

1972

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

DEPARTMENT OF THE SENATE
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DATE 25 MAY 1972
PRESENTED
<i>J.R. Odgers</i>
Clerk of the Senate

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
THIRTY-SIXTH REPORT

TREASURY MINUTES ON THE
NINETY-EIGHTH, ONE HUNDRED
AND FIFTH, ONE HUNDRED AND
SIXTH, ONE HUNDRED AND
THIRTEENTH, AND ONE HUNDRED
AND TWENTY-EIGHTH REPORTS

TOGETHER WITH A

SUMMARY OF THOSE REPORTS

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTH COMMITTEE

J.D.M. DOBIE, Esquire, M.P. (Chairman) (5)

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J.A. PETTIT, Esquire, M.P. (6)

I.L. ROBINSON, Esquire, M.P. (5)

The Senate and the House of Representatives appointed
their Members on 25 November, 1969.

- (1) Term of service as a Senator expired on 1 July, 1971
- (2) Discharged 19 August, 1971
- (3) Appointed 19 August, 1971
- (4) Elected 24 August, 1971
- (5) Discharged 8 September, 1971
- (6) Appointed 8 September, 1971

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951-1966 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 moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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JOINT COMMITTEE OF PUBLIC ACCOUNTS
ONE HUNDRED AND THIRTY-SIXTH REPORT

Treasury Minutes on the Ninety-Eighth,
One Hundred and Fifth, One Hundred and Sixth,
One Hundred and Thirteenth and One
Hundred and Twenty-Eighth Reports.

Chapter 1 - Introduction

In its Seventy-ninth Report dated 10 March, 1966 the Committee set out in detail the basis of the Treasury Minute arrangements which have been made to ensure that appropriate action ensues from comments contained in our Reports.

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of 1964-65-66

As they now stand, the arrangements concerned are:-

- (1) The Report of the Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
- (2) The Chairman of the Committee thereafter forwards a copy of the Report to the Departments affected and to the Treasurer with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's comments.
- (3) The reply received, which is in the form of a Treasury Minute, is then examined by the Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible to the Parliament as a Report.
- (4) When during its examination of a Treasury Minute the Committee finds that there are recommendations not fully dealt with or which are subject to a further Minute, it holds an exploratory discussion with officers of the Department of the Treasury prior to the submission of the Minute to the Parliament.

- (5) In reporting a Treasury Minute to the Parliament, the Committee does not usually make any comment on the Minute other than to note recommendations not fully dealt with or subject to a further Minute. In special cases where comment is thought to be necessary, however, the Committee makes it.
- (6) The Committee reviews a Treasury Minute, if necessary, when it again examines the department concerned.
- (7) The Department of the Treasury furnishes the Committee with a half-yearly report on outstanding Treasury Minutes, indicating the progress made in dealing with the Committee's comments.

Chapter 2 - Treasury Minute on the Ninety-Eighth Report relating to the Auditor-General's Report 1966-67.

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The Treasury has examined the Report and has discussed with the departments and authorities concerned the observations and conclusions of the Committee which have, where necessary, been brought to the notice of the officers concerned.

ACCOUNTING ARRANGEMENTS -NORTH AMERICA

33. Your Committee regards with concern the breakdown that occurred in the accounting arrangements in North America. Although the evidence shows that some of the criticisms made by the Auditor-General were attributable to inadequate staffing and facilities in the Sub-Treasury itself it is also clear that other criticisms related to shortcomings in the performances of some departmental offices in North America and inadequacies in the general administration in the area. Whilst the nature of the staffing problems encountered in North America and referred to in evidence are well understood, it appears that these problems are not of recent origin and they raise the question as to whether there may not have been a need, for many years, for an increase in the Australia-based supervisory staff at the Sub-Treasury. Notwithstanding that such an increase

The Treasury considers that 'breakdown' is too strong a word for the unsatisfactory aspects of accounting in North America reported by the Auditor-General. What occurred was that the effectiveness of the normal internal check procedures declined in a period in which there was a heavy increase in the workload combined with staffing difficulties. In retrospect, it is agreed that the need for the third Australia-based position in the Sub-Treasury to take charge of the accounts examination area and to perform the duties of Certifying Officer should have been recognised earlier. Since this position was filled (August 1966) there has been a considerable improvement in the supervision of this area and in the capacity of the Sub-Treasury to handle the continuing volume of work. More recently a further Australia-based Class 6 position was approved to supervise the payroll and ledger areas, including the operation of automatic data processing systems and the first occupant took up duty in September 1968. In addition the two senior Australia-based

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would be costly, it seems to be an inescapable fact that the poorer the quality of available locally engaged staff the greater is the degree of supervision required if circumstances of the type referred to by the Auditor-General are to be avoided.

34. We note that the central office of the Treasury initiated its request for a new accounting machine in 1964 i.e., in the same year in which an increase had been made in the total staff of the Sub-Treasury. This suggests to us that the need for the new machine was probably evident, at least to the Sub-Treasury, prior to 1964 and raises the question of whether initiating action for a new machine might not have been unduly delayed at that point.

35. The evidence shows that whilst comments on the Report of the Chief Auditor, New York, were sought by the Treasury from the Sub-Treasury in November 1966, four months elapsed before that Report was made. A further three and a half months also elapsed before the Treasury expressed to the Auditor-General its concern for the state of affairs revealed and the same delay occurred concurrently

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positions have been reclassified, the Officer-in-charge in January 1969 to Director, Class 11 and the second-in-charge in November 1970 to Senior Finance Officer, Class 8. It is considered that the four Australia-based positions now provide effective supervision of the locally engaged staff.

It is true that greater attention might have been given to more adequately mechanising the Sub-Treasury accounting systems at an earlier date. For various reasons, including the limited availability of trained systems staff, this was not done and, in the event, the delay led to the selection of very suitable and up-to-date equipment, namely an NCR 500 visible record computer, which commenced operational work in October 1967 and now processes ledger keeping and funds control systems, as well as preparing the Australia-based and locally engaged payrolls, service allotments and pensions.

