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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SEVENTIETH REPORT.

THE REPORTS OF THE AUDITOR-
GENERAL—FINANCIAL YEAR 1963-64.

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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SIXTEENTH REPORT

THE REPORTS OF THE AUDITOR-GENERAL
FINANCIAL YEAR 1963-64

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SIXTH COMMITTEE

R. CLEAVER, ESQUIRE, M.P. (Chairman)

J. F. COPE, ESQUIRE, M.P. (Vice-Chairman)

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SENATOR J. F. FITZGERALD
SENATOR I. E. WEDGWOOD

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P. J. NIXON, ESQUIRE, M.P.
J. C. L. SEXTON, ESQUIRE, M.P.
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 sub-section (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 ACCOUNTSSEVENTIETH REPORTTHE REPORTS OF THE AUDITOR-GENERAL - FINANCIAL YEAR 1963/64CHAPTER I - INTRODUCTION

In previous Reports Your Committee have referred to the duty imposed by Section 8(a) of the Public Accounts Committee Act 1951 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 sub-section (1) of section fifty-three of the Audit Act. Each year since 1959 we have conducted a separate series of annual inquiries relating specifically to matters raised in each Report of the Auditor-General.

2. The Report of the Auditor-General for 1963-64 was presented to the Parliament on 19th August, 1964 and the Supplementary Report on 21st October, 1964.

3. On 27th August, Your Committee discussed with the Auditor-General several items on which he had commented in his Annual Report. Subsequently written explanations were obtained from certain Departments and, after further consideration, we decided to investigate in detail the matters referred to in Chapter II of this Report.

4. On 27th October, 1964, Your Committee discussed with the Auditor-General a number of items on which he had commented in his Supplementary Report. Further written explanations were obtained from Departments and after considering these statements we decided to investigate, in detail, the matters referred to in Chapter III of this Report.

5. The items selected for detailed examination were made the subject of a public inquiry held at Parliament House, Canberra, on :-

Tuesday, 13th October, 1964

Thursday, 4th March, 1965.

6. The following witnesses were sworn at the public inquiry and were examined by Your Committee :-

Postmaster-General's Department -	Mr. A. F. Spratt, First Assistant Director-General, (Management Division)
	Mr. R. D. Marginson, Deputy Assistant Director-General (Finance)

- Attorney-General's Department - Mr. J. M. Davis, acting Commissioner, Commonwealth Police Force.
Mr. J. Harkins, Principal Legal Officer, Deputy Crown Solicitor's Office, Sydney, New South Wales.
- Superannuation Board and Defence Forces Retirement Benefits Board - Mr. L. K. Burgess, President of the Superannuation Board and Chairman of the Defence Forces Retirement Benefits Board.

CHAPTER II - POSTMASTER-GENERAL'S DEPARTMENT.

(a) Telephone Debtors.

7. Paragraph 206 of the Auditor-General's Report for 1963-64 contained the following comment:-

"Reference was made in my 1952-63 Report to excessive delays in the follow up of telephone accounts rendered after termination of service. The departmental review of staff requirements mentioned in last year's Report has not been finalized. However, action is in course to obtain additional staff on a temporary basis to cope with the increased volume of these accounts.

Audit reviews during 1963-64 show that in the majority of the States the number and value of accounts outstanding in respect of services terminated continues to increase. However, this position should be viewed in relation to the increasing volume of terminated services.

Details taken from departmental records, of the number of services terminated together with the number and value of outstanding debtors accounts in respect of such services at 30th June, 1964, compared with the three previous years, are set out hereunder :-

Year	Number of Terminated Services for Year ended 30th June.	Outstanding Accounts at 30th June		
		No.	Percentage of Terminated Accounts.	Value
			Per Cent.	£
1961	112,467	26,127	23	651,022
1962	120,717	32,311	27	837,700
1963	171,055	36,602	21	965,788
1964	190,472	39,303	21	1,100,292

My 1962-63 Report also mentioned the difficulty being experienced by the Attorney-General's Department in handling the number of cases referred to it by the Postmaster-General's Department. The position is now generally satisfactory, except in New South Wales and Victoria where, notwithstanding some increases in staff, considerable delays are still evident in the handling of cases requiring location of debtors by the Commonwealth Police Force."

8. In para. 173 of his 1962-63 Report the Auditor-General had stated that the number of telephone accounts issued each year in respect of cancelled services had increased substantially following a change in procedure introduced in 1960 in relation to transfers of services. Previously the amount owing on a service at date of transfer was a matter for adjustment between the transferor and the transferee; under the revised procedure the Department issues a closing telephone account to the outgoing subscriber.

