



1966

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTY-SEVENTH REPORT

THE REPORT OF THE AUDITOR-
GENERAL—FINANCIAL YEAR 1965-66

By Authority:
A. J. ARMOUR, Commonwealth Government Printer, Canberra.
(Printed in Australia)

F.13073/66.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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

(1) Resigned 29th April, 1965

(2) Appointed 29th April, 1965

(3) Deceased 3rd August, 1966

(4) Resigned 23rd March, 1966

(5) Appointed 24th August, 1966

(6) Appointed 23rd March, 1966

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951-1965 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 1901-1950;
- (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 monies; 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

EIGHTY-SEVENTH REPORT

THE REPORT OF THE AUDITOR-GENERAL

FINANCIAL YEAR 1965-66

CHAPTER 1 - INTRODUCTION

The first duty of Your Committee as set down in section 8 of the Public Accounts Committee Act 1951-65 is:

"(a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1) of section fifty-three of the Audit Act 1901-1950."

The second duty of Your Committee is:

"(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."

2. The Report of the Auditor-General for 1965-66 was presented to the Parliament on 24th August, 1966.

3. On 25th August, 1966 Your Committee discussed with the Auditor-General several items on which he had commented in his report. Written statements were then obtained from departments and after a selection had been made, the matters referred to in Chapters 2 to 7 inclusive were made the subject of detailed examination by your Committee.

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

Monday 12th September, 1966

Tuesday 13th September, 1966.

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

DEPARTMENT OF EXTERNAL AFFAIRS

Mr. K.G. Brennan - Senior Assistant Secretary, Management Services Branch.

Mr. R.E. Johns - Finance Officer.

DEPARTMENT OF THE INTERIOR

Mr. L.L. Gillespie - Assistant Secretary, Establishments and Finance.

Mr. D.M. Lalor - Director, Finance and Supply.

DEPARTMENT OF THE NAVY

Mr. C.M. Colgan - Assistant Secretary, Finance

Mr. J.T. McEntee - Director of Naval and Air Stores.

NORTHERN TERRITORY TOURIST BOARD

Mr. D.L. Williams - Director.

DEPARTMENT OF PRIMARY INDUSTRY

Mr. J.D. MacFarlane I.S.C. - First Assistant Secretary,
Export Inspection and Management Services Division.

Mr. D.P. Cleary - Director, Management Services Division.

DEPARTMENT OF TRADE AND INDUSTRY

Mr. D.O. Dickinson - Assistant Secretary, Management Services Division.

Mr. F.B. Doherty - Acting Finance Officer,
Management Services Branch.

6. During its inquiry Your Committee was assisted by the following observers:

Audit Office	-	Mr. J.K. Lawrence
Public Service Board	-	Mr. G.N. Vanthoff
Department of the Treasury	-	Mr. G.J. Balfour.

CHAPTER 2 DEPARTMENT OF EXTERNAL AFFAIRS.

7. Paragraph 58 of the Auditor-General's Report for 1965-66 contained the following comment:-

"Reference was made in paragraph 57 of my 1965-65 Report to difficulties observed in the control exercised by the Department over the accounting for public moneys at overseas offices and the recording and recovery of amounts which had been disbursed by overseas offices to Australians in financial distress in other countries. These matters were examined by the Joint Committee of Public Accounts and reported upon in its Seventy-Eighth Report.

To overcome the difficulties previously reported the Department has advised that additional detailed accounting instructions have been issued and that corrective action generally is continuing. The Department also stated that it has submitted to the Public Service Board proposals for major re-organisations in its Management Services Branch which, in the Department's opinion, will result in a strengthening of the operational, instructional and audit aspects of that Branch's work and should eliminate many of the present weaknesses.

Audit reviews throughout the year confirm that efforts have been made by the Department to improve its accounting procedures and, in addition to the matters referred to above, included visits to a number of its overseas posts by Australia-based officials who, among other things, deal with problems associated with the overseas accounting functions. Nevertheless, unsatisfactory aspects in overseas accounts continue to come under audit notice and it is evident that the remedial action being taken by the Department is not yet fully operative. "

8. In Your Committee's Seventy-Eighth Report, referred to by the Auditor-General, we found that there had been a failure in the Department's overseas posts to match vouchers

detailing the nature of orders for supplies with the paid accounts for those supplies and that there had also been a failure within the Department in Australia to undertake a degree of examination proscribed in respect of paid accounts forwarded to Australia. In regard to the Department's failure to submit matching purchase vouchers, Your Committee noted that the then recently revised Treasury Directions had removed any degree of uncertainty as to the submission or retention of documents at overseas posts. In respect of the limited examination afforded by the Department to documents received from overseas posts, we stated that, while the Treasury Direction stipulates that a complete examination must be made, such Direction must be obeyed implicitly and that consequent inadequacies becoming evident in the staff structure were to be a matter of internal administration to be resolved in conjunction with the Public Service Board.

P.F. no.
274 of
1964-65-66.

9. On the occasion of our public inquiry into matters raised in the latest Report of the Auditor-General, the Department tendered a submission in which it was stated that the Treasury Manual, which embodies the Audit Act, the Treasury Regulations, the Treasury (Overseas Accounts) Directions and Treasury Directions had been distributed to all overseas posts immediately it was issued by the Treasury in July, 1965. The Department had issued also a circular memorandum to cover the introduction of the revised Treasury (Overseas Accounts) Directions and had subsequently issued several other circular advices to posts. There had been more than 1,000 pages of correspondence with overseas posts since 1st July, 1965, which were designed to assist posts in complying with Treasury Regulations, and since 1st January, 1966 three officers of the Management Services Branch had visited a total of 17 overseas posts. During the course of the overseas visits, the opportunity had been taken to deal with problems in relation to accounting functions of the Department. Furthermore, a departmental manual on overseas accounting instructions, which will explain in detail those sections of the Treasury Manual having particular application to posts, was being prepared for distribution and is expected to be issued to all overseas posts by 1st January, 1967.

Exhibit no.
87/4

10. The Department also stated that after Your Committee tabled its Seventy-Eighth Report, the Finance Section had, within the limits of its resources, tried to perform a complete examination of all accounts received from overseas posts. However, it had been found impossible to perform this complete examination before re-imbursing the posts' imprest accounts, and yet still effect re-imburement within the currency of the succeeding month, and the Department had been obliged therefore to effect re-imburement before the examination was completed. Subsequently the Department of the Treasury had advised by memorandum that it was not intended that the revised Treasury directions should require a 100% examination to be made either before or after re-imburements were made and that the situation would be clarified by a revised Direction.

Exhibit no.
87/4

11. Referring to its staffing difficulties, the Department stated that a major re-organisation proposal in respect of the Management Services Branch was being examined by the Public Service Board. The Finance Section had already been inspected and the establishment of the section increased from 18 to 26 positions while, at the same time, 7 positions had been subject to salary re-classifications. It was expected that the re-organisation would strengthen the operational and instructional aspects of the Branch's work and that the Department would be supported further if its proposals in the internal audit and methods fields were accepted.

Exhibit
87/4

12. The Department also stated that it accepted the Auditor-General's criticism that unsatisfactory aspects in respect of overseas accounting had continued to come under notice and that the remedial action taken by the Department was not yet fully operative. However, accounting overseas presented difficulties and it was believed that a sustained effort over some years would be required. In the light of experience gained in the first year of operation under the revised Treasury Directions, the Department had suggested to the Department of the Treasury the need to revise certain Directions and further suggestions would be forthcoming.

Exhibit no.
87/4

13. We questioned Mr. Brennan as to the steps taken by his Department to inform the Department of the Treasury that it was not possible to undertake a 100% examination of vouchers received from overseas posts as required by the Treasury Directions. Mr. Brennan indicated that no specific advice had been directed to the Department of the Treasury but he felt sure that the Department was fully aware of his own Department's difficulties in this respect. Mr. Brennan also stated that the Department of the Treasury had not advised his Department until 12th July, 1966 that it was not the intention of the Treasury Direction that a complete examination should be undertaken. Q 184

14. We asked Mr. Brennan whether his Department, in failing to conduct a complete examination of the vouchers received from overseas posts before those posts were re-imbursed, was breaching the Treasury Direction which required that such an examination should be undertaken. However, the witness believed that the Direction had not been breached as the point of time at which the examination should be conducted had not been specified in the Direction. We were informed that Treasury Direction 34/79, reads Q 233 as follows:-

"The Chief Officer shall, for the purposes of Regulation 132, arrange for the examination of all accounting documents received from an overseas office to ensure that the provisions of the Act and the Treasury Regulations and any Directions given therein have been complied with."

Mr. Brennan suggested that in the light of the wording of the Direction, the Department had committed no breach of the Direction by deferring the examination of the vouchers until after the re-imburement had been made. The Treasury observer, Mr. Balfour, informed us that the proposed wording of the revised Treasury Direction 34/79 reads as follows:- Q195

"The Chief Officer shall arrange that accounting documents, received from overseas offices operating an imprest account, are examined before re-imbursment is made to verify that -

- (a) all items of receipt and expenditure have been correctly listed in the cash sheets; and
- (b) all accounts paid at the overseas office have been certified and authorised by a certifying officer as defined in Clause 5 (1) of the Treasury (Overseas Accounts) Directions."

The revised Direction goes on to say -

"In addition, either before or after re-imbursment, the Chief Officer shall, for the purposes of Regulation 132, arrange for the examination of such of the accounting documents as he considers adequate to ensure that the provisions of the Act, the Treasury Regulation and the Directions given thereunder have been complied with."

15. We noted from the departmental submission that certain amendments to the Treasury Directions had been suggested by the Q 204 Department of External Affairs and that further suggestions were to be forthcoming. We asked Mr. Johns to relate the nature of the amendments which had been suggested and we were informed that submissions had been made to the Department of the Treasury in respect of such matters as the currency conversion clauses of the new Directions, the definition of a Chief Officer, overseas competitive tendering in respect of the procurement of supplies at overseas posts, the reconciliation of bank accounts and the approvals required prior to the receipt of a requisition for supplies or services. However, the Department had been successful in its submissions only in respect of the reconciliation of bank accounts; no advice had been received from the Department of the Treasury relative to the revision of Direction 34/79.

