was based on a certificate furnished by the Commission, and accepted by the Auditor-General, that it was of the opinion that the figure shown against each item was "a fair and reasonable representation of the cost incurred in the establishment of the asset concerned." All the Commission's subsequent balance-sheets were duly certified by the Auditor-General.

6. The second exception concerns Conclusion No. 65 in the Committee's Twenty-First Report. In that Conclusion, which arose from the canvassing during the Inquiry of the qualifications of an ex-employee of the Commission who gave evidence at the Inquiry, the Committee recorded the view that "inquiry should be made into the methods adopted to check the qualifications of candidates seeking employment by public authorities."

7. Shortly after presentation of the Committee's Twenty-First Report, the Public Service Board reviewed the procedures for checking the educational qualifications of applicants for positions in the Commonwealth Public Service. The outcome of the review was the taking of steps to ensure that an applicant was not appointed until evidence of his educational qualifications had been sighted.

8. So far as public authorities not forming part of the Commonwealth Public Service are concerned, the Treasury has been unable to find evidence that the Committee's view was brought to the attention of such public authorities by way of formal circular advice. However, the matter attracted a good deal of publicity at the time and, although enquiry has not been made of all the public authorities concerned, it can reasonably be assumed that they took similar action to that taken by the Public Service Board.

The Committee's Conclusions relating to Statutory Corporation Legislation Generally.

9. The Committee's conclusions in this category may be summarised as follows:-

- (a) the whole question of the audit of statutory corporations should be reviewed when amendments to the Audit Act were being made (see Conclusions 11 to 15 in the Twenty-First Report and Conclusions 25 to 28 in the Twenty-Second Report);
- (b) the question of responsibility for the form of accounts of statutory corporations and Government trading undertakings should be reviewed when amendments to the Audit Act were being considered (see Conclusion 16 in the Twenty-First Report and Conclusions 29 to 32 in the Twenty-Second Report);

- (c) there was a need to clarify the position with regard to pecuniary interest of members of statutory corporations in transactions with their corporations (see Conclusions 17 and 18 in the Twenty-First Report and Conclusions 19 and 20 in the Twenty-Second Report);
- (d) there was insufficient understanding of the nature and purpose of statutory corporations in Australia, and this had resulted in a failure to draw clear statutory lines of authority between the Corporation and the Minister (see Conclusions 15 to 17 in the Twenty-Second Report); and
- (e) the wisdom was doubted of appointing public servants as departmental representatives to the governing boards of statutory corporations, especially where they were from the Treasury or the Department of the responsible Minister (see Conclusion 34 in the Twenty-Second Report).

10. Each of these matters has received the Government's consideration as occasion has warranted.

11. With respect to (a) above, the Government has taken the broad position that, in the case of statutory corporations whose finances do not form part of the Commonwealth Public Account, the proper place for statutory provisions relating to the audit of statutory corporations is in the Acts constituting the statutory corporations rather than in the Audit Act.

12. The first piece of statutory corporation legislation enacted after presentation of the Committee's Twenty-First and Twenty-Second Reports was the Export Payments Insurance Corporation Act (Act No. 32 of 1956). That Act included the following provisions relating to audit of the Corporation's accounts and records:-

"30.--(1) The Auditor-General shall inspect and audit the accounts and records of financial transactions of the Corporation, and shall forthwith draw the Minister's attention to any irregularity revealed by the inspection and audit which, in the opinion of the Auditor-General, is of sufficient importance to justify his so doing.

(2) The Auditor-General shall, at least once in each year, report to the Minister the results of the inspection and audit carried out under the last preceding sub-section.

(3) The Auditor-General or any officer authorized by him is entitled at all reasonable times to full and free access to all accounts, records, documents and papers of the Corporation relating directly or indirectly to the receipt or payment of moneys by the Corporation or to the acquisition, receipt, custody or disposal of assets of the Corporation.

(4) The Auditor-General or an officer authorized by him may make copies of or take extracts from any such accounts, records, documents or papers.

(5) The Auditor-General or an officer authorized by him may require the Commissioner or an officer of the Corporation to furnish him with such information in the possession of the Commissioner or officer or to which the Commissioner or officer has access as the Auditor-General or authorized officer considers necessary for the purposes of an inspection or audit under this Act, and the Commissioner or officer of the Corporation shall comply with the requirement."