In view of the length of the report of the Chief Auditor, New York, and the extent of the detail in the appendices, it is not considered that the delays of 4 months and $3\frac{1}{2}$ months respectively were unduly excessive, having regard to the need carefully to examine the issue raised in between other high priority tasks both in the Commonwealth Sub-Treasury, New York and in the Treasury.

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before the Treasury asked the Chief Finance Officer of the Sub-Treasury to exercise closer supervision over his locally employed staff and to re-examine his staffing requirements generally. Delays of this nature appear to Your Committee to be excessive. By comparison, however, we are impressed by the speed with which the Department of External Affairs, the Treasury and the Public Service Board were able to arrange for the creation of four new positions on the day when the request for the creation of nine positions was received from the Sub-Treasury. This outcome compares favourably, we believe, with the staffing experiences of many departments that have appeared before us in other inquiries.

36. Your Committee views with approval that, with the introduction of the new accounting equipment, Treasury has taken action to define the purposes for which Imprest Accounts may be used and has reduced the levels of most Imprest advances available to the Posts in North America. We also commend the Department for its action in bringing the Director of the News and Information Bureau and the Senior Trade Commissioner, New York into the general framework of prescribed procedures by

The cancellation of the appointments as Certifying Officers of the Director, A.N.I.B., and the Senior Trade Commissioner, New York, had, in fact, been under consideration in the Treasury before the matter was raised by Audit. Those appointments were cancelled because of their proximity to the Sub-Treasury Certifying Officer. The Treasury does not propose the cancellation of the Overseas Certifying Officer appointments at the Imprest posts in North America. In this situation the location of the certifying

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cancelling their appointments as Certifying Officers. We believe, however, that this action should have been taken earlier and we trust that like action will be taken in respect of other Posts in America and in respect of Posts falling within the areas of responsibility of the Sub-Treasuries in London and Geneva, should circumstances warrant.

37. A further matter to which Your Committee would make specific reference relates to the relationship between the Sub-Treasury and the Australian National Airlines Commission. We note that action was taken recently for the Sub-Treasury to be reimbursed for services which it provides for the Commission. We believe that this action should have been taken much earlier and that fees should be charged by all Sub-Treasuries in Australia and overseas for services rendered to statutory authorities of a trading nature and which are required to maintain normal commercial accounting records.

38. Finally, we would comment on the matter of the location of the Sub-Treasury in New York. The evidence shows that while the responsibilities of the Sub-Treasury

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officer function at the post has the primary advantage of facilitating the sighting of approvals and related records and, in fact, there is no loss of Sub-Treasury control because of the powers of the Chief Accounting Officer to address queries to accounting officers. A similar system operates within the area of responsibility of the Commonwealth Sub-Treasury, Geneva. In Britain there is no parallel as all accounting work is centralised in London.

It is agreed that statutory authorities of a trading nature should be charged for services rendered by Sub-Treasuries.

The acquisition of new office accommodation for the Sub-Treasury in September 1968 provided a more satisfactory standard of accommodation and contributed substantially to the improvements made.

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relate to Australian responsibilities in the North America area, its location has evidently depended in the past on the location of the Procurement Section of the Consul-General, New York. While we cannot accept that the Procurement Section and the Sub-Treasury are located in New York because they have always been located there, we believe that a case exists, in terms of its wider responsibilities; a preferable geographical location, and perhaps greater flexibility in local staff recruitment; for the Sub-Treasury to be relocated in Washington as we are surprised to learn that this has not been considered previously by the Public Service Board. At the same time we appreciate that this question has now been referred to the high level team of officers who are conducting an inspection of the Procurement Section and the Sub-Treasury, New York and we shall be glad to learn, in due course, of the outcome of that inspection in all of its aspects.

ATTORNEY-GENERAL'S DEPARTMENT

53. Your Committee agrees with the assessment made by the Attorney-General's Department, that the Clerk, Class 1, should not have prepared a commencing salary advice without supporting documents and should not

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The High level team of officers made a number of recommendations concerning the Sub-Treasury, New York, most of which were accepted and implemented. The team concluded that as far as expenditure relating to the Commonwealth's procurement activities is concerned, the Sub-Treasury can perform its functions as effectively in New York as it would be able to do if it were located in Washington. The Treasury agrees with this conclusion and sees no sound reason for moving the office from New York at the present time. Even if, for other reasons, it were moved, there would be a need to retain Treasury representation in New York because of significant loans management responsibilities which are an important Sub-Treasury function and which could not be effectively handled from another location. Nor has the establishment of a Contract Board in Washington to process defence procurement caused any difficulties in the payment of accounts.

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have directed the Sub-Treasury to make payment to a bank account without a written request from the officer concerned. That clerk should also have been suspicious when informed that deductions in respect of tax only, were to be made, as all members of the Commonwealth Police Force are required to contribute either for a pension under the Superannuation Act or to the Provident Fund. The Clerk, Class 1, who terminated the fraud should not have prepared the ceasing advice without documentary evidence.

54. The circumstances of this case, however, are more far reaching than the actual fraud itself. It is clear from the evidence that the instructions, which we were informed were issued when the Commonwealth Police Force was established in 1957, had been disregarded in important respects. The Department has now laid down the requirements that reconciliations required by Treasury Direction 20/29 (c) must be carried out fortnightly by an officer not engaged in the preparation, checking or authorisation of salary variations. We believe that this requirement should have been laid down in 1957 when the initial instructions were

A new set of instructions covering the preparation of salary variation advices and detailing the method of effecting the reconciliation required under Treasury Direction 20/29 (c), was issued by the Central Office of the Department in July 1968.

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issued to the Commonwealth Police Force and that the Department should have recognised at that time the fundamental dangers inherent in the arrangements that had operated.