16. We then sought from Mr. Balfour an assurance that, if an examination of the current Treasury Directions suggested that further amendments were required, such amendments would be effected without delay.

In a subsequent submission we were informed that before the Treasury (Overseas Accounts) Directions came into force on 1st July, 1965 the drafts had been discussed in detail in Departments, including the Department of External Affairs. While the drafting was in progress, departmental suggestions had been considered and incorporated or otherwise dealt with, but the Department of the Treasury had expected also that further suggestions for amendment and improvement would be made in the light of practical experience. A memorandum received from the Department of External Affairs dated 12th August, 1965 contained only one suggestion which has subsequently been shown to raise practical difficulty - that relating to bank reconciliations - and after further discussions, that practical difficulty had been overcome. The other matters raised in the memorandum were, in the main, suggestions for clarification of or improvements to the words used in the Directions. These suggestions, not all of which had been acceptable to the Department of the Treasury, had been examined; some would be met by amendments different from those proposed by the Department while others had been noted for further consideration.

Committee
File
1966/3

17. We were informed also that, because of continuing staff shortages in those sections of the Department of the Treasury which deal with proposed amendments to the Audit Act and subordinate legislation and because the Department wished to give full consideration to other similar suggestions which might be received from other sources, the Department did not consider it desirable to rush into immediate amendments. However, directions had been in operation for over a year and this period should have provided the opportunity for any difficulties of substance to show themselves. Accordingly, where it has been shown necessary now to amend an existing provision, appropriate action will be taken.

Committee
File
1966/3

18. Mr. Brennan indicated that, in an endeavour to meet the Auditor-General's criticism that unsatisfactory aspects in overseas accounts continue to come under audit notice, three officers of the Management Services Branch of the Department had visited 17 overseas posts. We asked whether it was the intention of the department to ensure that all posts were visited eventually, but it was stated that a primary difficulty in achieving such an end lay in the number of posts which existed. Mr. Brennan stated that he had visited 5 posts during a period of 23 days and Mr. Johns stated that he had inspected 11 posts over a period of $6\frac{1}{2}$ weeks. However, the total number of posts amounted to 50 and, while the Department would not deny that the inspection of posts had been inadequate in the past, it had not been possible to inspect all of the posts because of other demands upon the time of departmental officers. However, as a result of the visits which it had been possible to arrange, there had been a discernable improvement in the quality of the accounting and a much better understanding of the requirements of Head Office in the posts which had been inspected.

Q 178 and
180.

19. We also asked Mr. Brennan what action had been taken as a result of our earlier criticism of the debt of \$76,000 which had accumulated in respect of financial assistance extended to distressed Australians overseas. It was indicated that, although the amount which may be loaned without reference to the Head Office of the Department is limited to \$30,00, the sum outstanding had increased from \$76,322 in 1964-65 to \$77,044 in 1965-66. We were informed that letters seeking repayment of the loans were sent to all debtors every three months, as a matter of routine, and that if the first letter is not acknowledged, a second letter is despatched immediately. If there is no response to the second letter, the matter is then placed in the hands of the Commonwealth Crown Solicitor in order that a solicitor's letter may be prepared seeking repayment.

Q 210

Exhibit
87/4

Q 213

If the Crown Solicitor's letter is returned unopened, the services of the Commonwealth Police Force are employed in order to locate the debtor. If the debtor could eventually be located, the Crown Solicitor is then asked to seek a court judgement for the recovery of the money.

20. Mr. Johns indicated that, although the sum of the debt outstanding included debts incurred by some people who had no intention of effecting repayment, most of the debts had been incurred by Australians who had become distressed overseas though no fault of their own and who had been repatriated in conditions involving considerable hardship. The larger sums advanced had been the result of circumstances in which an entire family had to be repatriated to Australia but in such instances Commonwealth funds had been committed only after the Department was satisfied that the family was not in a position to raise sufficient funds on its own behalf. Q.213

Conclusions

21. The written statement submitted by the Department, prior to the opening of our inquiry, was supported by copies of a number of memoranda which had been circulated to overseas posts drawing the attention of officers concerned to the need for a higher standard of accounting practices overseas. Your Committee feels that a statement appearing in one memorandum is well worthy of recital in that it admirably summarises the attitude of Your Committee to administrative failings, not only within the Department of External Affairs, but in any department which is subjected to public examination. The memorandum stated, inter-alia, :-

"A starting point with regulatory authorities, such as the Auditor-General and the Parliamentary Joint Committee on Public Accounts (as indeed it is with the Department) is that those who have the custody and control of public funds have a responsibility to expend those funds in accordance with the directions of those who put the funds under their control. Any failure to live up to this obligation is rightly looked upon as a failure to discharge a responsibility of some importance and consequently slackness in dealing with funds suggests to regulatory authorities that those who have the control of the expenditure have the wrong attitude towards the expenditure of funds.

A department with a reputation for prudence and caution in the expenditure of funds is more likely to have its requests considered favourably than one which has developed a reputation for slackness. Regulatory Authorities, not unnaturally, infer that such Departments regard the financial aspects of policy issues as unimportant - or at any rate subordinate."

22. Your Committee has reviewed the evidence, not only in respect of the inquiry upon which this Report is based, but also that which was tendered during our inquiry at the close of the financial year 1964-65. We have noted that the Department of External Affairs has persistently objected to the Department of the Treasury that certain Treasury Directions are impractical in their application to the financial administration of overseas posts and that these objections have been voiced before Your Committee during our inquiries. However, we would reiterate that it is not a function of Your Committee to resolve differences existing between departments of the administration. Your Committee's function is to satisfy itself that public funds are being employed in an economical and efficient manner but the repeated criticisms of the Department of External Affairs by the Auditor-General suggests that the required standard of administration is not being achieved within that Department. The Department itself, in its own memorandum (see above) is conscious of its shortcomings in this respect and we trust that the reorganised staff structure now existing within the Management Services Branch will result in a higher standard of accounting and a consequential absence of any critical comment in future Reports of the Auditor-General.

CHAPTER 3 - DEPARTMENT OF THE INTERIOR

23. In his Report for the financial year, 1965-66 the Auditor-General made the following comment:-

"Audit review during 1965-66 disclosed unsatisfactory departmental accounting for Miscellaneous Revenue and related sundry debtors in the central accounting section of the Department in the Australian Capital Territory. Miscellaneous Revenue of the Department excludes major items such as rents, rates and mortgages.

Miscellaneous Revenue is brought to account in the Department's central accounting section from information supplied by the several Branches and Sections administering the various activities in the Australian Capital Territory.

Unsatisfactory features disclosed by the Audit examination include inaccurate and inconsistent classification of revenue receipts, lengthy delays in entering items in the debtors accounts and in the recovery of debts, delay in reconciling individual debtors accounts with control accounts, uncleared credit balances, and inadequate accounting instructions and supervision.

In reply to Audit representations, the Department has stated that the unsatisfactory position has been contributed to by staffing difficulties and delay beyond the Department's control in the installation of more efficient accounting machines required to meet the demands of expanding departmental activities.

The department has demonstrated that much has been done to correct the shortcomings and a review of the accounting procedures is in an advanced stage."

24. During an inquiry the Audit Observer, Mr. Lawrence, suggested that the relative importance of the unsatisfactory features could be gauged from the content of a memorandum which the Chief Auditor had directed to the Department on 24th May, 1966. The memorandum had stated:-

Q.52

"In August/September 1965 a comprehensive review of the accounting records and procedures employed in the Revenue Section of the Finance Branch was undertaken. Following this review a conference was arranged with the Accountant, Revenue and Business Undertakings. This office did not communicate with the Department in writing at this time because my Inspector believed that because such a volume and miscellany of points (in isolation and relatively minor importance) were involved, a conference with a responsible officer of the Department would be the most expeditious method of bringing the matter to attention and assisting in promoting remedial action. I am prompted to write to you now because my Inspector has reported that light tests of ledgers together with general overall observations indicate strongly that little if any improvements have been effected since the previous comprehensive review was conducted and the abovementioned conference held."

25. The Department stated that it had been aware of the unsatisfactory position obtaining in the Miscellaneous Ledgers Sub-Section and had not overlooked the aspect of accounting work when planning the overall staffing and machine requirements of the Finance and Supply Section in 1964. The action taken at that time had since permitted the Department to remedy the deficiencies which had existed in respect of other ledgers maintained by the Department but the extent of the work required in respect of those ledgers had demanded that work on the Miscellaneous Ledgers should be deferred.

Exhibit
87/1

26. It was stated that the Miscellaneous Ledgers represent only a small proportion (3,500 accounts) of the total accounts maintained by the Department and that, at 30th June, 1966 a sum of \$105,000 was outstanding, in small amounts, in respect of 2,386 debtors for such items as clearances of trade waste and sewerage, hire of sports grounds and photographic sales. The major proportion of accounts numbered 25,000 for water rates; 15,000 for general rates, 15,000 for land rent and 10,000 for cottage rent.

Exhibit
87/1

Q 6 & 10,
Committee
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and
Exhibit
87/1

The number of accounts in each of these major ledgers has been expanding rapidly with the continuing growth of Canberra and it was necessary that the accounting relative to such a large aspect of the work should receive priority consideration.

27. During our inquiry into matters raised in the 1964-65 Report of the Auditor-General, we were informed that the Department had taken steps to purchase three direct accounting computers in order to cope effectively with the increasing volume of work. At that time, two of the machines had been delivered and were expected to be operating within a short time, but the delivery of the third machine was not expected until mid-1966. During our latest inquiry, the Department informed us that it had suffered a major reversal in delays affecting the delivery, installation and programming of the new accounting machines. The first machine had not become operational until January, 1966 and the second until April, 1966. Even at the time of our inquiry, the machines were operating well inside of their capacities as certain programming steps still had to be effected. The delay in having available the additional machine capacity, together with the work necessary to effect the conversion of accounts to decimal currency, had also been a factor which denied the Department the opportunity to concentrate attention upon the Miscellaneous Ledgers.