"32.--(1) The Corporation shall, as soon as practicable after each thirtieth day of June, prepare and furnish to the Minister a report of its operations during the year ended on that date, together with financial statements in respect of that year in such form as the Treasurer approves.

(2) Before furnishing the financial statements to the Minister, the Corporation shall submit them to the Auditor-General, who shall report to the Minister -

- (a) whether the statements are based on proper accounts and records;
- (b) whether the statements are in agreement with the accounts and records and show fairly the financial operations and the state of the affairs of the Corporation;
- (c) whether the receipt, expenditure and investment of moneys, and the acquisition and disposal of assets, by the Corporation during the year have been in accordance with this Act; and
- (d) as to such other matters arising out of the statements as the Auditor-General considers should be reported to the Minister.

(3) The Minister shall lay the report and financial statements of the Corporation, together with the report of the Auditor-General, before each House of the Parliament within fifteen sitting days of that House after their receipt by the Minister."

13. It might be noted that these provisions do not operate to exclude the employment of auditors in private commercial practice. Another provision in the Export Payments Insurance Corporation Act (section 29, the text of which is quoted in paragraph 16 hereunder) requires the Corporation to do all things necessary to ensure the correctness of payments made and adequate control of assets and the incurring of liabilities. It is open to the Corporation to employ "outside" auditors and accountants if judged to be necessary for the fulfilment of this requirement. (This aspect was touched on in paragraph 97 and in Conclusion 15 of the Committee's Twenty-First Report.)

14. Subsequent to the enactment of the Export Payments Insurance Corporation Act, audit provisions along similar lines to those quoted above were written into the legislation constituting the following statutory corporations:-

(Note: The following list, and also other references to statutory corporations in this Minute, do not include statutory boards set up by Commonwealth legislation to administer marketing and regulatory functions with respect to primary products; these boards are different in character from other Commonwealth statutory corporations and it has not been deemed appropriate to broaden the scope of this Minute to include references to them.)

Australian Coastal Shipping Commission (see Act No. 41 of 1956).

Australian Stevedoring Industry Authority (see Act No. 53 of 1956).

Australian Wool Testing Authority (see Act No. 38 of 1957).

National Capital Development Commission (see Act No. 42 of 1957).*

Australian Atomic Energy Commission (see Act No. 1 of 1958).

Overseas Telecommunications Commission (see Act No. 26 of 1958).

Snowy Mountains Hydro-electric Authority (see Act No. 31 of 1958).

Australian National Airlines Commission (see Act No. 3 of 1959).

Reserve Bank of Australia (see Act No. 4 of 1959).**

Commonwealth Banking Corporation (see Act No. 5 of 1959).**

Commonwealth Trading Bank of Australia (see Act No. 5 of 1959).**

Commonwealth Savings Bank of Australia (see Act No. 5 of 1959).**

Commonwealth Development Bank of Australia (see Act No. 5 of 1959).**

National Library of Australia (see Act No. 69 of 1960).*

Commonwealth Serum Laboratories Commission (see Act No. 38 of 1961).

A.C.T. Electricity Authority (see Act No. 76 of 1962).

Australian War Memorial Board of Trustees (see Act No. 85 of 1962).*

* Legislation does not include provision corresponding to section 30(2) of Export Payments Insurance Corporation Act.

** Legislative provisions corresponding to section 32 of Export Payments Insurance Corporation Act embody changes of substance as compared with that section.

15. With respect to (b) above - responsibility for the form of accounts - a distinction is to be drawn between statutory corporations and Government trading undertakings conducted by Commonwealth Departments.

16. To deal first with statutory corporations, the Government has decided that, as in the case of (a) above, the necessary provisions should be included in the relevant statutory corporation legislation rather than in the Audit Act. The Export Payments Insurance Corporation Act 1956 (which as already noted was the first piece of statutory corporation legislation enacted after presentation of the Committee's Reports) included provisions placing responsibility on the Corporation to keep proper accounts and records and requiring it to prepare published financial statements in such form as the Treasurer approves. The relevant provisions read as follows:-

"29. The Corporation shall keep proper accounts and records in accordance with the accounting principles generally applied in commercial practice and shall do all things necessary to ensure that all payments out of its moneys are correctly made and properly authorized and that adequate control is maintained over its assets and the incurring by it of liabilities."