55. A further matter requiring comment relates to the circumstances of discovery of the fraud. The evidence shows that the fraud was discovered by chance, by an officer who had no reason to concern himself with the question of whether or not a fraud might be occurring. The initiative and sound judgment of this officer is to be commended. However, the failure of the Department's internal audit staff to report the apparent weaknesses in the system and its failure to report, after the fraud had been discovered, that fortnightly reconciliations were not being made, is a matter for concern, particularly as the quality of departmental audits has a significant bearing on the scope and nature of the audits which must be undertaken by the Auditor-General. In the circumstances, we believe that the Attorney-General's Department should examine the adequacy of its internal audit arrangements without delay. We believe further that the evidence points to a strong need for substantial improvements to be made to the

A number of additional positions have been added to the internal audit establishment of the Department and appointments made to those positions.

A training document, which sets out the procedures to be followed and the instructions to be observed in the

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training provided for officers who are engaged in the pay advice areas of the Department. This should undoubtedly include not only instruction in the processes involved but also an examination of the relevant departmental instructions and Treasury Regulations and Directions.

56. Finally Your Committee desires to comment on the fact that whilst the fraud was discovered on 12 June 1967, it was not until 12 September 1967, after the Auditor-General had reported the fraud to the Parliament and after this Committee had sought a departmental submission on the matter, that the Department issued a new instruction relevant to the preparation of salaries. Even then the instruction was sent to all District Officers except that of New South Wales where the fraud actually occurred. We believe that this instruction should have been sent to that office and that such action should have been taken immediately the fraud was discovered.

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authorisation and payment of salaries, has been prepared and issued by the Department.

The purpose of the circular issued on 12 September 1967 was to ensure that the standing instructions, which had been in operation since 1957, would be observed. Staff in the Sydney Office had been made fully aware of the instructions, and their failure to observe them, during the extensive investigation carried out after the defalcation was discovered.

Particulars of this fraud and two other frauds involving the payment of salaries or wages have been circulated by Treasury to all departments. Departments were requested to examine their procedures for the processing and payment of salaries and wages to determine whether there were any areas where similar fraudulent operations could occur and also to check that procedures were being followed.

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DEPARTMENT OF NATIONAL DEVELOPMENT

72. Your Committee believes that the circumstances of this case and which were reported on by the Auditor-General reflect adversely on the administration of the Department.

Although it is clear that the transfer of the Department's Central Office from Melbourne to Canberra in October 1965 deprived the Department of some experienced staff and added to the burdens of its administration it is also clear that the real course of the difficulties preceded that transfer and are to be found in the introduction of an inadequate system of accounting which was mismanaged.

73. Your Committee finds that the comparatively large number of publication sales made by the Bureau of Mineral Resources was not, in itself, a sufficient reason for the Bureau's accounts being processed through the Central Office of the Department while accounts relating to lesser volumes of sales by other agencies of the Department were processed direct to debtors. Your Committee also finds that the delays that occurred in the raising of debts on behalf of the Bureau were in part due to inadequacies in the Bureau and partly due to inadequacies within the Central Office of the Department.

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74. The evidence shows that the substitution in 1963 of a Debit Advice Note system of accounting for a card system which had operated previously, coupled with the inefficient operation of the newly installed system, were the prime causes of a failure to reconcile individual debtors' balances with control accounts; a failure to maintain an adequate record of Sundry Debtors and a failure to achieve accuracy in debits.

75. Your Committee also believes, on the evidence, that the Department should have maintained an age analysis of outstanding debtors which, we were informed, could have been prepared from the Debit Advice Note system of accounting but was not maintained because the system itself had broken down and lacked adequate supervision. Although the Department had taken action to prepare an age analysis of debtors it was able to supply us with only a sketchy analysis of its oldest debts, and was unable to formulate a debt recovery policy due to a lack of sufficient essential data. Your Committee is also disturbed by the fact that no regular system for the pursuit of debtors had been maintained for some years.

A machine accounting system has replaced the previous system of accounting and an age analysis of debts is now maintained.

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76. The evidence also showed, however, that the Department is making a commendable effort to overcome the basic difficulties with which it has been confronted.

77. A further aspect of the evidence to which we would invite attention is the circumstances relating to credit sales made by the Department. It appears that the Department's policy that, in principle, sales are to be effected on a cash basis, had been the subject of verbal instructions only until July 1967 and even then branches of the Department other than the Bureau of Mineral Resources, were continuing to operate in that fashion. Your Committee regards this as a most unsatisfactory state of affairs and believes that all branches and agencies of the Department engaged in the sale of publications and like material should issue written instructions relating to the administration of their sales.

Written instructions, incorporated in a policy statement on the sale of publications, have been circulated throughout the Department.

78. During our Inquiry we questioned the witness as to the definition of a 'reputable firm' for the purposes of credit sales and were informed that such a firm would be defined as a bookseller who is already recorded with the Department as an accepted agent. We were surprised to learn, however, that

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in the determination of whether a bookseller will be accepted as an agent, the Department makes an assessment of his capacity to represent it but does not inquire into his credit rating although facilities for applying such checks were known to the witness. In view of the declared policy of the Department in relation to cash and credit sales and the administrative difficulties of the past which gave rise to the Auditor-General's comments we believe that an assessment of credit risk should be made of each prospective agent.

The Department has advised that the assessment of credit risk will be made prior to the appointment of any new agents.

79. On the general question of whether or not the Department should continue to arrange its own sale of publications, with all that such a process entails, we believe that the Department's view that purchasers of its material would prefer to acquire their material direct from the Department has not been tested in any practical way. As it seems to Your Committee that considerable benefit could be gained by the Department if it were to avail itself of the distribution facilities of the Government Printer we further believe that this avenue for the release of the Department's publications should be fully explored.

The Department's publications are now obtainable at the Commonwealth book centres in Sydney, Melbourne, Perth and Canberra.