P.P. No.
274 of
1964-65-66.

Exhibit
87/1

Q24

28. Mr. Gillespie informed us that the new machines incorporated several computer-like characteristics and could produce information stored in a "memory" almost at the touch of a button. However, the machines which had been acquired were very nearly the first to be used in Australia, and the company supplying the machine had encountered a considerable degree of technical difficulty in its attempts to adjust the machines for optimum performance, since, for example, it was found that very minor fluctuations in the power supply resulted in the machines producing incorrect balances in the accounts being posted.

Q.25

Another difficulty in which the company found itself was the demands made upon it in respect of the decimal conversion programme, an event which drained the company's resources and limited the degree of attention which could be afforded to the machines installed in the Department.

29. It was suggested that the problems encountered subsequent to the installation of the first two machines and the later difficulty in acquiring delivery of the third machine were matters which had arisen despite the fact that the Department had followed established procedures prior to placing its orders for the equipment. The proposal had first been submitted to the Public Service Board Methods Section and a recommendation subsequently sent to the Commonwealth Stores Supply and Tender Board which had ultimately approved the purchase of the machines. After problems had begun to be apparent in respect of the delivery of the third machine, the contract for the supply of the machines had been examined in order to establish whether redress for late delivery could be obtained from the company. However, the terms of the contract had provided no guarantee in this respect and it was believed that any attempt to include guarantee terms, which could have been made, would have been unacceptable to the company.

Q26

Q29-31

30. The Department also informed us that difficulty had been engendered by the lack of continuity in the occupancy of the position of Sub-Section Leader in charge of the Miscellaneous Ledger. A concentrated effort to review all outstanding balances in the ledger had been in course when the Sub-Section Leader resigned from the Service. It was stated that the officer's successor was absent on sick leave for a total of 62 working days during the period between November, 1965, and May, 1966, during which time the intermittent nature of the absences did not permit the position to be filled on a permanent basis. However, in a subsequent submission it was revealed that, of 150 positions existing on the Departmental establishment at 31st December, 1965, only 2 positions were vacant and, of an establishment of 156 positions at 30th June, 1966, only 5 positions were vacant.

Q 23 and
Exhibit 87/1Q13 and
Committee
File 1966/3

31. It was stated that, notwithstanding the difficulties experienced by the Department, a great deal of work had been done to correct the deficiencies which had been apparent. A period of 416 hours overtime had been devoted to the Miscellaneous Ledgers between February and June, 1966 and a full investigation of all accounting procedures relative to the Miscellaneous Ledgers had been completed recently and was being printed in the form of an Instruction. A revised classification of accounts was introduced from 1st July, 1966 and the revision was expected to materially assist in eliminating the confusion which had existed in the identification of accounts. In this respect, Mr. Lalor informed us that the last review of procedures had been conducted in 1961, when the Organisation and Methods Section had reviewed some of the procedures relating to the Miscellaneous Ledgers. Apart from that review, instructions had only been issued as the need arose. The Department's subsequent difficulties had been prompted by the existence of 70 - 80 different classifications of accounts in the Miscellaneous Ledgers and officers had experienced difficulty in establishing, for example, which head of revenue should be credited after a remittance was received. For the same reason, debits were frequently posted to incorrect classifications with the result that unidentified credit balances became apparent.

Exhibit 87/1

Q 19

Q 41

Q 43

Q 49

32. It was stated that at the time of our inquiry all current postings had been made to the Miscellaneous Ledger and recovery action in respect of current accounts was also being pursued in a satisfactory manner. However, a great deal of work remained to be done in the reconciliation of older accounts and uncleared credit balances. Progress in this respect had been slow, despite a heavy overtime programme, but following the release of staff from other major projects, special attention was being directed to the reconciliation of the ledger. We were informed that the Department is also adopting a policy of payment in advance for many of the services which it provides and it was expected that this procedure would eliminate many of the accounting and recovery problems which had been evident in the past.

Q 53 and
Exhibit
87/1

33. Your Committee recalled that during our previous inquiry, the Department had voiced strong objections to the present form of the accounts under which it was obliged to operate by direction of the Department of the Treasury. In our Report, we suggested that the two Departments should reach early agreement on the most appropriate alterations which might be made in the Territories sections of the Appropriation Act and that the proposed alterations should be submitted to Your Committee without delay.

Q.59

P.F. No. 7/4
of 1964-65-66

34. During our current inquiry, Mr. Gillespie indicated that the Department of the Treasury had inferred that approval for the Trust Account sought by the Department of Interior would not be forthcoming but that, apart from discussions held in April, 1966 no further advice had been received. In this regard, the Department of the Treasury informed us that a response to our suggestion would appear in the Treasury Minute on our Seventy-eighth Report. In the meantime, it was advised that an examination of the Territories Section of the Appropriation Act had been made in the Department of the Treasury but that, before the matter could be put to Your Committee for consideration, further discussion would be necessary with the Department of the Interior. It was suggested that the problem was not one to which there is a simple solution but an assurance was offered that it would be brought to finality as soon as possible.

Q.59

Conclusions

35. Your Committee is satisfied that the Department of the Interior has made an earnest attempt to overcome the administrative shortcomings which have attracted comment by the Auditor-General in 1965-66 and earlier years. We believe that the problems revealed in evidence on this occasion have been a continuation of earlier difficulties and that, if it had not been for the delays experienced relative to the direct accounting computers, the situation within the Department would have improved to a greater extent than that disclosed in evidence. Your Committee is supported in this view by the limited extent of the Auditor-General's criticism and the Audit Observer's

concession that the matters brought to attention were of relatively minor importance.

36. Your Committee commends the Department for the improvements which it has achieved during 1965-66, despite the increase in work load associated with the growth of Canberra, and trusts that further improvements will be evidenced by the absence of adverse comment in the next Report of the Auditor-General. We expect that the Department of the Treasury will assist the Department of the Interior by expediting the further discussions which it has stated must precede the action sought in our Seventy-Eighth Report which was presented to the Parliament on 24th March, 1966.

CHAPTER 4. - DEPARTMENT OF THE NAVY

37. Paragraph 210 of the Auditor-General's Report contained the following comment in respect of motor transport - vehicle replacement policy:

"During the year, an audit review was made of expenditure incurred by the Department on the repair and maintenance of motor vehicles used at various naval establishments. As a result, it was noted that many vehicles had been in use for a considerable number of years and had recorded running in excess of 50,000 miles. In some instances, accumulated repair costs exceeded the original values of the vehicles.

The general conditions required by the Department to be satisfied when considering replacement of motor vehicles provide, among other things, that vehicles are to be retained in service until they reach the end of their economical life.

These conditions are in contrast with the policy observed by the other Service Departments whereby replacement criteria have been determined to provide for the disposal of vehicles after specified periods of time and completion of certain minimum mileages. Consequently, vehicles replaced are generally disposed of while they still retain a considerable resale value.

In the circumstances, the Department was asked whether it considered that the adoption of a similar vehicle replacement policy, calculated to attain the most efficient and economical results, would be advantageous and in the long run prove less costly.

In reply, the Department stated that up-dated costs were being prepared to permit consideration of the question and it was expected that a conclusion would be arrived at shortly."

38. We were informed by the Department of the Navy that it had been its practice, to retain vehicles as long as they are economically repairable and that this policy had been dictated largely by the relatively limited funds which it had been possible to make available to replace vehicles and provide additional vehicles to meet expanded Naval activity, having regard to the need to provide for other equipment requirements of higher priority. The adoption of a policy of vehicle replacement on a time and mileage basis, however, had been under examination within the Department since 1964. At that time the Department had been impressed by statistics produced by the Department of Air as a result of an investigation which it had made. These had shown that a replacement policy based on an age and mileage formula was economically advantageous from the overall Commonwealth view point.

Exhibit No.
87/2 and
Q82

39. The new policy to be implemented by the Department of the Navy was said to be basically similar to that adopted by the Departments of Air, Supply and the Postmaster-General. The new policy provides for the replacement of Naval motor vehicles on the following basis:-

Exhibit No.
87/2 and
Q85

- | | |
|--|----------------------------------|
| (a) Light fleet, e.g. cars and light vehicles | - after 3 years and 20,000 miles |
| (b) Medium fleet, e.g. heavy cars, trucks under 3 tons | - after 5 years and 30,000 miles |
| (c) Heavy fleet, e.g. trucks over 3 tons, buses | - after 8 years and 45,000 miles |
| (d) Refuellers, Water-tankers and semi-trailers | - after 10 years |
| (e) Tractors and Towmotors | - after 15 years |

40. In view of the comment made by the Auditor-General and the recent introduction of the new vehicle policy we sought specific information from the Department of the Navy in respect of the current condition of its vehicle fleet in terms of age and maintenance costs.

Q69.to 71.

41. Tables no. 1 and 2 below show the Department's motor vehicle fleet on a geographical and vehicle category basis in terms of mileage run as at 30th June, 1966.

TABLE NO. 1
DEPARTMENT OF THE NAVY
DISPOSITION OF MOTOR VEHICLE FLEET (a)
(BY LOCATION AND MILEAGE)
AS AT 30TH JUN., 1966

Location	Mileage (ooo' Miles)										Total
	1-10	10-20	20-30	30-40	40-50	50-70	70-100	over 100			
<u>In Australia</u>											
New South Wales	71	39	39	52	33	68	44	9		355	
Victoria	12	4	7	6	10	23	11	1		74	
Queensland	1	-	2	-	1	1	2	-		7	
South Australia	2	-	-	-	-	6	-	-		2	
Western Australia	2	3	5	1	6	6	4	-		27	
Tasmania	2	3	-	1	-	1	-	-		2	
Northern Territory	5	2	3	3	3	1	-	-		17	
Total in Australia	93	48	56	63	53	100	61	10		484	
Overseas	4	17	11	8	6	5	-	-		51	
Grand Total	97	65	67	71	59	105	61	10		535	

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(a) Excluding 83 Tractors.