9. A written statement submitted by the Postmaster-General's Department showed the following details of the number and value of Closing Accounts outstanding as at 30th June, 1964:- Exhibit No.69/1

Postmaster-General's Department - Telephone Debtors

Number and Value of Closing Accounts Outstanding

		£
(a) less than three months	10,530	206,933
(b) three months but less than six months	3,472	92,864
(c) six months but less than twelve months	6,823	183,379
(d) one year but less than two years	8,743	271,035
(e) two years but less than three years	4,731	146,423
(f) three years or more	5,618	201,663
	39,917	1,102,407

Number of Accounts by Value & Period Outstanding

	Less than 3 months	3 months but less than 6 months	6 months but less than 12 months	1 year but less than 2 years	2 years but less than 3 years	3 years and over.	Total
Less than £10	5,521	1,366	2,506	2,718	1,340	1,601	15,052
£10 but less than £25	3,005	1,130	2,310	3,052	1,655	1,743	12,895
£25 but less than £50	1,280	583	1,212	1,637	938	1,178	6,822
£50 but less than £100	491	256	539	904	548	721	3,459
£100 but less than £500	223	128	246	421	241	365	1,624
£500 or more	10	9	10	11	9	10	59
TOTAL	10,530	3,472	6,823	8,743	4,731	5,618	39,917

10. The statement indicated that the total value of outstanding accounts at 30th June, 1964 (£1,102,407) differed by £2,115 from the corresponding figure shown in the Auditor-General's Report. The difference was said to be due to the fact that the figures supplied for the Auditor-General's Report were subject to reconciliation. Exhibit (9)1
11. Mr. Marginson stated that "closing accounts" referred to all terminated accounts regardless of the reason for termination. The greater proportion of closing accounts are voluntarily terminated. He attributed the introduction of the new procedure, referred to in the Auditor-General's Report for 1962-63, to representations from Members of the Parliament and from the general community. Q's 2, 3, and 5.
12. Mr. Marginson said the original arrangement had, in his opinion, been satisfactory as far as the Department was concerned. However, the transferee gains from the new procedure as he is not liable for a debt he himself has not incurred. He attributed the increased volume of work to the difficulty of collecting payments from subscribers "closing accounts" rather than to the processing of the "closing accounts" themselves. Q's 6, 11, 12 and 13.
13. The procedure for collecting payments for closing accounts was explained in outline form. The recovery process commences at the expiration of fourteen days after the closing account if the subscriber has not made payment. After the service has been cancelled, the subscriber is billed within three weeks. Delays of up to six weeks have occurred, though Mr. Spratt considered that an increased staff establishment would reduce the period considerably. If the subscriber fails to pay his outstanding account after his service has been cancelled, his account is forwarded to the Attorney-General's Department for recovery action. If the subscriber's address is not known, the Postmaster-General's Department asks the Commonwealth Police to establish the whereabouts of the debtor. Q's 15, 18, and 39
14. Mr. Harkins stated that the Attorney-General's Department sends to the subscriber a letter of demand within 48 hours of receiving notification from the Postmaster-General's Department. He claimed that these letters of demand produce approximately a 50 per cent response from debtors and about a one-third payment or part payment of accounts. Where replies are not received, a summons is issued and served, judgment entered and an enforcement process is then commenced in the form of garnisheeing wages, executing a process on property or examination orders. Garnishee is the most effective method of collection. Q's 40 and 41.

15. Mr. Davis indicated that either of two sources would involve the Commonwealth Police Force in these recovery processes. One was an inquiry from the Postmaster-General's Department to establish the whereabouts of a debtor; the other was a reference from the Deputy Crown Solicitor, Sydney. In either case, the inquiry or reference is returned back to the department initiating it. The Deputy Crown Solicitor, in some cases, requests an investigation of a debtor's financial position, generally following the issue of a summons. Q's 62 and 49.

16. Collecting payment is primarily the responsibility of the Accountant in the State Branch of the Postmaster-General's Department. The Accountant of that Branch has limited authority to write off irrecoverable amounts under Section 70(c) of the Audit Act. Mr. Spratt stated that the Postmaster-General's Department is alert to changes in the soundness of a subscriber's financial affairs. The Department may request security from potentially unsound subscribers or it may bill the subscriber with greater frequency. Mr. Marginson considered that the provision in the system of charging telephone subscribers for payment of rentals six months in advance broadly covers most of the general run of subscribers' accounts. Only a small number of residential subscribers' accounts exceed £25. Q's 15, 17 and 19.