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DEPARTMENT OF THE NAVY

Stores and Store Accounting

90. It appears to Your Committee that while the problems associated with naval stores and store accounting have been a matter for concern to the Auditor-General since at least 1963-64, they began to concern the Department of the Navy at an earlier stage consequent upon the decision of the Government to disband the Fleet Air Arm and dispose of the large range of air stores involved. We believe that much of the loss of experienced staff and associated problems that occurred following that decision might have been averted had the Department taken the staff concerned into its confidence regarding their planned re-employment in other areas of the store section. It appears highly probable that had that staff been retained effectively, the problems associated with the introduction in 1962 of the new machine system would have been kept to a minimum.

91. Your Committee notes with concern the admission in evidence that the Department should have realised the full extent of the impact on its stores system that would be made by the sharp increases that occurred

During 1967-68, the final year of the triennial stocktaking cycle, special measures were taken by the Department to overtake the arrears of stocktaking. The Department has advised that there was a substantial reduction in the error rate of discrepancies investigated, not only for general Naval stores but also for the inventory of the whole Supply Division.

The stocktaking organisation in the Sydney area was reviewed during 1967-68 and an additional eleven positions were created.

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in the inventory range. Although that range increased substantially in 1964 compared with the level in 1963 it was not until early in 1965 that a review of the Supply organisation was commenced and a further twelve months elapsed, during which the inventory range increased still further, before the consequent re-organisation was introduced.

92. At the same time Your Committee would commend the Department for its conscientious efforts in the field of staff training without which, the newly installed system of stock control has little chance of success.

93. Your Committee trusts that the Report of the Auditor-General for 1967-68 will reveal substantial improvements in this area of naval administration.

Destroyers

133. In paragraph 214 of his Report the Auditor-General referred to increases that had occurred in the original provision for shore-based spares and increases in the unit cost estimates of certain spares. In regard to the evidence tendered we are disturbed by the fact that, contrary to departmental policy, some supply divisions or some sections

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of the supply divisions within the Department, which have no technical officers, had relied on their own judgment in assessing the reasonableness of cost estimates for spares rather than seeking technical corroboration of the facts. We believe that although a specific instruction was issued in July 1967 reminding the officers concerned of the need for them to adhere to the prescribed procedures, such action should have been taken earlier and, in any case, the circumstances that gave rise to the need for such an instruction should not have been permitted to occur. As shown in paragraphs 95 to 101 of this Report, Your Committee examined in detail the explanation tendered by the Department in relation to the increase from \$US3,240,000 (\$A2,907,000) to \$US9,136,350 (\$A8,157,000) that occurred in the provision of shore-based spares for Charles F. Adams class destroyers. As shown in paragraphs 102 to 106 of this Report Your Committee also examined in detail the department's explanation as to the factors that gave rise to increases in the unit costs compared with the estimated costs of certain of these spares.

134. In regard to inadequacies in the follow-up of delivery to Australia of spares supplied through the United States Navy it appears that

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delivery problems associated with bulk orders began to emerge early in 1966 at which stage the Department of the Navy had occasion to hasten both the United States Navy and the Consul-General's Office in New York to improve the flow of spares. Your Committee notes with concern that it was not until August 1967 after the Department of the Navy had written to the Consul-General regarding delays and had also forwarded a telegram to the Consul-General on the same matter that a conference of the parties involved was held in New York. The number and nature of the proposals put forward at that conference to improve the flow of spares confirm we believe, that had such a conference been held when the problems began to emerge in the early months of 1966 the frustrations experienced by the Department of the Navy could have been minimised. In the case of the proposal to improve export licences, it appears that the administration of such licences by the Australian authorities in Washington had become lax and had actually impeded the flow of spares. We trust that action will be taken to ensure that this unsatisfactory state of affairs does not recur in that office.

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135. Your Committee believes that as the Department of External Affairs had, for some time, been considering the question of whether or not the procedures operating at the Consul-General's Office in New York were correct, an investigation of this question should have taken place at an earlier stage than mid-1967, particularly in view of the importance of the North America area in Australian defence requirements. As indicated earlier in this Report in relation to accounting arrangements in North America, we look forward to learning, in due course, of the outcome of the inspection made by the Organisation and Methods team that was appointed following a visit by a member of the Public Service Board to North America in May 1967.

136. In regard to the matter of seemingly high charges levied by the freight forwarding contractor in the United States of America the evidence shows that Commonwealth freight has been handled by one organisation - Universal Transcontinental Corporation since 1949 and that the charges levied by that organisation have remained unchanged since the inception of the arrangements. The question of continuity of the contract was

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The Organisation and Methods review of Commonwealth procurement in North America was carried out by a joint Public Service Board/Treasury team. As a result of this review a new shipping section was created in the Consul-General's organisation at New York to control the shipment of goods to Australia. Approval was sought from the U.S. Government to extend the scope of export licences held, in order to assist in overcoming some of the problems of procurement.

The review also resulted in the transfer of the major part of procurement activity in relation to defence stores from the Consul-General's Office to the Australian Embassy in Washington. In addition, a defence procurement contracts board has been established at the Embassy.

The Department of Foreign Affairs has advised that when the contract with Universal Transcontinental Corporation for freight forwarding expired it was not renewed. A new freight forwarding company is now undertaking the Commonwealth's freighting activities in North America and the Consul-General's Office is undertaking the freight forwarding of small parcels. The Service Departments in Australia and the Consul-General's Office in New York have reported improvements in the freight forwarding operation.

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considered in 1958, 1961 and 1967 and on each occasion the Consul-General reached the conclusion that the existing arrangement was advantageous to the Commonwealth and should not be disturbed. Your Committee notes with satisfaction, however, that the inquiry by the Organisation and Methods team appointed in 1967 included the question of rates levied by the Universal Transcontinental Corporation and that, arising directly from our Inquiry, the Department of External Affairs has requested the Consul-General to arrange that, in future, the New York Contracts Board will, each year, consider whether there are grounds for terminating the contract.