"32.-(1) The Corporation shall, as soon as practicable after each thirtieth day of June, prepare and furnish to the Minister a report of its operations during the year ended on that date, together with financial statements in respect of that year in such form as the Treasurer approves."

17. Provisions along similar lines were subsequently written into the legislation constituting the statutory corporations listed in paragraph 14 above. The same asterisks apply as in that list, but with the following notations -

- * Legislation provides for the form of annual financial statements to be approved by the responsible Minister instead of by the Treasurer, and, because these authorities are not engaged in a commercial venture, there is a minor variation in the provision regarding the accounts to be kept.
- ** Legislation does not contain express provision corresponding to section 29 of Export Payments Insurance Corporation Act. Also, the form of annual financial statements is prescribed by regulation instead of being approved by the Treasurer.

18. In the case of Government trading undertakings conducted by Commonwealth Departments, a new provision - section 41D - was inserted in the Audit Act by Act No. 89 of 1961. The provision reads as follows:-

"41D.--(1) A Department, being a Department of State of the Commonwealth, shall, if so required by the Treasurer, keep such accounts and prepare such financial statements in respect of such of its operations, and in such form, as the Treasurer determines.

(2) Accounts kept and statements prepared under this section and all books, vouchers and papers relating to those accounts and statements shall be subject to inspection, examination and audit by the Auditor-General.

(3) The provisions of this section shall be read as in addition to and not in derogation from the other provisions of this Act."

19. With respect to (c) above - pecuniary interest of members of statutory corporations in transactions with their corporations - the following provision was included in the Export Payments Insurance Corporation Act 1956:-

"9. If the Commissioner -

(a)

(b)

(c)

(d)

(e) in any way, otherwise than as a member, and in common with the other members, of an incorporated company consisting of not less than twenty-five persons -

(i) becomes concerned or interested in a contract entered into by or on behalf of the Corporation; or

(ii) participates or claims to participate in the profit of any such contract or in any benefit or emolument arising from any such contract,

the Governor-General shall declare, by notice in the Gazette, that the office of the Commissioner is vacant, and thereupon the office shall be deemed to be vacant."

20. A similar provision was subsequently written into the legislation constituting the National Capital Development Commission (see Act No. 42 of 1957). In the case of the Australian Broadcasting Control Board, the Joint Coal Board and the Snowy Mountains Hydro-electric Authority, a provision to somewhat similar effect had been included in legislation enacted prior to presentation of the Committee's Twenty-First Report.

21. In other cases (those where the members of governing boards were not all so employed on a full-time basis) legislation was subsequently enacted to provide that, while there was no prohibition on a member of a statutory corporation having a financial interest in a contract with the corporation, he was

required to disclose such interest and was to be removed from office if he did not. The Australian Coastal Shipping Commission Act 1956 included provisions in the following terms:-

"13.--(1) If a Commissioner -

- (a)
- (b)
- (c)
- (d) fails to comply with his obligations under the next succeeding sub-section,

the Governor-General shall, by notice in the Gazette, declare that the office of the Commissioner is vacant, and thereupon the office shall be deemed to be vacant.

(2) A Commissioner who is directly or indirectly interested in a contract made or proposed to be made by the Commission, otherwise than as a member, and in common with the other members, of an incorporated company consisting of not less than twenty-five persons, shall, as soon as possible after the relevant facts have come to his knowledge, disclose the nature of his interest at a meeting of the Commission.

(3) A disclosure under the last preceding sub-section shall be recorded in the minutes of the Commission, and the Commissioner -

- (a) shall not take part after the disclosure in any deliberation or decision of the Commission with respect to that contract; and
- (b) shall be disregarded for the purpose of constituting a quorum of the Commission for any such deliberation or decision."