17. Mr. Davis was questioned about the concern expressed by the Auditor-General in his Report of 1962-63 regarding the delay in handling of cases requiring the location of debtors by the Commonwealth Police Force. Mr. Davis supplied us with the following numbers of outstanding Postmaster-General's Department's telephone debtors' inquiries in New South Wales and Victoria for the years 1961-62, 1962-63, 1963-64. Q's 60 and 61.

<u>YEAR</u>	<u>VICTORIA</u>	<u>NEW SOUTH WALES</u>
1961-62	102	1,166
1962-63	309	1,333
1963-64	1,074	2,276

18. Mr. Davis informed us that a recent increase of five members of the staff in the Sydney Office of the Commonwealth Police Force would considerably assist in alleviating the position, although he thought that more staff assistance was still required. He stated that the essence of the problem was in regard to arrears not in regard to the ability to cope with increasing work. Q's 50, 61 and 65.

19. Mr. Harkins said that the addition of the Postmaster-General's Department's recovery action had increased the total number of recovery actions handled by the Crown Solicitor's Office in Sydney from 3,000 to 4,000 per year, representing the processing of 700 recovery actions for each recovery clerk employed. He felt that this figure was too high. By comparison, clerks in the Recovery Section of the Taxation Department were said to handle 500 recoveries each. The temporary employment of a pool clerk and some Q.92.

improvement made to procedures had alleviated the situation. However, the addition of the pool clerk and the adoption of improved procedures together were not considered sufficient to establish a permanently improved situation.

Q.92

20. Mr. Spratt indicated that two courses of action had been taken by the Postmaster-General's Department to improve its situation. One method is to render accounts more quickly in some States than they have been rendered in the past. Another method introduced on 5th August, 1964, is to collect the rental in advance for telephone services previously regarded as transferred services. In conjunction with its conversion to electronic data processing, the Department would consider the advisability of more frequent billing of subscribers, particularly where larger accounts are involved.

Q's 77,
and 78
and
Committee
File No.
1964/5/70.

21. Your Committee are disturbed to find that in the space of four years and notwithstanding a decline in the proportion of terminated telephone service accounts being outstanding, the value of outstanding accounts relating to these services has risen from £551,022 to £1,102,407. Your Committee are also disturbed to find that more than one half of this amount has been outstanding for more than twelve months whilst more than 30 per cent. has been outstanding for more than two years.

22. Your Committee notes that in 1960 the Postmaster-General's Department made a change in procedure, in relation to transfers of telephone services, but did not institute the payment of rental in advance to cover this new arrangement until 5th August, 1964. In this period of time the level of unrecovered debts on telephone services rose from £435,457 (21,000 accounts) to £1,102,407 (39,917 accounts). We are of the opinion on this evidence, that the decision to abolish the transfer system was not accompanied by an adequate detailed analysis of the probable outcome of the new procedure. The Department set aside a vital principle which it had followed in respect to telephone rentals - namely, collection of rent in advance, which after a costly experimental period it had to reinstate. We believe that in taking the decision to treat successive subscribers to a telephone service as though they were initial subscribers to a new service and not simply as the recipients of a transferred service, the Department should have collected from each successive subscriber, six months rent in advance in accordance with its own established treatment of initial subscribers. By discarding this principle temporarily, the Department lost its valuable deterrent against the defaulting subscriber, permitted accounts to be established without the protection of any pre-payments and placed an undue strain on the resources of the Commonwealth Police Force and the Crown Solicitor's Office in Sydney. This absence of foresight by the Department calls for criticism not only on the grounds that recovery action has multiplied but also because increased unrecovered debts which must be written off ultimately, will affect adversely the profitability of the Post Office. Your Committee also believes that the Department being aware of the deterioration, should have instituted

appropriate action at an earlier date.

(b) Internal Audit

23. Paragraph 207 of the Auditor-General's Report for 1963-64 contained the following comments:

"My 1962-63 Report mentioned the departmental conclusion that the existing internal audit staff establishment was inadequate to implement the approved audit programme and that appropriate staffing proposals were in the course of preparation.

The proposals have since been examined by the Public Service Board which has approved an increase in internal audit staff. In the meantime, internal audit work remained substantially in arrears in all States."

24. In a statement to Your Committee the Postmaster-General's Department stated that internal checks have been an essential part of accounting practice in the Australian Post Office since its inception. The nature and extent of these internal checks have been subject to review from time to time in the light of circumstances and the development of new procedures and practices. Following discussions with the Audit Office, it was decided some years ago to prepare a manual which would constitute a programme of work for internal audit to supplement the existing checks and assist the Auditor-General's staff in their work. Exhibit 69/2

25. Concurrently, staffing proposals were developed for the establishment of an Internal Audit Section on the basis that it should be reviewed in the light of actual experience, after two years' operation. In June, 1960, the Public Service Board approved an organisation involving an establishment of 25 positions. Exhibit 69/2.