137. In connection with delays that had occurred in the processing of billings received from the United States Government in respect of spares, Your Committee is disturbed to find that the procurement section in the Consul-General's Office, New York has given priority to commercial billings over Government billings and that this has resulted in the processing of Government billings being deferred. Although we recognise that Government billings relate to advance payments made previously while commercial billings relate to creditors, we agree with the view expressed by the witness representing the Department

The Organisation and Methods review team found the form of prices and quantities check of U.S. service billings carried out in the Procurement Section to be redundant. Revised procedures include the introduction by the Sub-Treasury of a new form of financial record to control commitments, advances and expenditure on U.S. service orders on the basis of Military Assistance Sales case numbers and not by Consul-General orders. Also the Sub-Treasury makes any payments due on U.S. service billings by way of an advance and forwards billing schedules to departments in Australia for perusal, verification of receipt of goods and, where necessary, subsequent advice to the Sub-Treasury to process adjusting vouchers.

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of External Affairs that Government billings should not be allowed to fall into arrears and accordingly we believe that suitable arrangements should be made to ensure that such arrears are obviated.

138. In regard to billings Your Committee also notes the remarks made by the Treasury Observer, Mr. Pond, that delays occur in the receipt of billings rather than in their processing. We examined this aspect of the matter in our Seventy-eighth Report relating to the Report of the Auditor-General for the financial year 1964-65, while we accepted the explanation then tendered by the Department of the Treasury we indicated that continuing attention should be devoted to the problem of obtaining billings promptly from the United States authorities. It would appear that further attention might be given also to this aspect of billings.

The rate of flow of billings from the United States service departments is kept under constant review.

NORFOLK ISLAND ADMINISTRATION

154. Whilst Your Committee is not unsympathetic to the problems of a small administration with a limited budget and the uncertainties as to the future which would have confronted the Administrator as activity on the

The conclusions have been considered by the Administrator of Norfolk Island who has advised the Department of External Territories that action has been taken on the Committee's conclusions.

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Island increased, it is clear from the evidence that at least some of the matters that attracted Audit criticism preceded the increased activity. For example, accounting instructions had become outmoded and were in need of revision and, notwithstanding the requirements laid down in the existing instructions, trading and profit and loss accounts relating to liquor sales which are required as aids to management, were not being prepared. We believe that these matters should have been detected by the Department's organisation and methods review which was conducted as early as 1964 at the request of the Administrator and that appropriate action should have been taken at that time to correct them.

155. It also appears that the failure to implement the accounting instruction which requires philatelic mail to be opened in the presence of another officer may have preceded the increase in Island activity and should not have occurred. These instances, coupled with the evident need for the Department to point out to the Administrator that existing administrative procedures required improvement within the resources currently available reflect a laxity in administration.

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156. With reference to the combined police and customs functions, the circumstances revealed in evidence indicate that the Administration should have ensured that both elements of this work were adequately implemented.

157. Your Committee also notes that the point made in evidence that the increase in business on the Island between 1962-63 and 1965-66 had not been matched by a corresponding increase in staff, partly because of the difficulty in obtaining additional staff. As the staff was increased from nine to twelve in 1966-67 following the criticisms made by the Audit Inspector in 1966, we find the Administration's reference to difficulties of staff recruitment to be unconvincing.

158. In regard to the circumstances revealed at the liquor store Your Committee would express its dissatisfaction that, notwithstanding that sales of liquor and stocks held had increased substantially, stocktaking had not been carried out on a regular basis, stocks were in a disordered state and some stocks were held under inadequate security.

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159. On many occasions in the past Your Committee has expressed its mind on the importance of the Internal Audit function. Situations where members of Internal Audit staffs are directed to other administrative duties are to be deplored. We also note with concern that, during recent years prior to 1966-67, copies of the Internal Auditor's monthly reports were evidently not being forwarded to the Commonwealth Audit Office.

160. Finally we would comment on the following remark offered in evidence by the Department of Territories in relation to this matter:

"Notwithstanding the unsatisfactory situation brought to light by the Audit report, there is nothing in the report to indicate that it resulted in any loss of funds or administration stores."

161. In this regard Your Committee would invite attention to the facts stated by the Audit Observer that twenty-three bottles of liquor could not be located when the Audit Inspector conducted his stocktake and that imports had been delivered without payment of duty. We would add that, even if losses had not occurred, the weaknesses in

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administration revealed in evidence were of such a kind that considerable losses could have occurred. Your Committee will not accept the proposition that a failure to incur losses justifies the effectiveness of an administrative arrangement.

POSTMASTER-GENERAL'S DEPARTMENT
Losses and Stores

179. Your Committee examined the Postmaster-General's Department in relation to the theft of stores in connection with the Report of the Auditor-General for the financial year 1964-65. In its Report following that Inquiry, Your Committee expressed its appreciation of the necessity for the widely-spread distribution of departmental stock-holding and the concomitant difficulty in providing maximum security measures in every instance. In the circumstances at that time, Your Committee indicated that it was satisfied that the practices adopted within the Department constituted the most reasonable and adequate safe-guards that may be economically provided over the property concerned and commended the Department for its efforts to reduce its losses to a minimum extent.

180. The number and value of losses that have occurred between 1964-65 and 1966-67 are shown in Table No.4.

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Table No.4: Post Office Losses of Stores
(1964-65 to 1966-67)

Year	Numbers of Losses	Value of Losses
1964-65	189	68,766
1965-66	284	62,693
1966-67	356	75,838

Source: Auditor-General's Reports.

181. This table shows that while there has been a sharp increase in the incidence of thefts, and although the value of thefts declined in 1965-66 it rose again in 1966-67.

182. The Auditor-General's Report for 1966-67 and the evidence tendered in this Inquiry showed that the greater part of the losses sustained continued to occur, as they had in 1964-65, in New South Wales. Of those losses, the most significant related to public telephone equipment and were associated mainly with the acts of vandalism itself and/or attempts to steal money from public telephone cabinets.