TABLE NO. 2
DEPARTMENT OF THE NAVY
DISPOSITION OF MOTOR VEHICLE FLEET (a)
(BY CATEGORY AND MILEAGE)
AS AT 30TH JUNE, 1966

Category	Mileage (ooo' Miles)									Total
	1-10	10-20	20-30	30-40	40-50	50-70	70-100	over 100		
Light Fleet	45	16	18	20	12	37	26	3	177	
Medium Fleet	20	23	37	30	22	40	14	2	135	
Heavy Fleet	26	14	10	18	23	28	21	4	144	
Refuellers, Water Tankers and Semi-Trailer Prime Movers	6	12	2	3	2	-	-	1	26	
Total	97	65	67	71	59	105	61	10	535	

Committee File
1966/3

(a) Excluding 83 Tractors.

42. Table no. 1 shows that, apart from tractors, 355, or 66 per cent, of the total vehicle fleet was located in New South Wales as at 30th June, 1966. The repair and maintenance of these vehicles is carried out at the R.A.N. Motor Transport Workshops at Bunnerong N.S.W. on a cost basis.

Committee File
1966/3 and
Q 74.

43. Table no. 2 shows that as at 30th June, 1966, the light fleet comprised about 33 per cent, the medium fleet about 35 per cent and the heavy fleet about 27 per cent of the Department's total vehicle fleet excluding tractors. Approximately 66 per cent of the light fleet, 58 per cent of the medium fleet and 50 per cent of the heavy fleet had accumulated mileages in excess of the maximum mileages laid down for these groups of vehicles in the Department's newly-established motor vehicle policy.

44. We were informed by the Audit Observer, Mr. J.K. Lawrence, that several instances had been discovered in which inordinately high accumulated repair costs had been met by the Department on vehicles retained on its vehicle strength. Accordingly we sought specific evidence from the Department in relation to the purchase price and accumulated repair costs of all vehicles purchased subsequent to 30th June 1962 and retained on strength as at 30th June, 1966. This information showed that 274 vehicles had been purchased during that period and were on strength at 30th June, 1966. Details of the ratio of cumulative repair costs to purchase price for 14 of these vehicles are shown below in Table No. 3.

Qs 113 to
117

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File 1966/3

TABLE NO. 3

DEPARTMENT OF THE NAVY

VEHICLES PURCHASED SUBSEQUENT TO 30TH JUNE, 1962
AND ON STRENGTH AS AT 30TH JUNE, 1966

RATIO OF REPAIR COSTS TO PURCHASE PRICE FOR SELECTED VEHICLES

Ratio of Repair Costs to Purchase Price	Number of Vehicles
%	
50-60	3
60-70	7
70-80	1
80-90	1
90-100	2
Total	14

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45. As the vehicle replacement policy adopted currently by the Department was based on a policy also introduced recently by the Department of Air, we sought information relative to that policy. This information confirmed that the two policies were similar in principle and operation. Information which we obtained from some other Departments relative to their vehicle replacement policies, however, showed that whilst the Departments of Navy and Air propose to retire most of their vehicles on an age and mileage formula basis, some Departments retire their vehicles on an age or mileage basis. Questioned on this point of difference Mr. Colgan indicated that the Department of the Navy moves its vehicles between heavy and light mileage areas so as to achieve the maximum possible mileage from each vehicle before its retirement age is reached.

Q 131 and
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Q91

46. With regard to refuellers, water tankers, semi-trailers, tractors and towmotors which it is now proposed should be retired on an age basis only, Mr. McEntee indicated that these vehicles are of a type which often have a stand-by use and accumulate most of their mileage on air-force bases.

Qs 86 to
89.

Hence their mileage does not increase commensurately with their age. He expected that some difficulty would be experienced in obtaining original or genuine spare parts for these vehicles as their age increases. However, most of these vehicles have a high initial cost and therefore the Department does not regard it as economic to replace them at earlier stages than those provided for in the new policy.

47. The Department claimed that under its new policy, gradual replacement of the vehicle fleet will be effected on the following lines:-

Light Fleet	- replace one -	third annually
Medium Fleet	- replace one -	fifth annually
Heavy Fleet	- replace one -	eighth annually

Exhibit No.
87/2 and
Q 93

Under the new policy the Department expects to complete its vehicle replacement programme for light vehicles after three years, for medium vehicles after five years and for heavy vehicles after eight years.

48. The department claimed that under the new scheme the average annual charge to its appropriations, based on predictions for some years ahead, the number of vehicles currently held and current prices, would be approximately \$296,000 compared with an average annual replacement cost over the past seven years of \$187,000, although during the past three years, the Consolidated Revenue Fund had benefited to the extent of some \$60,000 arising from navy vehicle disposal sales.

Exhibit no.
87/2

49. A comparison between the Department's repair and maintenance costs and vehicle replacement costs between 1960-61 and 1965-66 is shown below in Table no. 4.

TABLE NO. 4.DEPARTMENT OF THE NAVYREPAIRS, MAINTENANCE AND VEHICLE REPLACEMENT COSTS
1960-61 to 1965-66

,000		
Year	Repairs & Maintenance	Replacements
1960-61	261	63
1961-62	294	199
1962-63	239	264
1963-64	264	168
1964-65	262	162
1965-66	284	285

Q 99 and
Committee File
1966/3

50. Of the total expenditure of \$284,413 on repairs and maintenance in 1965-66, \$249,206 was expended in New South Wales. The Department expects that this figure might be reduced by approximately \$70,000 per annum when the new vehicle replacement policy has covered the majority of the vehicles in its transport pool.

Exhibit
no. 87/2

Conclusions

51. Your Committee notes that although the need for a new motor vehicle policy became a parent to the Department of the Navy in 1964 it was not until very recently that a new policy was formulated. Your Committee believes, based on the evidence received, that a compelling need for the formulation of such a policy has existed in the Department for many years but that, as the proceeds of vehicle disposals are not available to the Department of the Navy to assist in the purchase of new vehicles, that Department has, at least until recently, failed to take into account, the material advantage accruing to the Commonwealth as a whole from the operation of a vehicle retirement policy which is economic in the wider sense. In reaching this view we are nevertheless mindful of the problem experienced by the Department where the disposal of vehicles results in a higher level of expenditure on new vehicles at the expense of other essential needs.

52. Your Committee's examination of this matter indicates clearly the need for all Departments operating vehicle fleets to recognise the wider economic context in which their vehicle replacement policies should be set. Your Committee also believes, from the particular vehicle retirement policies it has examined, that a strong case exists for such policies of all Departments operating vehicle fleets to be examined closely within the framework of an inquiry into the economics of departmental motor transport usage.

CHAPTER 5 - NORTHERN TERRITORY TOURIST BOARD

53. Paragraph 264 of the Auditor-General's Report contained the following comments in respect of accounting:-

"In previous Reports, mention was made of the unsatisfactory standard of the accounting of the Board, which had precluded the finalization of the financial statements relative to 1963-64 for report by the Board in accordance with section 21 of the Ordinance. It has been reported that the unsatisfactory features were largely attributable to difficulties experienced by the Board in acquiring and retaining suitably qualified staff to carry out the administrative and accounting function of the Board.

The Board has now corrected the accounting records in respect of 1963-64 transactions, and the related audit and the examination of the revised financial statements for that year have been completed with satisfactory results.

An increase in staff by the appointment of an Administrative Officer, and a reorganization of the accounts system from 1st July, 1965 has resulted in improvement in the standard of the accounting. It is expected that financial statements for 1964-65 will be available shortly for examination by Audit.

The continued delay by the Board in furnishing acceptable financial statements, together with their loss of value when inordinate delays occur, has been the subject of correspondence from Audit to the Administrator of the Northern Territory.

Subject to their availability, reference to the 1964-65 and 1965-66 financial statements will be made in the Supplementary Report."

54. The Audit Observer, Mr. Lawrence, informed us that whilst under Section 20 of the Tourist Board Ordinance of 1962, provision was made for the accounts of the Tourist Board to be subject to audit by the Commonwealth Auditor-General, no provision was made in respect of reporting on the Board's financial statements.

Following representations from the Administrator, however, the Auditor-General agreed, on 18th March, 1965 to conduct an examination of the annual financial statements of the Board and to furnish relevant reports. The Ordinance was amended in 1966 to make specific provision for the form of the Report to the Administrator.

Q 141

55. Mr. Lawrence advised us that the Audit Office had found that many entries in the Board's cash book could not be checked because of insufficient or inaccurate basic data; all paid cheques had not been returned from the bank to support payments; there were numerous instances of over and under banking and overpayment of accounts; and private cheques of staff members had been cashed from collections received. The Audit Office had also found that analyses of trust account balances had been prepared; attendance records were not maintained and the Chief Auditor had found it necessary to make representations concerning the extent of the Board's activities and those of its Directors.

Q 142

56. We were informed by the Department of Territories that the difficulty which the Board has experienced in producing acceptable financial statements has been caused by lack of an experienced officer to take charge of its administrative work and inadequate records of trust account transactions. The Board employed an Administrative Officer for approximately six months until early in 1965 but the officer concerned resigned on short notice. About the middle of 1965 the Board engaged a public accountant to work on the 1963-64 accounts but before any progress was made he withdrew from the arrangement under pressure of other work. The Board invited applications for the position of Administrative officer in Australia-wide advertisements on several occasions in 1965. Whilst four suitable applicants were offered the position late in the year, each withdrew his application. An effective appointment, however, was made in April 1966.

Exhibit
87/3

57. The Tourist Board is autonomous in regard to staffing. Qs 148
Concerning the staffing problems referred to above, Mr. and 149

Williams stated that from its inception the Board has been confronted with staffing problems, the main difficulty being in obtaining the services of suitable officers to manage its financial and other administrative records. In particular, difficulties had arisen in securing trained staff. Q 153.