26. By the time of the review it had become apparent that the staff provided in the initial organisation was inadequate to carry out the programme as set down in the Department's Internal Audit Manual. The position was, however, complicated by the fact that an overall reorganisation of the Department was in process. However, in view of the importance of the internal audit function and problems experienced in coping with its work, it was decided to proceed with an interim re-organisation of the Internal Audit Section pending the overall Branch reorganisation. A submission was made to the Public Service Board late in 1963. Exhibit 69/2.

27. In July, 1964, the Public Service Board approved the provision of the additional positions requested. Exhibit 69/2.

28. The Department claimed that the new interim organisation should enable the full audit programme to be carried out, provided staff in sufficient numbers and of appropriate calibre for audit work could be found to fill the positions. The Department also stated that it is reviewing its internal audit programme, particularly in regard to the scope and extent of the work necessary under modern conditions. Exhibit 69/2.

29. The Audit Observer, Mr. J.K. Lawrence, commented that the Auditor-General's office looks upon internal audit functions as being of great importance in any administrative activity. He stated that the Auditor-General's office would temper its own degree of examination according to the efficiency of the Departmental internal audit. Q.93.

30. We were informed by Mr. Spratt that the new staff establishment of 38, approved in July, 1964, had only been partially staffed, in some cases on a temporary basis. There were 6 vacant positions, 4 in New South Wales and 2 in Queensland. The New South Wales Branch had suffered from staff changes and staff wastage in the past six months. The staff required need previous experience, preferably with some training in Accountancy. Q's 96 and 98.

31. Mr. Spratt stated that the staff establishment of 38 should be sufficient to meet the programme of audits prescribed in the Department's Internal Audit Manual but that it would be necessary to discuss further with representatives of the Audit Office, other areas within the Department to determine whether the present internal audit and other checking procedures are satisfactory. Until such discussions took place he could not say whether the newly proposed establishment would be adequate to meet the Department's long-term needs. Mr. Lawrence assured us that the Audit Office would give its fullest co-operation in respect of the audits that are proposed by the Department. Q.99.

32. Mr. Marginson emphasized the developmental nature of the internal audit programme. This was said to have complicated the position as the Department must obtain experience regarding the time required to complete each audit. There are about 2,000 separate audits involved. Q.99

33. Neither Mr. Spratt nor Mr. Marginson were able to give us an assurance that the criticisms made by the Auditor-General in his Reports for 1962-63 and 1963-64 would be resolved during 1964-65. Mr. Spratt stated that as the Department had been in arrears for the first four months of 1964-65 it could not meet the requirements of its Audit Manual for that year. He expressed the hope that the Auditor-General would be able to state in his Report for 1964-65 that the staff of the Department had reached a satisfactory level to achieve the prescribed audit. Q.103

34. Your Committee agrees fully with the view expressed by the representative of the Audit Office that internal audit functions are of great importance in administrative activities. Your Committee is surprised that as internal checks have been an essential part of accounting practice in the Australian Post Office since its inception, the problem encountered by the Postmaster-General's Department has not been brought to a satisfactory conclusion sooner and trusts that the discussions proposed between the Department and the Audit Office will be held without delay. Your Committee will continue to pursue this matter until a satisfactory conclusion has been reached.

CHAPTER III - DEFENCE FORCES RETIREMENT BENEFITS BOARD
AND SUPERANNUATION BOARD

35. Paragraph 8 of the Auditor-General's Supplementary Report contained this comment -

"Mention was made at Paragraph 13 of my Report dated 19th August, 1964 that details of the financial statements of the [Defence Forces Retirement Benefits] Fund for the year ended 30th June, 1964, if available, would be included in my Supplementary Report.

At the date of preparation of this Report the financial statements had not been received."

36. Paragraph 9 of the Auditor-General's Supplementary Report for 1963-64 contained this comment -

"Paragraph 20 of my Report dated 19th August, 1964 stated that, if available, details of the financial statements of the [Superannuation] Fund for the year ended 30th June, 1964 would be included in my Supplementary Report.

The financial statements had not been received at the time of compilation of this Report".

37. Mr. Burgess, Chairman of the Defence Forces Retirement Benefits Board and President of the Superannuation Board provided us with an outline history of the two Boards. The Superannuation Board, created in 1922, included provision for pensions for members of the armed services. In 1949, the Defence Forces Retirement Benefits Act separated the pensions of the armed services from those of public servants. The Superannuation Board has three members, comprising a president, a member elected by the contributors and the Commonwealth Actuary. The Defence Forces Retirement Benefits Board has six members, comprising a chairman, one representative of each of the armed services and the Treasury and the Commonwealth Actuary.