183. The evidence shows that the Department regards vandalism in a serious light and has employed a number of devices including the full scale examination of the effects of publicity to combat it. Your Committee trusts that the Department will be successful in this regard. So far as other losses are concerned, Your Committee has noted the action taken by the Department to safeguard the property

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under its control and appreciates that absolute protection of that property could be achieved only at a substantial economic cost. At the same time, it is clear that the Department recognises the need, within those economic limits, to minimise losses arising from theft and we trust that it will continue to devote its efforts to achieve that objective.

DEPARTMENT OF SHIPPING AND TRANSPORT

249. Although the causes of the problems that have arisen in relation to the M.V. Noel Buxton had not been determined when Your Committee conducted its Inquiry, there are certain features of the matter on which we would make comment.

250. Whilst we accept that it is not unusual for minor modifications to be made to ship design after the letting of the contract, it is difficult to appreciate why certain amendments that were made at that stage were not effected previously if the detail of the design had been adequate. For example, it would seem that the size of watertight hatches to fit the ships structure, and the size of the funnel necessary to provide convenient access for the removal of equipment from the engine room should have been apparent before final drawings were completed.

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Similarly, we believe that the amount and location of accommodation for the crew and passengers should have been determined firmly at an early stage of planning.

251. Your Committee notes that it is normal practice for calculations and careful checks to be made by the Australian Shipbuilding Board in relation to certain features of design such as speed and stability but that in the case of the M.V. Noel Buxton this procedure was abandoned and instead stability was assessed initially by a comparison made with a number of somewhat similar ships recently completed and for which adequate stability data was available. We believe that events, which subsequently involved considerable re-design and cost, point to the inadvisability on the part of the Board, of abandoning its normal procedures for assessing stability.

252. In regard to the history of the ship in service, Your Committee notes that large-scale modifications arose from the need to achieve stability. Because the causes of failure of the ship in service were under examination at the time of our Inquiry, Your Committee desires that when the factors causing failure have been determined, the Australian Shipbuilding Board should furnish it with a full report on the matter.

An assurance has been given by the Department that present practices in the Hull Design Section do not now permit the deferment of stability calculations.

The Department believes that it may never establish conclusive evidence as to the single factor or combination of factors which caused the failures and, for this reason, the best solution may well be a sharing of responsibility by negotiation and agreement. To this end meetings have been held between representatives of the

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Department and the suppliers of the equipment concerned. At the date of this Minute no definite agreement had been reached.

When the matter is resolved the Department will furnish a report to the Treasury for forwarding to the Committee.

DEPARTMENT OF SUPPLY

272. The evidence submitted in relation to this matter indicates that the arrangements entered into in 1955 whereby, subject to certain conditions, the Army Canteens Service should take over all trading activities of the Woomera Village shopping centre, were embarked upon without formal consultation taking place between the Department of Supply and the Department of the Treasury, notwithstanding that specific approval had been sought and obtained from the Treasurer in 1952 in relation to a different form of arrangement whereby the Woomera Village Store was to be managed by the Woomera Board. Your Committee believes that had the Department of Supply consulted the Department of the Treasury as a prelude to introducing the new arrangements in 1955, the full financial consequences of the change might well have become apparent and appropriate action taken which would have avoided the embarrassments that arose at a later stage in 1964 when the Auditor-General found it necessary to seek legal advice on the manner in which the profits from the store were being transferred to the

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Woomera Village Board.

273. The circumstances of the present case highlight both the need for departments to consult the Department of the Treasury in the formulation of administrative proposals which contain accounting changes, and to seek early legal advice regarding the validity of such proposals.

DEPARTMENT OF WORKS

327. The evidence shows that as at November 1967, estimated expenditure on this project stood at \$5,100,000 compared with the original estimate of \$3,600,000 representing an increase of about 42 percent and that the delay in the completion of the project was in excess of two years.

328. In regard to the problems associated with floor layout and partitioning of the building, it appears that although tenders were invited in March 1963, it was not until some six months later in September 1963 that the Department of Primary Industry advised the Department of Customs and Excise of its changed needs in regard to analytical work and that the design consequences of this changed requirement could not be conveyed to the Department of Works until June 1964. On the evidence it would seem that during the initial design stage of the building there was a lack of proper liaison between those two client departments. As a consequence of this delay

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the Department of Works was unable, due to pressing commitments on defence works, to supply the Contractor with full details of the required changes in floor layout and laboratory design until early 1965.

329. Your Committee notes that it was not until August 1964 that a decision was made that the Department of Shipping and Transport would occupy the remaining floors of the buildings. This decision having been taken we are somewhat concerned at the need for an interdepartmental conference to be held in May 1966 relative to occupancy of the building and the consequences of that conference. We believe that the Department of Customs and Excise should have advised the Department of Works that it would require additional floor space in the building as soon as this need became apparent and that this information should not have been acquired on a hearsay basis by a Department of Works architect. The need to provide additional accommodation for the Department of Customs and Excise clearly involved a large scale accommodation re-arrangement involving several departments and left the Department of the Interior with the problem of locating new tenants for two floors. Circumstances of this nature are disruptive and costly in terms of administrative effort.

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330. In regard to air conditioning of the building Your Committee notes that when the Customs House project was before your Public Works Committee that Committee decided on the recommendation of the Department of Works that air conditioning would not be required. The subsequent decision to install air conditioning however, was made by the Cabinet after representations by the Minister for Customs and Excise and following an earlier Government decision that air conditioning should be installed at stage two of the Melbourne Commonwealth block project.

331. The evidence shows that the principle contract variation originated by the Department of Works related to spandrel panels. Although the panels specified originally had evidently proved satisfactory in use in overseas countries it appears from the evidence that it was not possible for them to be manufactured locally to the required standard. We believe that the inability of the Department of Works to ascertain whether aluminium sandwich panels had been used satisfactorily in Australia should have alerted it to this possibility. Although tests were carried out by the Commonwealth Experimental Building Station both on the originally proposed panels and on panels of revised structure we note with concern that

The delamination of the revised test panels for the Customs House Building, Melbourne, did not occur on initial testing but developed while the test panels were in storage at the Commonwealth Experimental Building Station. When the Department of Works asked the Station to check the panels in storage, the delamination was discovered and the Department was notified immediately.