22. Similar provisions to those in the Australian Coastal Shipping Commission Act were later written into the legislation constituting the following bodies:-

Australian Wool Testing Authority (see Act No. 38 of 1957)

Australian Atomic Energy Commission (see Act No. 1 of 1958)

Overseas Telecommunications Commission (see Act No. 26 of 1958)

Australian National Airlines Commission (see Act No. 3 of 1959)

Reserve Bank of Australia (see Act No. 4 of 1959)

Commonwealth Banking Corporation (see Act No. 5 of 1959)

Australian Broadcasting Commission (see Act No. 36 of 1960)

National Library of Australia (see Act No. 69 of 1960)

Commonwealth Serum Laboratories Commission (see Act No. 38 of 1961)

A.C.T. Electricity Authority (see Act No. 76 of 1962)

23. With respect to (d) above, it is a more difficult matter to set out in specific terms the nature of the action taken by the Government for the purpose of drawing clearer statutory lines of authority between the various statutory corporations and the responsible Ministers. Indeed, it is doubtful whether it would be appropriate for the Treasury to attempt an appreciation of the subject because broad issues of Government policy are involved. Moreover, so much depends on the nature of the particular activity conducted by the statutory corporation concerned that the subject does not lend itself to generalized treatment.

24. It can, however, be stated that, in the framing of legislative provisions governing the operations of statutory corporations, the Government has had well in mind the question of lines of authority and responsibilities as between the corporation and the Minister concerned. For example, the Export Payments Insurance Corporation Act 1956 devoted a special section (section 11) to the subject of the Corporation's relations with the Minister. So, too, did the National Capital Development Commission Act 1957, the Reserve Bank Act 1959 and the Commonwealth Banks Act 1959.

25. With respect to (c) above - the appointment of public servants as departmental representatives to the governing boards of statutory corporations - this matter also involves issues of Government policy on which it would not be appropriate for the Treasury to comment. It is, however, observed that most current statutory corporation Acts provide simply that the members of the governing board shall be appointed by the Governor-General. In only comparatively rare instances is an appointee required to be appointed as a representative of a Commonwealth Department or other body. It is perhaps noteworthy that an amendment was made in 1956 to the Act constituting the Australian Broadcasting Commission to repeal a provision that two of the Commissioners were to be representatives of the Postmaster-General's Department and the Treasury respectively.

26. It might also be mentioned that most current statutory corporation Acts provide for the appointment of members for a fixed term rather than during the Governor-General's pleasure. This matter was touched on in Conclusion No. 20 in the Committee's Twenty-Second Report. The comment is offered that fixed term appointments would seem to be more consistent than "during pleasure" appointments with the principle, referred to in Conclusions 15 and 16 of the Committee's Twenty-Second Report, of statutory corporations having a degree of autonomy.

The Committee's Conclusions relating to Provisions
of the Aluminium Industry Act 1944-1954

27. The following is a summary of the Committee's conclusions in this category:-

- (a) there should be a review of the provisions relating to the terms and conditions on which members of the Commission held office and their duties and responsibilities as "representatives" of the Commonwealth (see Conclusions 1 to 5 in the Committee's Twenty-First Report);
- (b) the provisions of the Act were ambiguous respecting the duties of the Auditor-General (see Conclusion No. 11 in the Twenty-First Report and Conclusions 25 to 27 in the Twenty-Second Report);
- (c) the Act did not contain any prohibition restraining members of the Commission from engaging in business transactions with the Commission (see Conclusion No. 17 in the Twenty-First Report); and
- (d) there should be a review of the provision in the Act requiring the Treasurer to approve the form of the accounts to be kept by the Commission (see Conclusions 29 and 30 in the Twenty-Second Report).

28. The matters raised in (b), (c) and (d) above were, of course, particular instances of the Committee's conclusions with respect to statutory corporation legislation generally (see (a), (c) and (b) respectively, in paragraph 9 above), while question (a) above raised in relation to the constitution of the Commission issues of a somewhat similar kind to those referred to in (d) and (e) in paragraph 9 above.

29. The Government had well in mind the desirability of making a number of amendments to the Aluminium Industry Act in respect of the abovementioned matters, and also to the Agreement between the Commonwealth and the State of Tasmania that formed the Schedule to the Act. However, when arrangements for the preparation of amending legislation had reached an advanced stage, certain policy issues arose concerning the future of the Commonwealth's interest in the Bell Bay undertaking and the Government decided to defer action for amendment of the Act pending the outcome of its consideration of these issues. The eventual outcome was the sale to Aluminium Production Corporation Ltd., of the Commonwealth's interest in the undertaking. The sale was the subject of an agreement that was approved by the Aluminium Industry Act 1960, and that Act provided for repeal of the Acts under which the Australian Aluminium Production Commission was constituted.