Exhibit
69/5,
4's. 100,
10' and
100.

38. Mr. Burgess' appointment as President and Chairman is made directly by the Governor-General in Council. It is Mr. Burgess' responsibility to attend to the daily administration of both Board. Until 1959, the two administrations were quite separate. However, in May, 1959, when the defence group of departments moved to Canberra, the Treasury's Defence Division, part of which handled the Defence Forces Retirement Benefits Board work, accompanied them. As the staff of the Board's were adjacent, it was considered that their similarity of function and the number of services they had in common, justified the joining of their staffs. In 1963, the Public Service Board agreed to integrate the staffs. Accounting and administrative staff provide integrated services as far as practicable for both Boards although separate accounting and other identifiable records are maintained. As far as possible, experts in one field, for example, benefits, deal with the benefits problems for both organizations.

Q.106

39. Mr. Cowie, the Treasury's observer, stated that the presence of a Treasury representative on the Defence Forces Retirement Benefits Board was historical, possibly because of the Board's former association with the Defence Division of the Treasury. However, the Treasury is limited in the extent to which it can intervene in the daily administration of the Superannuation Board. The legislative activities of both Boards are considered by the Treasury which is concerned in all policy matters arising from the two Funds. Mr. Cowie stated that a great deal of co-operation had existed between the Treasury, the Superannuation Board, the Bureau of Census and Statistics and the Taxation Branch in recruiting programmes. He stated that the Superannuation Board had not been neglected in this regard.

Q's. 216,
217, 219
and 225.

40. The existing organization of the two Boards is divided into four Divisions. The Contributions and Benefits Division attends to all matters related to contributions, pensions, invalidity pensions and medical matters, as provided in the Acts. The Investments Division supervises the investments of both Boards. The Automatic Data Processing Division deals with developments associated with the application of computer operations to the work of both Boards. The Secretary's Division is an administrative unit. However, we were informed that the organization and administrative arrangements of both Boards are under continuous review for the purpose of linking methods, staffing and organization arrangements to the changing needs and growth in work volumes. It was proposed to amalgamate the Automatic Data Processing Division with the Secretary's Division into a Management Services Division. This new Division would represent a considerable expansion on the existing two Divisions. The total staff establishment of both Boards, under this proposal, would be increased from 171 to 224 positions. By comparison, there had been 135 staff members (100 in the Superannuation Board and 35 in the Defence Forces Retirement Benefits Board) in July, 1959.

Q.120 and
Exhibit
69/5.

41. Much of the additional staff would be allocated to task forces to overtake the arrears in the automatic data processing programme of work. In a subsequent letter, Mr. Burgess stated that 1854 man weeks of work had been programmed until 30th March, 1966 for the automatic data processing operation. He advised us that 4 task force teams had been recruited, each of 6 members. Two of the teams were still in training as at 24th March, 1965. A proposal for two more teams was pending the absorption of two existing teams in training into the task force. Mr. Burgess stated that although the overall automatic data processing programme is behind schedule, he hoped to have overcome the arrears by September, 1965.

Q's 125
and 150
and
Committee
fil.
1964/5/70

42. Two graphs included in the exhibits indicated that the Superannuation and Defence Forces Retirement Benefits Boards are subject to wide fluctuations of work loads. It was claimed that these wide fluctuations pose very considerable problems in endeavouring to determine staffing to meet changes in work volume on the one hand and on the other, to avoid overstaffing which would follow from work estimates based on peak loads. It was stated that, to some extent, the administration problems of both Boards are dependent on the timing of decisions for changes in legislation

Exhibits
69/3,69/
and 69/5.

and pay codes, particularly when they occur in the final quarter of a financial year. In the first instance, contributor adjustments are made by Departments and Authorities. This was said to place an unusual burden on their Staff Sections. When all necessary documentation has been completed, including the incorporation of the changes into the accounts of the Defence Forces Retirement Benefits Board and the Superannuation Board, two to three months could often have elapsed since the commencement of adjustments by Departments and Authorities. It was claimed that if an increase in the basic wage is determined in the first half of 1965, and is reflected in the pay codes of the armed services, 150,000 adjustments will be necessary in the final quarter of 1964-65. Normal administrative practices would not be sufficient to enable the preparation of annual accounts by 30th June in time for their inclusion in the Auditor-General's Supplementary Report. Subject to this exception, however, it was felt that it would be possible to meet the timetable set by the Auditor-General to produce the financial statements.