58. Including temporary employees, the staff of the Board has increased from 4 in 1962-63 to 6 in 1963-64, 7 in 1964-65 and 8 in 1965-66. Over this period members of the staff have been located both in Darwin and Alice Springs. The former office constitutes the administrative headquarters of the Board whilst the latter is essentially a tourist bureau and supplier of information. Qs 150 and 152 and Committee File 1966/3

59. Mr. Williams informed us that the staff currently engaged is satisfactory. He indicated, however, that, so far as the accounting problems of the Board were concerned, he should accept the main responsibility. Prior to his employment with the Board he had been employed outside the Commonwealth Service and he had not made himself aware of governmental procedures, including those relating to accounting. Q 160

60. The Audit Observer, Mr. Lawrence, stated that on the basis of the latest advice available from Darwin the Audit office expected to be able to submit the 1964-65 financial statements of the Board for consideration by the Auditor-General with little delay and that action currently being taken by the Board should facilitate consideration of the financial statements in future. In regard to the form of the accounts, the position would be examined in relation to accounts for years subsequent to 1965-66. Q 158

Conclusions

61. Your Committee is concerned by the fact that when the Tourist Board Ordinance was formulated in 1962, provision was not made in regard to the matter of reporting on the Board's financial statements and that this deficiency in the Ordinance was not rectified until 1966. The need for provisions of this nature in statutory authority legislation was referred to in our Twenty-first and Twenty-second Reports relating to the Australian Aluminium Production Commission and again more recently in our Eighty-Third Report relating to the National Capital Development Commission.

P.F. Nos. 69 and
69A of 1954-55

62. Your Committee is greatly disturbed by the wide-spread nature of the criticisms conveyed to us by the Audit Observer relative to the financial affairs of the Board. These criticisms reflect adversely on the total administration of the organisation.

63. Having examined on previous occasions the problems of staffing in the Northern Territory with its consequent effects on administrative efficiency in the area, Your Committee is sympathetic to the staffing problems experienced by the Board. Although the Public Service Board has no responsibility for the staffing of the Tourist Board, it would seem to Your Committee that should staffing problems of the type encountered in the past by the Board recur, the Board could with considerable advantage seek the advance and guidance of the Public Service Board as the experienced staffing authority of the Commonwealth Service.

P.F. Nos. 25 and
26 of 1958 and
P.P. No. 206
of 1964-65

64. Your Committee also believes that, irrespective of the level at which staff is recruited to Commonwealth departments and statutory authorities from outside the Commonwealth Service, a responsibility devolves on the employing authorities concerned to ensure that such staff is adequately trained in the relevant administrative procedures of the Service with minimum delay.

65. Your Committee supports the view of the Auditor-General that inordinate delays occurring in the submission of financial statements for audit detract seriously from the value of such statements. We trust that this view will be borne in mind by the Tourist Board.

CHAPTER 6 - DEPARTMENT OF PRIMARY INDUSTRY(a) Levies and Charges - Collection Action

66. In his Report for 1965-66, the Auditor-General made the following comment:

"The Audit review in relation to Honey Levy and Live-stock Slaughter Levy revealed that, whilst the Department had undertaken a considerable number of inspections in New South Wales and Queensland, comparatively few inspections had been carried out in the other States.

The Department, in replying to related Audit observations advised that, to a considerable degree, staff had not been available to undertake investigations in States other than New South Wales and Queensland as authorized under the relevant legislation. It had been necessary to arrange investigation programmes having regard to priorities which essentially had to be given to butter, cheese and processed milk products bounties and to investigations under the dried vine fruit stabilization schemes.

Recent Audit enquiries revealed that only four positions were filled of the establishment of eight inspectors approved to cover all the levies and bounties under reference in States other than New South Wales and Queensland, and that the Department's difficulty in obtaining suitably qualified staff for the vacant positions on its establishment has been the subject of representations to the Public Service Board."

67. The Department stated that it is charged with the responsibility of administering legislation under which bounties are distributed on the production of butter and cheese and on the export of processed milk products. It is also responsible for the collection of levies imposed by legislation on primary industries for such purposes as research and promotion of those industries and to provide finance for the administration of the industry marketing, or control, board. The Department provided the following brief particulars of the schemes:

Exhibit
87/5

- "(i) The Dairying Industry Act, 1962, provides for distribution annually of a sum of \$27 million as bounty on the manufacture of butter, butter-fat products and cheese to approximately 250 manufacturers for payment to the producers of the butter-fat used in manufacture. An audit of the books and records of all manufacturers who receive bounty is carried out to establish that the bounty is correctly distributed to the producers of the butter-fat in accordance with their entitlements.
- (ii) The Processed Milk Products Bounty Act 1962-65 makes available a bounty of \$800,000 for distribution to assist manufacturers of processed milk products to compete in overseas markets with subsidised exports from other countries. The bounty is payable to about 25 manufacturers of processed milk products. An audit of the books and records of processed milk manufacturers who receive bounty is made to verify that the manufacturer was eligible and entitled to receive bounty in the amount claimed and paid to him.
- (iii) Under the Dried Vine Fruits Contributory Charges Act 1964 a charge is payable by growers of currants, raisins and sultanas in relation to a season for the purpose of the dried vine fruits stabilisation scheme. There are 27 dried vine fruit packers through whom the charges are collected. In 1965-66 contributory charges amounted to \$72,388 for currants, \$164,734 for raisins and \$1,530,340 for sultanas. An audit of the books and records of a selected number of dried vine fruit packets is made to verify that only approved costs and realisations are taken into account in arriving at the average return to growers.
- (iv) The Live-stock Slaughter Levy Collection Act 1964-1965 imposes a levy for payment to the Commonwealth on the slaughter of cattle, sheep and lambs at an abattoir for human consumption. In all, there are nearly 1,500 registered slaughtering establishments obliged to pay the levy. The actual revenue collected in 1965-66 amounted to \$1,840,399. An audit of the books and records of a number of slaughtering establishments is made each year to check that the levy payable on livestock slaughter at the establishments has been received by the Commonwealth.
- (v) The Butter-Fat Levy Collection Act 1965, provides for the collection of a levy on the production of butter-fat from approximately 250 manufacturers. In 1965-66 the total levy collected amounted to \$1,812,345.

(vi) Under the Honey Levy Collection Act 1962-1965, levy is collected on honey produced and sold in Australia. There are more than 9,000 honey producers in Australia who are required to register with State Departments and in 1965, revenue from honey levy collections amounted to \$101,183. An audit of the books and records of a number of honey producers is carried out each year to check that the levy payable on honey produced and sold in Australia has been paid by the producer.

(vii) The Wine Grape Charges Act 1929-1957, authorises a charge on grapes delivered to a winery or distillery for use in the manufacture of wine. There are approximately 290 wineries liable to pay the charge in respect of which collections in 1965-66 amounted to \$288,362. It has been the practice in the past to audit the books and records of wineries on a State basis in rotation from year to year to check that the charge is paid on all grapes delivered to the winery for wine making.

68. The Department of Primary Industry has an approved Exhibit
87/5
organisation of thirteen positions of Inspector for the purpose of carrying out investigations in its administration of the various pieces of legislation. This establishment, which was increased from nine positions in March, 1965 as a result of representations to the Public Service Board, provided for five positions in Sydney, which are responsible for investigations in New South Wales and Queensland, and eight positions in Melbourne with responsibility for carrying out investigations in Victoria, South Australia, Western Australia and Tasmania. The positions located in Sydney are fully staffed at present and have been carrying out all investigation necessary in New South Wales and Queensland but, of the eight positions located in Melbourne, only three have been occupied for the full year. A fourth inspector was recruited late in 1965 but, after only six months in the Investigation Sub-Section, that officer was promoted to another Department.

69. The Department suggested that the problems of obtaining staff for positions of Inspector are due to four Exhibit
87/5
main factors, viz:-

- (i) Accountancy qualifications are a requirement prior to appointment.
- (ii) The duties of the positions necessitate the Inspectors travelling extensively which involves absences from headquarters for periods of one to eight weeks on each occasion. In total, the officers would be away from their homes for approximately half of each year.

- (iii) It has been the Department's experience that applicants for the positions regard the salary offered, viz. \$4220-4820, as being inadequate for the qualifications and duties of the position and to recompense them for the long absences from their families.
- (iv) The salary range is the same as that for an Audit Inspector Grade 1, Taxation Assessor Grade 4, and many similar positions requiring accountancy qualifications. The Department must therefore compete for the services of these personnel with such authorities as Commonwealth Audit, Taxation Department and the Registrar in Bankruptcy.

70. It was stated that when the Department requested the Board's approval to strengthen the investigation establishment, which resulted in the creation of an additional four positions in March, 1965, a case was made for higher salary classification for the positions than that granted. The Board advised, however, that a review of all positions in the Service for which accountancy qualifications are essential was being undertaken. The Board was not prepared at that stage to vary the classifications or designations of the positions.

Exhibit
87/5

71. The Department believed that, in the light of its experience in recruiting for these positions, there is little hope of being able to fill the vacancies in the Investigation Section in Melbourne. Therefore because of the amounts of money involved and the importance of the subsidy and stabilisation schemes to the Commonwealth and the industries concerned, the investigation programmes in Victoria, South Australia, Western Australia and Tasmania must continue to be arranged according to the priorities which essentially must be given to butter, cheese and processed milk products bounties and to investigations under the dried vine fruit stabilisation schemes.

72. In response to a question as to whether the Audit Office believed that Commonwealth revenue had been affected as a result of the Department's difficulties, Mr. Lawrence stated that excessive losses of revenue had not occurred. However, an audit inspection had revealed two instances of under collections in New South Wales of \$911.25 and \$1019.33. Q257

73. We asked Mr. Cleary whether the Department had sought the provision of temporary positions of a higher salary classification pending the results of a general review, throughout the Commonwealth Public Service, of all accounting and audit positions. We were informed that no approach had been made as the Department had hoped that the recently granted general increase in the level of Third Division Q259

salaries would result in a more successful recruiting campaign. However, since the salary increase had been approved, two advertisements had resulted in only two applications for the position of Inspector.