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the Station evidently did not advise the Department of Works that tests carried out on the latter panels had shown evidence of delamination while under test. Production of these panels commenced and deliveries to the site began in March 1965. At this late stage it was discovered that the panels were delaminating. We believe that the problems experienced with the spandrel panels were such that the Department of Works ought to have taken a decision prior to August 1965 to change the whole design of the panels and to use aluminium plate in lieu of the sandwich type.

332. In regard to other contract variations originated by the Department of Works we consider that proper care should have been exercised to ensure that provision was included in the Bill of Quantities for air-locks for toilets to ensure that a correct provision was made for removable panels. It appears that the Department of Works was aware that in case of other buildings, cracking and damage had occurred to stair treads of the type specified for the Customs House and we believe therefore that this information should have guided the Department during the design stage towards the use of thicker stair treads.

333. It appears from the evidence that, during the the planning stage, insufficient care was taken in the selection of lighting for the

The Department of Works has advised that it is common practice to develop details of special light fittings from prototype units during the construction phase, rather

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building and we note that while strip lighting had been specified, a detailed specification had not been given.

than delay the start of building operations by fully detailing such items before calling tenders.

334. So far as contract variations originated by the Department of Works as construction requirements are concerned, we believe, on the basis of the evidence, that the need to measure the sizes and depths of foundations and the need to provide additional under-pinning to adjoining buildings could not reasonably have been foreseen. In regard to contract variations originated by the Department of Customs and Excise and comprising additional counters, provision for a compactus unit in the basement and increased lighting in document and stationery stores the evidence suggests that the client Department had taken insufficient care during the early stages of the project, in planning its use of the basement area. Although the amount involved in contract variations initiated by other authorities is small, the variation required by the Fire Underwriters Association is of some concern. It appears that the Department of Works submitted plans to the Association and then proceeded to invite tenders prior to receiving a clearance from the Association but

The Department always endeavours to obtain the opinion of the Fire Underwriters' Association before calling tenders where this can be achieved within reasonable time. However, there are occasions when waiting for a clearance would unduly delay building operations. In the case of the Customs House Building, the clearance was not received by the Department until 12 months after the application was lodged.

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being aware at that time, that the Association might request changes to be made in respect of rising water mains and other items in the building. We believe that, in the circumstances, the views of the Association should have been obtained before tenders were invited.

335. There can be little doubt, based on the evidence, that the Department of Works will be required to meet at least some claims put forward by the Contractor and sub-contractors on this project. At the same time, however, it is also evident that some of the costs associated with delays that occurred on the contract, will need to be sustained by the claimants. It appears that during the course of the contract many overlapping claims were made by the Contractor and in some cases, when an extension of time had been sought for one factor, extensions of time had not been sought for other factors that operated concurrently.

336. Finally, we would comment on the evidence tendered in relation to the performance of the Contractor. It was claimed that about one half of the instructions that the Department of Works had found it necessary to issue to the Contractor dealt in some cases with either rectifications or

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faulty work and generally reflected an inadequacy in the management of the contract. This view was re-inforced by the frequency with which sub-contractors had sought information direct from the Department of Works' supervisory staff regarding the co-ordination of work and the need for repeated instructions to be given to the Contractor to clean up the site. A disturbing feature of this aspect of the evidence is that when the Department let the contract it had experienced similar difficulties with the Contractor concerned in relation to work at Monash University in Victoria.

At the time tenders for the Customs House Building were under consideration it was necessary for the Department to make a judgment as to whether the contractor should be passed over having regard to experience on the Monash University work which was a smaller project comprising four three-storey brick buildings. His tender was the lowest submitted and the judgment at the time was that the Monash problems did not constitute sufficient reasons to reject the tender.

CONCLUSIONS

337. In the introduction to this report we stated that the Report of the Auditor-General for 1966-67 had been presented to the Parliament on 17 August 1967. Your Committee expresses its appreciation for the early tabling of the Report and again pays tribute to the Auditor-General and his staff for the effort they have made to achieve that objective.

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338. Our Inquiry into the Auditor-General's Report for 1966-67 concerned eleven departments. In some cases, such as those relating to accounting arrangements in New York and naval procurement problems, the matters examined related to current issues requiring early solution. In regard to the matter of fraud that occurred in the Commonwealth Police Office in Sydney, Your Committee felt that while the immediate problem had been solved the circumstances in which the fraud had occurred should be examined fully and reported on as a guide to departments generally regarding weaknesses in administrative arrangements that permit frauds to occur. In the case of the Stores and Services Trust Account operated by the Postmaster-General's Department on the other hand we felt that, with accounting and procedural changes pending in the Department a useful purpose would be served for the Parliament if we were to obtain a submission relative to the current operations of that Account.

The Stores and Services Trust Account was closed on 16 August 1968. From 1 July 1968 transactions previously recorded through this Trust Account have been financed through the Post Office Trust Account.

339. On the basis of the evidence submitted during this Inquiry Your Committee sees no reason to depart from its practice established in 1959, of critically examining each year the Reports of the Auditor-General and, where the circumstances appear to warrant, of conducting a public examination of matters referred to in those Reports.

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The Treasury has examined the Report and has discussed with the departments and authorities concerned the observations and conclusions of the Committee which have, where necessary been brought to the notice of officers concerned.

DEPARTMENT OF THE ARMY

25. In regard to duplications of payment that occurred involving higher duties allowances, it appears that in some cases Unit Pay Representatives have failed to make adjustments to allowances and in some instances this failure has passed undetected until discovered by Audit during a particular appraisal of the Army accounting records. Your Committee notes with satisfaction that on 23 July 1968 the Department of the Army issued an instruction to draw the attention of Unit Pay Representatives to the need for adjustment of higher duties allowance in each case where a Pay Variation Authority is issued authorising arrears of an increase in pay.