CHAPTER III - TREASURY MINUTE ON THE FIFTY-EIGHTH REPORT OF
YOUR COMMITTEE ON THE REPORTS OF THE AUDITOR-GENERAL -
FINANCIAL YEAR 1960-61

In the Fifty-Eighth Report concerning the Reports of the
Auditor-General -

Summary of Committee's
Conclusions
(18th October, 1961)

Treasury Minute
(23rd September, 1964)

Your Committee stated -

I am directed to state -

The Treasury has examined
the Report and has discussed
with the Departments and
Authorities concerned the
observations and conclusions
of the Committee.

DEPARTMENT OF TRADE - PUBLICITY

In investigating this
matter Your Committee were
concerned firstly with the
question of assuring that
adequate notations should
appear in the Estimates for the
two appropriations concerned
and secondly with the cause of
the over-expenditure and the
question of avoiding such an
occurrence in the future.

Commencing in 1962-63, the
necessary notation was made
against Division No. 301/2/04:
Trade Publicity - United Kingdom.
A separate appropriation item,
Division No. 301/2/09: Flour
Export Promotion, was created
with a similar notation.

We note that the Depart-
ment of the Treasury will give
consideration to the first
matter and, with reference to
the second, that satisfactory
procedures have been introduced
to avoid, as far as humanly
possible, this form of error in
the future.

DEPARTMENT OF TERRITORIES

Housing - Northern Territory.

Your Committee noted that
the rentals charged for depart-
mental and Housing Commission
dwellings were assessed on
different bases causing higher
rentals to be paid on the
latter despite the standing
subsidy paid on their capital
costs by the Commonwealth.
Further, the details, although
incomplete, of the rental
income and maintenance expend-
iture on departmental dwell-
ings as compared with what must
be the proportion for repairs
and maintenance component of
Housing Commission rentals
indicate a marked disparity.
The inference is that there is
a much higher rate of expend-
iture incurred on maintenance
of departmental houses.

The Department has confirmed
that there is a higher rate of
expenditure in the Northern
Territory on the maintenance of
departmental houses than there is
on Housing Commission dwellings.
This is due to the fact that the
departmental houses, as a group,
include many constructed prior to
World War II (and therefore
require more maintenance), while
the majority of those controlled
by the Housing Commission are
less than five years old. The
maintenance programme for depart-
mental houses has not, for a
variety of reasons, been fully
implemented in past years, but
the Department expects that,
subject to the availability of
labour, the arrears will be over-
taken in 1964-65. For the future,

Summary of Committee's
Conclusions
(18th October, 1961)

Treasury Minute
(23rd September, 1964)

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This position may be due to an accumulation of maintenance arrears but Your Committee did not have time to investigate this matter fully. However, it is one we would recommend for close review by the Department of Territories, Department of Works and the Department of the Treasury.

Also, we were surprised to learn that Housing Commission dwellings are being constructed for approximately £4,000 compared to £6,200 for departmental dwellings. It would appear that some revision could be made of the standards of departmental dwellings - or perhaps a wider range of standards might be considered.

Your Committee's main objective was to investigate the financial aspects of accounting for transactions concerning departmental housing - particularly in view of the apparent disproportionate expenditure on repairs and maintenance. In our Fifty-Second Report we stated in paragraph 198 -

In principle, we agree with the comment of the Auditor-General that the interests of public accountability warrant the annual submission of complete audited financial statements covering the Commonwealth's investment in housing in the Australian Capital Territory. Any such statements prepared should be made available to the Parliament.

Your Committee would not disagree with the principle of subsidy payments where they appear warranted but consider that any form of subsidy should be clearly revealed to the Parliament. Further, we consider that the magnitude of the expenditures on housing in the Northern Territory require the preparation of complete financial statements just as do the housing activities in the Australian Capital Territory.

a system of cyclical maintenance has been introduced.

The subsidy to which the Committee refers at paragraphs 60 and 64 is disclosed in the approved financial statements of the Northern Territory Housing Commission.

Formal Treasury approval has recently been given to the form of the accounts for the Northern Territory Rental Housing Scheme and the Department has assured the Treasury that account for the financial year 1963-64 will be presented in the approved form.

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We are pleased to note that the Department of Territories appear to have agreed readily to the suggestions of the Department of the Treasury that such statements should be prepared.

DEFENCE SERVICES

Replacement of Mess Gear in Service Messes.