Exhibits
69/3, 69/4
and 69/5

43. We were informed that when computer operations have been properly established, it should be possible to reduce the wide fluctuations of work loads referred to and, at the same time, to keep all records reasonably current. The first investigations into the scope for application of electronic data processing to financial and administrative records were made in 1958. It is expected that 200,000 contributors' and pensioners' historical records should have been taken up on the computer by the end of 1965. It was claimed that this would enable decimal currency conversion to be arranged by February, 1966. We were informed that ways and means for overcoming the problem caused by a basic wage addition are being taken into consideration by the Automatic Data Processing Division in the designing of new procedures for use with computers. While the numbers of staff and organization pattern provided for in current negotiations with the Public Service Board should enable the programme to be achieved by February, 1966, it was said that there could be delays due to availability of staff and other factors. To meet this situation, it was anticipated that extensive overtime of available personnel would continue during 1965 and possibly into the early part of 1966. The following table was submitted to show the amount of overtime worked in the Superannuation and Defence Forces Retirement Benefits Boards in recent years :-

Exhibit
69/5

Year	Amount	Estimated Man Hours	Estimated Man Weeks
1960-61	£20,036	22,262	602
1961-62	£20,712	23,013	622
1962-63	£ 9,998	11,100	300
1963-64	£19,421	21,560	582
	£70,167	77,935	2,106

44. We were told that the expansion of Cash accounts, to provide for accruals and other transactions in Commercial Account form, is arranged by the use of 62 additional accounts. It was stated that accounting machines have been in use for some years to provide for accumulations for Investments, Contributions and Benefits and certain other basic material which is readily available at the end of each financial year. Further calculations are necessary however for accrual accounting adjustments for a number of items. These are extracted from the records and are incorporated in the 62 accounts mentioned. The range of recording in 9 of these 62 accounts was said to be well suited to computer operation.

Exhibit
69/5

45. The information required for the Provident Account has been taken on to punched card records as the first step towards computer operation. The remaining information for Reserve Units and Deferred Contributions is assembled on manual records. It was claimed that the availability of information for the Provident Account can be adversely affected by delays in coding of variation statements which, in turn, are adversely affected by arrears in the automatic data processing (computer) area. The current programme for conversion to computer operation provides for this problem to be resolved within the financial year, 1964-65. It was stated that the additional staff being considered by the Public Service Board for the Accounting Section would be responsible for maintaining the manual records for Reserve Units and Deferred Contributions in a current condition and balanced with cash transactions pending the design of new computer methods. We were informed that there are certain complexities in this phase of accounting which justify the parallel operation of manual and computer records prior to the total process being placed on computers.

Exhibit
69/5

46. In recent years there have been delays in the presentation of the certified annual financial statements of each Board to the Auditor-General. In the case of the Defence Forces Retirement Benefits Board the certified financial statements for 1960-61 were submitted to the Auditor-General on 14th August, 1962; for 1961-62 on 1st March, 1963; for 1962-63 on 27th April, 1964; and for 1963-64 on 20th February, 1965. In the case of the Superannuation Board, the certified financial statements for 1960-61 were submitted on 14th August, 1962; for 1961-62 on 31st January, 1963 and for 1962-63 on 28th April 1964. It was expected that the Superannuation Board's certified financial statement for 1963-64 would be presented to the Auditor-General in March or April, 1965.

Exhibits
69/3 and
69/4

47. Your Committee was informed that the delays in presentation of the accounts of both Boards had been a by-product of large fluctuations in work loads arising from changes in legislation and pay codes, referred to earlier. It had been necessary to temporarily divert as many Accounts staff as possible to urgent current duties, resulting in an

Exhibit
69/3 and
69/4

accumulation of work associated with accounts and supporting records. Another aggravating factor had been the difficulty in retaining an officer in the position of Accountant. The question of a reclassification of this position had been placed before the Public Service Board for consideration.

Exhibit
69/3
and 69/4

48. A further revision of the organization of the integrated staffs of both Boards had been made to ensure that accounting staff is not diverted to other duties and that progressive recording of all necessary information can be maintained, using methods which will permit the completion of financial accounts soon after the end of the financial year. New accounting machines are being installed and supporting records, previously prepared as incidental to contributors' and pensioners' recording will be integrated into the accounting system. A further feature of the new arrangements will be the adoption of accounting methods which can be merged into the computer recording of information for Defence Forces Retirement Benefits Contributions and Benefits. The adjustments in staffing necessary to put the new system into operation are being examined by the Public Service Board.

Exhibit
69/4

49. Mr. Burgess stated that the preparation of annual accounts with accrual information is only a small part of the overall problems confronting the Boards. The most important problems are those of keeping the accounts current and meeting other requirements of the administration, actuarial valuations and maintaining flexibility to meet the consequences of changes in policy. He indicated that it is his intention to have the 1965-66 accounts produced by August or September, 1966.