74. We drew the attention of the Public Service Board Observer, Mr. Vanthoff, to our repeated expressions of concern in our earlier Reports over the delay attaching to the Board's deliberations on the adequacy of the present internal audit structure throughout the Commonwealth Public Service. Mr. Vanthoff informed us that the investigating committee convened by the Board consisted of senior officers of the Postmaster-General's Department, the Departments of Supply and Army, the Audit Office and the Board itself. The investigation into the internal audit structure had commenced on 28th February, 1966, but, although well advanced, it was too early to predict when its final recommendations will be made. Mr. Vanthoff emphasised that the committee had not functioned on a full time basis because of the other responsibilities of the officers involved. Q260

75. Mr. Vanthoff also informed us that an inquiry into the positions creating difficulty for the Department of Primary Industry, viz., dairy subsidy inspectors, would not commence until after the completion of the internal audit review. However, if the Department made an approach to the Board for additional assistance, the matter would be considered further. Q264

76. In a subsequent submission elaborating Mr. Vanthoff's observations, the Public Service Board stated that a review of certain employment categories in the Service which are considered to require priority treatment was being conducted and that a substantial number of other reviews are listed for future attention. These employment groups cover a large area of the Service and consist of positions in both the Third and Fourth Divisions. The extent of the current programme would be appreciated if it was realized that there are sixteen separate reviews in the course of being conducted covering over 9000 individual positions. The reviews cover such groups as Journalists, A.D.P. Programmers, Committee File 1966/3

non-professional Survey Staff, Communications Staff in the Department of Civil Aviation, Geohydrologists and the internal audit group.

77. Dealing specifically with the internal audit review, the Board suggested that it is important to realise that the review is part of an overall comprehensive review of the Third Division clerical-administrative structure. The internal audit positions in the Service fall within the general clerical-administrative area, and are not a separate identity within the Third Division.

78. It was stated that there are two aspects to the overall review of the clerical-administrative structure; the basic pay question covering the whole of the group, and the detailed reviews of the establishments, classification structures and organisations of particular segments of the clerical-administrative group. Examination of these two aspects has been continuing concurrently since 1964 and it is into the second category that the internal audit review falls. The internal audit review has been preceded by reviews of Taxation Assessors, Official Receivers, Audit Inspectors, Cost Investigators, and will be followed by reviews of Dairy Subsidy Audit Inspectors, Bounty Investigators, Cost Accountants, Investigating Accountants and, as considered necessary, other groups which also form part of the total clerical-administrative structure.

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79. It was stated that on 15th February, 1966, the Public Service Arbitrator had handed down his decision in an arbitration case which confirmed the Board's proposed simplification of the clerical-administrative structure (including internal audit positions) and that the Arbitrator had fixed new pay rates for each of the new work levels. In reaching his decision, the Arbitrator had been not only concerned with general clerical type positions, but had also paid regard to the qualifications, duties and responsibilities of positions in the accounts area of the clerical-administrative group, of which internal audit staff form one part.

80. In certain Departments, officers in the internal audit group are employed in positions, the duties and responsibilities of which warrant classification as high as the clerical-administrative Class 8 level, the current salary of which is \$6275-6475 (actual). It was suggested the Arbitrator's decision therefore had resolved the general pay question for

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the internal audit positions as well as for the rest of the clerical-administrative area. In the meantime, the internal audit review committee had been conducting its detailed examination of those matters it is required to report upon.

81. The Board's submission also referred to the difficulty the Department of Primary Industry was facing in filling its positions of Dairy Subsidy Audit Inspector. To further illustrate the improved salary levels now applying in the clerical-administrative area, the salary of the positions had been increased by \$466 at the base of the salary range, and \$570 at the maximum. The current actual salary is \$4325-4925 and it was hoped that the higher salary the Department is now able to offer for Dairy Subsidy Audit Inspector positions will result in suitable people offering for appointment in the future. If the higher level of salaries did not prove to be the solution to the Department's present difficulties, then other possibilities may have to be explored; it was suggested that, for example, the Department may find it worthwhile to re-examine the suggestion previously made by the Board, that some of the Inspectors which cover the southern areas of Australia might be based in Adelaide rather than Melbourne as at present. This might assist in overcoming the special recruitment difficulties existing in Victoria which were mentioned during the hearing.

Conclusions

82. Your Committee believes that the difficulties experienced by the Department of Primary Industry have not been occasioned by faults within the Department itself. The evidence suggests that the Department has endeavoured to recruit suitable staff to undertake the required inspections but that its efforts have been frustrated by salary ranges which are apparently inadequate when the extensive travel required of the Inspectors is taken into account.

83. Your Committee notes the suggestion by the Public Service Board that the recent general salary increases might assist the Department to engage the required numbers of now

staff. However, the evidence has revealed that, since the new salary ranges were approved only two applicants have responded to the advertisements inserted by the Department. It would appear that the salary increases, by their general nature, may have simply maintained the degree of relativity between the vacant positions and other positions within the Commonwealth Public Service requiring accountancy qualifications. For this reason, it is probable that the Department's position is unlikely to be eased by applications from within the Service itself. On the other hand, the results of the advertisements calling for recruits indicate that notwithstanding that the salary classification is identical to that of Grade 1 Inspectors in the Audit Office, the remuneration offered has not attracted the required staff.

84. Your Committee appreciates that the review being conducted by the Public Service Board has been hampered in its progress by the other demands made upon its resources. However, in the light of evidence received in our earlier inquiries and the unsatisfactory situation revealed during this inquiry, Your Committee believes that the Public Service Board might with advantage reconsider the degree of priority previously afforded to this review as it appears that past delays may be contributing to the failure of the Department of Primary Industry to collect Commonwealth revenue.

(b) Accounting

85. In his Report for the year 1965-66, the Auditor-General made the following comment:

"By administrative arrangement, accounting on a general basis for the Department of Primary Industry is performed by the Department of Trade and Industry.

Audit examinations during 1965-66 revealed instances where Trust Accounts of the Department of Primary Industry had been overexpended or over-invested due to errors or inadequacies of accounting by the Department of Trade and Industry. The Trust Accounts involved were the Poultry Industry Trust Fund, the Sultanate Stabilization Fund and the Dairy Produce Research Trust Account.

These irregularities were principally due to delay in processing transfers of available credits to the Trust Accounts.

An additional unsatisfactory feature observed by Audit was related to the omission of the Department of Trade and Industry to reconcile payments, related to special appropriations of the Department of Primary Industry, with related amounts of levy of tax collection."

86. The Department of Primary Industry stated that the Poultry Industry Trust Account is a Trust Account established by the Poultry Industry Assistance Act, 1965, to receive and disburse moneys made available for the purpose of assistance to the poultry industry. Receipts of the Trust Fund in 1965-66 comprised appropriations of money received from levies imposed on poultry flocks kept for commercial purposes while expenditure from the Trust Fund consisted of payments to the States as financial assistance to the poultry industry. Under the procedures laid down, an equivalent amount to that of levy collected and paid to the Consolidated Revenue Fund should be transferred immediately by journal entry to the Trust Fund. Payments to the States in the amounts approved by the Minister are then authorised from the Fund. The intention is that, as soon as levy collections are received by the Commonwealth, an equivalent amount is transferred to the Trust Fund after which payments are made to the States.

Exhibit
87/6

87. The overdrawing of the Trust Fund occurred in December, 1965, and March, 1966, and was brought about by the failure in the Accounts Branch to process journal entries transferring moneys available in the Consolidated Revenue Fund

to the Trust Fund before payments to the States were authorized.

88. Referring to the overdrawings, the Audit Office Q.289
Observer, Mr. Lawrence, informed us that, following representations
by the Audit Inspector, the Lovies Clerk, in attempting to make
a reconciliation, had discovered that a transfer account for
\$52,790.32 apparently had not been processed by the Treasury.
The Audit Office believed that the failure to detect the error
soon after it occurred indicated serious omissions in checks
of the levy register and also of the appropriation ledger.

89. Explaining the nature of the errors which had Q.288
been committed, Mr. Doherty stated that funds received on
behalf of the Trust Accounts are initially credited to Revenue
after which a transfer account or journal entry is raised,
debiting the special appropriation and crediting the Trust
Account with an amount equivalent to the cash received.
On some occasions during the year, although the correct
procedures had been followed, staff changes within the Branch
had resulted in payments being processed prior to the
submission of the transfer accounts to the Department of the
Treasury. However, after the transfer account had been processed,
the Trust Account reverted to a credit balance. Mr. Dickinson
added that, during the year, four junior officers had been Q.285
employed in the position responsible for the raising of transfer
accounts; however, each officer had been learning his task
and the errors had been made simply because of the officer's
inexperience.

90. Referring to the Sultan's Stabilization Fund, Exhibit
the Department informed us that the Fund had been established 87/6
by the Dried Vine Fruits Stabilization Act, 1964, to receive
and disburse moneys collected from charges which were imposed
by the Dried Vine Fruits Contributory Charges Act, 1964,
as part of the Dried Vine Fruits Stabilization Scheme.
Payments from the Fund are made only in relation to a season
when the guaranteed price for sultan's exceeds the average
return, per ton, for fruit.

91. In accordance with the policy of gaining Exhibit
maximum interest earnings on Trust Account balances which 87/6
are surplus to immediate requirements, the Department decided

that the moneys available in the Fund should be fully invested as there would be no call on the balances for some time to come. In the case of the over-drawing, a payment of a contributory charge of \$843,848 made by growers was received in the Department on 16th March, 1966. The Accounts Branch in the Department of Trade and Industry had been alerted immediately, both orally and in writing, by the Finance Officer in the Department of Primary Industry that the money should be transferred from the Consolidated Revenue Fund to the Sultan's Stabilization Fund. On being advised some five days later that the necessary accounting procedures had taken place, the Finance Officer proceeded to make arrangements with the Department of the Treasury for the investment of an amount of \$843,000 and this sum was placed on fixed deposit by the Department of the Treasury on 25th March, 1966. It was stated that the fact that the moneys were not transferred from the Consolidated Revenue Fund to the Sultan's Stabilization Fund was not brought to notice until 12th April, as the officer responsible for processing the journal entry overlooked the matter under the pressure of other duties.