It appears evident from the information given to Your Committee that an unnecessary amount of time and expense has been wasted in an attempt to find a solution to a relatively simple and minor matter. The solution to this question appears to have become involved with the complex of considerations relating to the review being made of Defence legislation. Your Committee trusts the matter will be brought to finality in the near future as a result of the approach made to the Attorney-General's Department by the Department of Defence.

The Minister for Defence has investigated the practicability of determining a uniform policy on the Commonwealth's liability for replacement of breakages. It was considered not to be necessary or desirable to institute a uniform system for the three Services because of differing circumstances applicable to each. Nevertheless, regulations were issued in 1962 providing for the recovery from servicemen of the value of losses or damage to Commonwealth property due to negligence; advice has been received that these have had a significant deterrent effect.

REPATRIATION DEPARTMENT

Interim Forces Benefits Regulations.

With regard to the Interim Forces Benefits Regulations we were informed Regulation 12 of those Regulations provides that medical sustenance be paid at the same scale as the General (100 per cent.) Rate of War Pension under the Repatriation Regulations. No amendment has been made to Regulation 12 since 1953, but payments equivalent to the General Rate, which has increased over the years, were being made under that regulation. Consequently, although the increases had been approved by Cabinet and no loss of payment was suffered by the recipients, the increased payments were in fact illegal since they were not covered by statutory authority or by the regulations.

The Interim Forces Benefits Regulations were made on 23rd September, 1961, by Statutory Rules 1961 No. 118.

We have been informed, however, that draft amendments to the Interim Forces Benefits Regulations have been prepared and are awaiting submission to the Minister and the Governor-General.

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Repatriation (Far East Strategic Reserve) Regulations

Your Committee were informed that the Repatriation (Far East Strategic Reserve) Act came into force on 1st September, 1957. However, delays occurred in drafting the regulations under that Act as a result of difficulties encountered in regard to the precise nature and scope of the regulations. Final instructions were given to the Parliamentary Draftsman on 7th September, 1961.

In view of the delay that has taken place we were advised that payments under these regulations will be made retrospective to the date of the operation of the Act.

The Repatriation (Far East Strategic Reserve) Regulations were made on the 11th May, 1963 by Statutory Rules 1963 No. 40. Following the Committee's Report, further consideration was given to the question of payments already made. It was decided to validate these payments, not by inclusion of a retrospective provision in the Regulations, but by an amendment to the Repatriation (Far East Strategic Reserve) Act 1956-1962. Action is now in course to give effect to this decision.

THE AUSTRALIAN WOOL REALIZATION COMMISSION

Standard Legislative Provision for Statutory Authorities

In view of the many matters common to the establishment and control of authorities Your Committee consider that consideration might be given to altering the form in which the initiating legislation is prepared. The common features generally include provisions, such as section 20 of the Wool Realization Act 1945-1952, and the requirements for the keeping, auditing and publishing of accounts.

These matters, and possibly others, we suggest might be incorporated into one standing legislative measure which will apply to all future statutory authorities. Where, for particular reasons, some departure from the standing procedures is considered warranted the initiating legislation for the authority concerned could clearly provide for the alternative requirements which are to be followed.

The suggestion that the common features relating to the establishment and control of statutory authorities might be incorporated in the one standing legislative measure which will apply to all future statutory authorities, has been the subject of examination in the Treasury. It will be recognised that this is a complex problem which, in the first place, has necessitated a detailed examination of the Acts constituting existing statutory authorities, the provisions for which are by no means uniform. Further study is being undertaken of the practicability or desirability of achieving uniformity and varying a practice which the Parliament has pursued for many years.

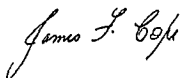
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Observance of Legislative Provisions by Statutory
Authorities

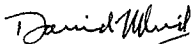
Meanwhile Your Committee suggests that, unless they are aware that the requirements of the relevant legislation are now being observed meticulously, departments concerned should immediately warn all statutory authorities of these requirements.

The Committee's comments in paragraph 145 were brought to the notice of Departments concerned with the request that they review, in conjunction with the Authorities under the control of the respective Ministers, the extent to which relevant legislation has been complied with. All have now advised that the requirements of the relevant legislation are being observed.

For and on behalf of the Committee.



JAMES F. COPE,
Acting Chairman.



DAVID N. REID,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
CANBERRA, A.C.T.



15th October, 1964.