Q.125

50. Mr. Burgess drew a distinction between cash accounting information and the annual accounts' statements. Cash accounting information, which forms the basis of his office's progressive control of cash and progressive management, was said to be quite suitable and adequate for that purpose. He stated that, in addition, his office has to develop accrual information that would not be maintained during the year and is significant only at the end of the financial year. In this regard the 62 accounts mentioned in Exhibit 69/5 must be built up and sufficient staff have been sought to enable this to be done. Mr. Burgess felt that the accounting system as it had been developed and as it will be expanded with new accounting equipment, will meet most of the needs of his office.

Q.125.

57. We were informed that the statistical material which accompanies the Annual Reports is currently the main factor delaying their presentation to Parliament. Mr. Burgess indicated that in respect of 1963-64, he would not be able to present the Report of the Defence Forces Retirement Benefits Board until after April or May, 1965, when his office would be bringing the statistics for the Defence Forces Retirements Benefits Fund up to date and predicted a further delay before he would be able to obtain statistics for the Superannuation Board's Report. He stated that although the Reports traditionally depend on the statistics, he had initiated an inquiry into their necessity. The Boards had considered presenting interim reports but little would remain to report on if the statistical information were to be excluded from the main Reports.

Q's. 12
to 128

52. Mr. Burgess informed us that a detailed analysis of the reasons for delay in the presentation of Reports had shown that the principle cause of delay had been the need to give priority to the payment of pensioners if pension increases were known or pending. This activity had always been regarded as a primary function of the Boards rather than the function of reporting. The priority given to the payment of pensions has resulted in the staff working considerable amounts of overtime, and, at times, staff have been borrowed from other departments. Because they were unskilled, however, later adjustments to the records had been necessary. Mr. Burgess claimed that this had caused the Public Service Board and himself to examine his office's current needs. In these examinations, attention had been paid to the need for intensive training, changes in structural organization and the requirements for staff to obtain initial experience in one aspect of the work and then in other aspects, so that it would be possible to draw staff from some sections of the office to meet peak loads of work in others. Mr. Nordeck, the Public Service Board's observer, stated that as far as he knew, most of the negotiations between the two Boards and his office, to increase staff from 180 to 224, would be resolved in the near future.

Q's. 12
to 134.

53. Mr. Burgess gave us an assurance that members of both Boards have no doubt that the annual Reports of each Fund should be presented to Parliament in accordance with a directive given by the Prime Minister's Department. However, he drew a distinction between the preparation of accounts which can be submitted to the Auditor-General on a priority basis and the statistics which together with those accounts and the narrative, comprise the Reports. Mr. Lawrence confirmed that the

Q's. 154
and 155.

legislation relating to each Fund provides that the accounts of the Funds shall be audited by the Auditor-General. He stated that the accrual accounts of both Boards are submitted to the Auditor-General when completed and it is on those accounts that the Auditor-General gives his certificate. He added that it is most desirable that the accounts of Departments and Authorities should be available at least for inclusion in the Supplementary Report. Q's. 154 and 155.

54. Mr. Burgess stated that there had been considerable discussion regarding whether or not the preparation of accrual accounts should be continued. Mr. Lawrence informed us that the question of the form of the accounts was considered by the Superannuation Board in 1962. From the fact that no change had been made in procedure, he presumed that it was an administrative requirement for the accrual accounts to be prepared. Mr. Burgess confirmed that the decision had been taken to produce the accounts in their present form. He added that he required accrual information in order to determine the earning rates of the Funds and to supply accrual information to the Actuary. The Actuary requires certified statements to develop his figures, when he is making his valuations at the end of each year. Q's. 158 to 160.

55. Mr. Lawrence stated that on the evidence given to us, there appeared to be prospects of overcoming the arrears that have been causing concern. He added that the Audit Office was hopeful that the Boards will be able to comply with the requirements of Parliament in relation to the provision of reports and financial statements. He assured us that the Audit Office will continue to give its utmost co-operation in order to facilitate and expedite the presentation of accounts. He agreed to advise the Auditor-General that if the accounts are not quite ready for the Auditor-General's Report, the Auditor-General could make a reference to the steps taken and the achievements made in order to prepare Your Committee for his Supplementary Report. Q's. 211, 225 and 226.

56. The evidence submitted shows clearly that delays that have occurred in the presentation of the financial statements of both Boards have arisen mainly from large fluctuations in work loads arising primarily from changes in legislation and pay codes.