92. Explaining the errors which had occurred in 2.294
- respect of the Sultan's Stabilization Fund, Mr. Cleary stated that, under the joint accounting arrangements effected by the Department of Primary Industry and the Department of Trade and Industry, the Finance Officer in the former Department had requested the Accountant in the latter Department to obtain warrant authority and to raise a journal entry to allow funds to be drawn from the Consolidated Revenue Fund and transferred to the Trust Account. After receiving information indicating that the necessary warrant had been made available, the Finance Officer then wrote to the Treasury asking that the funds be invested. However, the warrant that had been made available to the Department of Trade and Industry was for an amount of only \$843,000 and the Department did not raise the journal entry until such time as it had acquired a further warrant to cover the additional \$848. It was indicated that when the Trust Account was debited with the cost of the investment, the failure to effect the journal entry resulted in the Trust Account being overdrawn. 2.311-312

93. The Department also informed us that the Dairy Produce Research Trust Account was established by the Dairy Produce Research and Sales Promotion Act, 1958-1965, to receive and disburse moneys made available for the purpose of research for the benefit of the dairying industry. The main sources of revenue of the Trust Account are the appropriation of moneys collected by way of a levy on the butter fat used in the production of dairy products; the Commonwealth contribution which matches the industry contribution on a dollar for dollar basis, and the interest on investments and miscellaneous receipts such as the sale of dairy products derived from research projects. Payments from the Trust Account are confined to expenditure on research projects approved by the Minister for Primary Industry. However, the enabling legislation authorises the investment of moneys standing to the credit of the Trust Account and, in practice, the Department pursues the policy of gaining maximum interest on Trust Account balances by keeping investments at the highest possible level. Exhibit
87/6

94. The overdrawing of the Trust Account incurred in July, 1965 due to an error in recording the balance of the Trust Account brought forward from the financial year 1964-65. We were informed that the balances of the Dairy Produce Research Trust Account and the Fisheries Development Trust Account were transposed in the departmental appropriation ledger and that the balance of funds available to the Dairy Produce Research Trust Account was shown as £670,470 whereas the true balance was £310,624. As a result, transactions involving expenditure beyond the extent of the true cash balance were authorised in July. It was stated that, had the correct balance been shown, investments could have been realised to supplement the cash position of the account. Exhibit
87/6

95. Mr. Doherty explained that the error could be attributed to the fact that account titles do not appear in the appropriation ledger since the ledger is produced on a computer and the balances of various accounts are identified only by "working code" numbers. When the balances had been brought forward at the beginning of the financial year, two of the working code numbers had been transposed with the result that incorrect balances were used in the opening entries. Q.292

96. Referring to the failure to effect reconciliations between the special appropriation and the levy collections, the Department stated that it was responsible for the administration of a number of levy and export charge Acts. The collections made under these Acts are paid to the Consolidated Revenue Fund and the equivalent amounts are appropriated by a special appropriation in the relevant legislation for payment to a Trust Account or Statutory Authority.

Exhibit
87/6

97. For the purpose of accountability, it is necessary that the revenue collected for each levy or charge should be reconciled with the relevant Appropriation item at regular intervals. Instructions have been issued to the Accounts Branch from time to time by the Finance Officer requiring these reconciliations to be conducted on a monthly basis, but the failure to carry out the instructions had been due to the volume of work in the Accounts Branch and the serious shortage of experienced staff.

Conclusions

98. The evidence has disclosed to Your Committee that the errors committed in respect of the Dairy Produce Research Trust Account, the Poultry Industry Trust Fund and the Sultan's Stabilization Fund may be attributed largely to the inexperience of certain officers within the Department of Trade and Industry and also to the arrangements under which the Department undertakes the accounting administration for the Department of Primary Industry. Notwithstanding the unsatisfactory nature of these arrangements (a matter which is discussed later in this Report) Your Committee believes that both Departments have been at fault in failing to ensure that adequate internal control procedures were in existence to forestall errors which might occur in such a situation. It was not discovered that a sum of \$52,790 had not been properly transferred to an appropriate account until an examination was made by an Auditor Inspector. While Your Committee recognises that the failure to so transfer this amount (and other amounts discussed in evidence) did not constitute a threat to the security of public funds, the fact remains that the failure constituted a departure from established accounting procedures within the Department. Your Committee is disturbed that errors of this type should remain undetected by departmental officers and trusts that both Departments will review their internal accounting practices as a matter of urgency in order to forestall any future incidents of a similar nature.

CHAPTER 7 - DEPARTMENT OF TRADE AND INDUSTRYDepartmental Accounting Standards

99. The Department of Trade and Industry was the subject of inquiry by Your Committee in respect of matters raised by the Auditor-General in his Report for the year 1964-65. In our subsequent Seventy-Eighth Report, we indicated that we would look for an improvement in the standard of accounting and we trusted that it would not prove necessary to inquire for a third time into any matter examined on that occasion. However, in his Report for the financial year 1965-66, the Auditor-General made the following comment:-

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1964-65-66

"At paragraph 148 of my 1964-65 Report, mention was made of a number of unsatisfactory features of accounting which were represented to the Department. These matters were examined subsequently by the Joint Committee of Public Accounts, which reported thereon to the Parliament in its Seventy-eighth Report.

During 1965-66, the Department provided a basis for securing improvement in its accounting by the preparation and issue of procedural instructions covering a number of important aspects of financial recording and control. Instructions relating to other accounting procedures, including simplified overseas accounting instructions, are in course of preparation. In an endeavour to improve procedures generally, the Department's Methods Section was expanded and re-organised with the approval of the Public Service Board.

Inspections of a number of overseas offices were made during the year with, among other things, a view to eliminating errors and inaccuracies in accounts prepared at the overseas locations, and the Department has advised that these inspections will continue. In addition, more extensive training courses have been conducted for personnel posted overseas.

Although these remedial measures were taken and there is evidence of improvement in some sections of the accounts of the Department, Audit checks of transactions during the year revealed a number of features which were not satisfactory. Instances of omission by some overseas offices to adhere to prescribed accounting requirements were noted and it was evident that the examination in Australia of accounts submitted by overseas offices was not adequate.

Certain accounting and financial transactions on behalf of the Department in Australia, including transactions on behalf of the Department of Primary Industry for which the Department of Trade and Industry provides the accounting services, were found to be incorrect and there was evidence of omission to comply with approved procedures and to exercise proper controls.

In replying to Audit observations, the Department recognised that its accounting had not reached a completely satisfactory stage and stated that a primary cause was continuing difficulty in recruiting and retaining experienced and competent officers. Staff shortages, rapid turnover of personnel and consequent excessive hours of work presented a continual problem.

The Department is of the opinion that despite the difficulties, the improvement achieved in its accounting during 1965-66 will be sustained."

100. In a written submission, the Department of Trade and Industry stated that although it was not satisfied that its standard of accounting had reached a completely satisfactory stage, material improvement was being achieved despite current problems engendered by the workload and it was confidently believed that major criticisms would be met during 1966-67. However, success in this direction would be governed largely by the staffing position within the Department as the routine administration of the Department must continue despite persistent staff shortages, a rapid turnover of officers and excessive hours of work.

Exhibit
87/7

101. It was indicated that in prevailing circumstances, it was difficult to adequately discharge routine responsibilities without endeavouring to introduce procedural changes. As an example of its difficulties the Department cited its overseas examination sections: the three experienced examiners had been promoted to another Department and the only applications received for the vacant positions had been from three virtually inexperienced officers. One applicant had been promoted from outside of the Department together with another officer from within the Department but, as a result, it was possible only to cope with essential tasks. The prevailing situation was such that the Department proposed to approach again the Public Service Board for more positions of higher classification in order to attract and retain capable staff.

Exhibit
87/7

102. We were also informed that positive action has been taken to improve the standard of the accounting at overseas posts. In June, 1966, a group of eight Assistant Trade Commissioners completed their eighteen months training period which included a three weeks practical course on

Exhibit
87/7

accounting procedures and a period of up to a week on specific briefings covering the post to which they were being sent. Similarly, the 1967 intake of Trade Commissioners will be trained in accounts matters in the same way, the practical result of which will be that by July, 1967, some 23 Trade Commissioners and Assistant Trade Commissioners will have been given intensive training and be able to pass this knowledge on at their posts with consequent improvements in the accounting work of the posts.

103. It was stated that the Department had benefited also from the first overseas post inspections in September, 1965. The posts visited were Hong Kong, Manila, Tokyo, Osaka, Djakarta and Bangkok and accounting standards were the subject of considerable enquiry. Many problems were rectified or clarified on the spot and others were dealt with on the return of the Inspecting Officer. In addition, posts at Singapore, Kuala Lumpur, New Delhi, Calcutta, Bombay, Bahrain and Karachi were to be inspected towards the end of September, 1966. The Department had also taken much greater follow up action directly with Trade Commissioners to explain to them the requirements of the Act and to explain errors present in their accounts.

Exhibit
87/7

104. We were informed that the Department had also produced a draft of its revised overseas accounting instructions including detailed procedural charts. The draft was being edited to simplify the use of the instructions, particularly in respect of language, at overseas posts.

105. It was agreed that the Auditor-General's comment upon the inadequacy of the examination of accounts in Australia is largely correct. The standard was not high enough but changes in staff, the difficulty of obtaining replacements, and the greatly increased volume of activity had not permitted the Department to improve its standards. However, given the salary classifications sufficient to attract and retain competent people and sufficient positions to handle the volume of work, the difficulties could be overcome.