57. Your Committee notes the statement made by the Treasury observer that the Superannuation Board has not been neglected by the Treasury in regard to staff recruitment. We did not, however, receive a similar assurance in respect of the temporary provision of staff to assist that Board and the Defence Forces Retirement Benefits Board in regard to the handling of peak work loads. We suggest that, notwithstanding Mr. Burgess' statement that temporary staff is of limited value for the Boards' purposes, every opportunity should be taken to ensure that such temporary staff as can usefully be made available by the Treasury during peak work load periods should be provided.

58. In examining the present organisation of the integrated staffs of the two Boards, we were concerned to find that there is a substantial gap in the salary structure between the Chairman and President of the Boards and the next range of officers below him. Following an indication from the Chairman and President, Mr. Burgess that the top structure of executive assistance is insufficient for the purchases of both Boards, we trust that this aspect of the organisation will be closely examined by the Public Service Board during its current overall examinations of the staff structure.

59. Your Committee is also concerned that the Boards have experienced considerable difficulty in the past in filling the position of Accountant, a position clearly identified with the production and early availability of the financial statements that are the main subjects of this inquiry. We feel that the early resolution of the problems associated with that position will be of considerable benefit to both Boards.

60. The Committee examined closely the proposals of the Boards relating to automatic (electronic) data processing. It is clear that the implementation of these proposals will provide considerable relief for the Boards in regard to the effects of work fluctuations. We will observe the introduction of this system with great interest and would request the Boards to furnish us, towards the end of 1966, with a report on the achievements resulting from the introduction of automatic (electronic) data processing and the extent of any backlog of work on hand at that time.

61. In regard to the problems associated with accrual accounting, Your Committee considers that a strong case exists for the Boards to undertake some experimental work to establish whether or not accrual accounting can be brought to completion soon after the end of each financial year, thus permitting the financial statements concerned to be completed quickly and submitted for audit.

62. We note that, over the years, the principle cause of delay in the presentation of Reports to the Parliament has been the need to give priority to the payment of pensioners if pension increases were known or pending. While the objective of making early payment to pensioners is commended, we would point out that a failure to present reports to the Parliament as soon as possible after the conclusion of a financial year can operate to the detriment of other and wider interests of the same pensioners.

63. Mr. Lawrence, the Audit observer, undertook to examine the possibility of including in the Auditor-General's Report, a reference to steps taken and achievements made by the Boards where circumstances were such that their financial statements could not be submitted for audit in time for inclusion in the Auditor-General's Report. Whilst we feel that this would serve a very useful purpose, we would recommend strongly that when it becomes apparent to a Department or Authority that it will be unable for any reason to meet the timetable requirements of the Auditor-General it should so advise the Auditor-General and concurrently indicate to him the problems involved and the likely date of presentation.

CHAPTER IV - CONCLUSIONS

64. In Chapter I of this Report we stated that each year since 1959 we have conducted a separate series of annual inquiries relating specifically to matters raised in each Report of the Auditor-General.

65. In our Sixty-first Report relating to the Reports of the Auditor-General for the financial year 1961-62 we stated that the inquiry covered by that Report was one of the shortest conducted by Your Committee in the process of following up matters mentioned by the Auditor-General. We indicated that this fact could be taken as indicative of the value of the investigations we had pursued as many of the matters to which the Auditor-General had found it necessary to refer, often over a period of several years, no longer required comment in his Annual Reports - the instances were fewer and of a more minor nature.

66. The present inquiry relates to only four matters referred to by the Auditor-General in his Reports for 1963-64. Consistent with the view expressed in our Sixty-first Report, we believe this indicates that further improvements have occurred in the quality of the work audited by the Auditor-General. At the same time, however, the present inquiry has highlighted the need for Your Committee to continue each year, to examine carefully the Reports of the Auditor-General as provided for under Section 8 of the Public Accounts Committee Act 1951. But for the present examination, the matters relating to telephone debtors of the Postmaster-General's Department might have passed

unnoticed. Furthermore, whilst no specific criticisms relate to the inquiries into the Defence Forces Retirement Benefits Fund and the Superannuation Fund, we believe that the evidence obtained represents an invaluable review of these activities, which have experienced unusual administrative difficulties for a number of years and which normally attract considerable public interest.

67. On this occasion, however, the Reports of the Auditor-General have served a wider purpose in terms of Your Committee's more general powers under the Public Accounts Committee Act. Certain matters referred to by the Auditor-General have suggested fruitful avenues of inquiry for the Committee and these will, as circumstances permit, find their place in our programme of work.

For and on behalf of the Committee,



Richard Cleaver
Chairman



David N. Reid
Secretary
Joint Committee of Public Accounts
Parliament House, Canberra. A.C.T.

8th April, 1965.