106. Mr. Dickinson informed us that an examination of the staffing needs in the Accounts Branch and Personnel Branch had suggested a need for an additional 23 positions. We therefore asked the Public Service Board Observer, Mr. Vanthoff, what action had been taken by the Board when last approached by the Department. We were informed that adjustments to the staff establishment had been made in December, 1965, as a result of a reorganisation effected in 1964. At the time of the reorganisation, the Department had been asked to carefully review the adequacy of the new structure in order to ensure that the problems raised by the Auditor-General in recent years could be overcome. The Department had agreed to the new structure which had been introduced in December, 1965, but the Public Service Board had entertained some doubt as to whether the answer to the Department's difficulties could be found simply by creating additional positions and approving higher salary ranges. The Board had asked the Department, as a matter of urgency and at a time when the Methods Section was being strengthened, to conduct a full scale review of the departmental accounting procedures. The Board had watched the progress of the review and it was hoped that its result would realise certain changes which the Board's inspectors had felt to be desirable. Mr. Vanthoff indicated that a favourable reaction might not be forthcoming in respect of any application for additional positions if such application was made before the review was completed. He stated that he was not attempting to prejudge the extent of any increase in the work load which might have become apparent since December, 1965, but, as the Board had been doubtful about the need for certain additional positions at that time, some positions had been approved on the understanding that their continued existence would be subject to the result of the methods review.

107. Referring to the inspection of overseas posts, Mr. Dickinson informed us that, of the Department's 43 posts, six were being examined each year. The Department hoped that it might arrange for the inspection of ten posts per annum but, it was indicated, this had not been possible up to the present time.

108. We were informed that some of the early deficiencies in the standard of accounting exercised at overseas posts could be attributed to the fact that officers had been sent overseas with an insufficient knowledge of governmental accounting practices. It was indicated that the deficiencies in the training of Trade Commissioners and Assistant Trade Commissioners had been remedied and that the Department, through its revised and simplified accounting instructions, was now endeavouring to counter the errors arising out of the work of the locally engaged junior staff. The preparation of the draft overseas accounting instructions had been commenced earlier in this calendar year but had proved to be a difficult task. The draft had been examined by various Trade Commissioners upon their return to Australia and divergent views had been expressed as to capacity of the posts' indigenous staffs to understand the instructions. Although the Department was endeavouring to proceed with the task as quickly as possible, these factors militated against its early completion.

Q.376 and
Q.384

Q.357 and
Q.364

Conclusions

109. Your Committee is satisfied that the Department has made a vigorous attempt to rectify the shortcomings in the accounting at overseas posts through the introduction of a training course in accounting procedures for its Trade Commissioners and Assistant Trade Commissioners. We also note with approval the innovation of simplified accounting instructions for the use of local staff at overseas posts, thus avoiding the necessity for such staff to refer to the unfamiliar terminology of the Treasury (Overseas Accounts) Directions.

110. Your Committee is mindful of the evidence submitted by the Department that the staffing difficulties in the central office have contributed largely to the differences in the standard of local accounting. However, we also note the opinions, expressed on behalf of the Public Service Board, that the situation is one which might be remedied by the more efficient use of existing staff and that the methods review being undertaken should be completed before any further staff increase is sought. In the light of this opinion, Your Committee trusts that the conduct of the review will be expedited in order to provide a rationalised situation in which the Department's real staff requirements may be clearly assessed.

CHAPTER 8 - DEPARTMENTS OF TRADE AND INDUSTRY AND PRIMARY INDUSTRY
(JOINT ACCOUNTING ARRANGEMENTS)

111. In the submission made by the Department of Primary Industry relative to paragraph 111 of the Auditor-General's Report and in the submission made by the Department of Trade and Industry relative to paragraph 163 of that Report, reference was made to a common services arrangement which has existed between the two departments since their creation in 1956. In the case of the submission by the Department of Trade & Industry we were informed that the Permanent Heads of the two departments had agreed that the growth of the departments was such that continued integration of the accounts should cease subject to the approval of the Public Service Board. In these circumstances your Committee felt that it should examine jointly the witnesses representing both departments on the provision of common services with particular reference to accounting and related matters. Exhibit No.
87/6 and
87/7
112. We were informed that, in Canberra, the Department of Trade and Industry provides accounting personnel and stores services for both departments whilst the Department of Primary Industry provides publication and Library services. In Western Australia, South Australia, Queensland and Tasmania, the Department of Primary Industry provides all of the services required whilst in Victoria the Department of Trade and Industry provides a combined accounts Branch. In New South Wales the Department of Primary Industry provides its own services. Q391
113. In respect of services provided jointly in Canberra, Mr. Mac Farlane stated that problems had arisen in respect of the accounts Branch and the personnel and stores sections. Mr Dickinson indicated that the provision of joint services creates problems particularly when heavy demands on those services give rise to the need to determine priorities for work as between the two departments. He added that problems had been experienced in regard to recent superannuation refunds and changes in salaries arising from recent arbitration determinations. Qs 394
and 395

114. Mr. Cleary stated that as both departments are separate entities, they compete for staff in their recruiting programmes. Where both departments desire recruits of the same type and the Personnel Section common to both Departments processes the applications submitted, problems arise as to which Department should enjoy priority of selection of the available applicants.

115. In the case of the Stores Section, Mr. Dickinson indicated that the staff comprises two members, a storeman and a junior who are required to service both departments. Mr. Cleary informed us that under the prevailing arrangements neither Department has separate store holdings or separate store schedules and neither Department conducts separate stocktakes. Whilst some stores such as headed paper and envelopes can be readily identified for each Department, difficulties arise in the allocation of financial responsibility for ordering non-identifiable stores.

Q.395 and
Qs. 398 to
400

116. Mr. MacFarlane stated that when the two Departments were established in 1956, their staffs were small and their functions relatively limited. In these circumstances the senior accounting officer was able to carry out the combined accounting requirements of both Departments. Difficulties were encountered, however, in 1964 and at that stage both Departments approached the Public Service Board to obtain a staffing re-organisation but no sooner had this been obtained than the functions of the Department of Primary Industry were expanded. He expressed the view that inadequacy of staff numbers had caused the difficulties experienced in the accounting field. At the time of our inquiry there were 18 staff positions in the Accounts Branch to service both Departments.

Q.405

Q.415

117. The Public Service Board Observer, Mr. Vanthoff, indicated that when the Board gave its decision in December 1965 on the reorganisation proposal submitted by the two departments it considered that the number of positions provided was adequate to meet the staffing needs at that time. He added that all departments in Canberra are experiencing problems in obtaining staff and that staffing problems are not peculiar to an amalgamation of functions between departments. He emphasised that whilst the division of staff into separate organisations, resulting in the creation of additional positions, may be required to achieve more efficient working arrangements, such a situation can in fact operate to the detriment of the staff available as additional staff would be required under such an arrangement.

Qs 408, 411
and 434

118. Mr. Mac Farlane informed us that late in August 1966, interdepartmental negotiations had commenced with a view to making a joint urgent approach to the Public Service Board for the establishment of separate accounts, personnel, stores, travel and publications sections for each of the Departments concerned. These negotiations had culminated in discussions at Permanent Head level. During the negotiations it was agreed, following suggestions made by the Public Service Board, that rather than make a joint approach to the Board, each Department should submit a separate proposal. The Department of Primary Industry submitted its proposal to the Public Service Board on 6th September, 1966 and the Department of Trade & Industry expected to submit its proposals during the week ended Friday 16th September.

Qs 417, 424,
429 & 431

Q 418

119. Mr. Mac Farlane indicated that the comments made by the Auditor-General and by your Committee relative to the circumstances obtaining in the accounting field had prompted urgent action within the Departments to seek a satisfactory solution to the problem.

Q 426

120. Mr. Vanthoff stated that the proposals of the two Departments would be given urgent consideration by the Public Service Board.

Q 433

Conclusions

121. Whilst Your Committee would not wish to pre-judge in any way the merits of the proposals submitted by the Departments of Trade and Industry and Primary Industry to the Public Service Board for the creation of separate accounting and related services, the evidence indicates clearly that the common services arrangements, particularly in respect of accounting, stores and personnel functions have become an impediment to efficient administration as the scope of activities of the departments concerned has increased. Indeed Your Committee would express some surprise that it was not until as recently as 1964 that serious problems began to emerge in this field. In these circumstances we would pay a tribute to the officers of both Departments who for a period of ten years since 1956 have ensured that this arrangement has continued to operate as effectively as it has.

122. From the evidence received and from the comments made by the Public Service Board Observer, however, Your Committee would doubt whether staffing problems have contributed as significantly as was claimed, to the difficulties experienced by the two Departments in administering common services. In this regard we agree with the Public Service Board Observer, that should separate arrangements be made for each Department as envisaged in their recent proposals to the Public Service Board, competition between them for staff will persist as it does between all Departments in the Commonwealth Service.

CHAPTER 9 - CONCLUSIONS

123. Each year since 1959 Your Committee has conducted a separate series of annual inquiries relating specifically to matters raised in each Report of the Auditor-General.

124. Our inquiries show that, in recent years, the Reports of the Auditor-General have been tabled during the latter half of August. As in our Seventy-eighth Report, we would again emphasise that the early tabling of the Report is greatly appreciated by Your Committee and we pay tribute to the Auditor-General and his staff for the sustained effort which they have made over the years to achieve that result.

125. Your Committee's inquiry into the Auditor-General's Report for 1965-66 covered a somewhat smaller field than that traversed in the previous year but was designed in part to afford an opportunity for review of certain matters relating particularly to the Departments of External Affairs, Interior and Trade and Industry which had been the subject of material criticism by Your Committee when examining the Report of the Auditor-General for the previous financial year. In the case of the Department of the Navy, on the other hand, Your Committee felt that whilst the Department had recently established a policy relative to vehicle replacement, it should examine the basis of that policy and the circumstances surrounding its establishment.

126. On several occasions Your Committee has expressed the view that it should adhere to the practice established in 1959 of critically examining each year the Reports of the Auditor-General and, where it sees a need, of proceeding to a public examination of matters referred to in those Reports. We would again endorse that view on the basis of this inquiry.

For and on behalf of the Committee

David N. Reil

DAVID N. REIL

Secretary

Joint Committee of Public Accounts

Parliament House

CANBERRA. A.C.T.

Richard Cleaver

RICHARD CLEAVER

CHAIRMAN

Ivy Wedgwood

12th October, 1966.