The Department of the Army has advised that action has been taken within the Army Pay Accounts Centre to provide a more effective control over higher duties allowance entitlements. The Department considers that, under the computer system of pay accounting which commenced on 20 June 1969, the possibility of duplicate or overlapping payments of higher duties allowances is greatly reduced, as the allowance is now entered on the "history" section of the pay records and is controlled in the same way as any other continuing entitlement. Furthermore, when calculating the amounts due as arrears of pay to members who have been promoted with retrospective effect, the system provides for automatic adjustment for any payments of higher duties allowance applicable to the period of retrospectivity.

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26. So far as the failures to adjust taxation instalments and statements of taxable income of members are concerned, it appears from the evidence that the errors have arisen wholly within the Army Pay Accounts Centre, Melbourne. In regard to those errors it appears that the Centre comprises mainly staff in the age range of 18 to 22 years and suffers from a high staff turnover. Moreover, since its establishment in 1952 the Centre has expanded rapidly in response to increased Army responsibilities that have occurred since that time. While your Committee is sympathetic to the problems confronting the Army Pay Accounts Centre, the circumstances outlined above highlight the need for supervision within the Centre to be maintained at a high level and for administrative and clerical procedures to be devised with care.

27. The evidence tendered shows that the methods of calculation and recoding of taxation deductions for Army personnel are fraught with a number of difficulties. One of these, to which our attention was attracted in particular, relates

The Department of the Army has advised that following discussions with the Commonwealth Taxation Office it was agreed that both the payment of all Department of the Army group remittances and the reconciliation of the payments with Army group certificate details would be handled

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to the system whereby the Army Pay Accounts Centre is required to deal with eight taxing authorities including the Collector of Taxes in the Territory of Papua/New Guinea. This arrangement was said to have arisen from the fact that members of the Forces are required throughout their Service to lodge their taxation returns with the Taxation Office in the State of their enlistment. This system requires careful analysis of members' taxation liabilities on a State basis throughout the year, and while the total advances made to all taxing authorities during a year may equal the total value of taxation group certificates issued during that year, adjustments on a State basis are usually found to be necessary. In these circumstances we believe that the Department of the Army should explore with the Taxation Department the possibility of devising a simplified arrangement for the processing of taxation.

28. The over-advance of \$1,615,000 to the taxation authorities that occurred in 1967-68 appears to have arisen mainly from a lack of proper liaison during changes that

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occurred in staffing at the Army Pay Accounts Centres. Although the Department maintains a control register relative to advances made to the taxation authorities, the fact that an earlier advance had been made was not discovered by a relieving officer. While action has now been taken to ensure that no advances are made to the Taxation Department without the approval of the Controller, Army Pay Accounts Centre, we believe that this arrangement should have been instituted when the Centre was established. We also believe that when that Centre was established instructions should have been issued to provide for advances to be made to the taxation authorities at regular fortnightly intervals. Your Committee considers that the possibility of such an overpayment occurring should have been foreseen and appropriate preventive action taken.

29. A further aspect of the over-advance of \$1,615,000 under Item 693/1/01 has caused your Committee some concern. An amount of \$125,330,000 was provided for this Item in the Original Estimates for 1967-68 and a further \$1,670,000 was provided for the Item in the Additional Estimates. At the close

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of the year, expenditure on the Item reached \$127,498,943 compared with a total appropriation of \$127,500,000. This very close result was, of course, achieved as a consequence of the over-advance of \$1,615,000. But for the intervention of this factor, the circumstances on the Item would have been that an amount of \$1,670,000 had been obtained in the Additional Estimates of which \$55,000 would have been spent by the close of the financial year. Such a result would almost certainly have attracted the attention of your Committee during its inquiry into expenditure from the Consolidated Revenue Fund for 1967-68.

30. So far as the matter of internal audit is concerned, your Committee notes that in December 1967 the Department sought one position of Internal Auditor and that this was acceptable to the Public Service Board. So far as this position is concerned, your Committee agrees with the views expressed by the Audit Observer, that, to be effective, the duties of the Internal Auditor must be directed primarily towards appraisal and evaluation work for the benefit of departmental management and must include the preparation of reports upon the

The Department has also advised that the Internal Audit staff allocated to the Army Pay Accounts Centre applies a continuous audit to transactions processed through the Centre.

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efficacy of the implementation of procedures. Your Committee would emphasise this requirement, as experience has shown only too frequently that upon appointment, internal audit staff tends to be diverted to areas of work in the general financial administration of departments to the detriment of internal audit,

DEPARTMENT OF EXTERNAL AFFAIRS
(NOW THE DEPARTMENT OF FOREIGN AFFAIRS)

52. The evidence shows that the property at 59 Rue de la Faisanderie was purchased in November 1963, having regard to the fact that fewer suitable properties were coming on the market and that property prices were rising.

53. Your Committee agrees with the views expressed in evidence by the Department of External Affairs that the use of a local architect as the sole architectural adviser when the Commonwealth is making a purchase in another country is unsatisfactory. Your Committee believes, however, that the matter of security in relation to the acquisitions by the Department of Missions in overseas countries is of paramount importance. In this regard the evidence shows that before the

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Rue de la Faisanderie premises were purchased, arrangements were made for the senior Australian Security Intelligence Organisation representative in London to inspect them, and he had expressed the view that the premises could be made acceptably secure with a minimum of expenditure. However, on the admission of the Department of External Affairs and the circumstances relating to security that arose after the premises had been acquired, it is clear that the ASIO officer concerned was not adequately briefed and made fully aware of the special needs of a mission in a foreign country. Indeed, the evidence shows that it was very largely the inability to overcome the security defects of the premises, even if structural alterations were to be made, that led to the conclusion that the building must be regarded as completely unacceptable as a site for an Australian chancellery. Leaving all other considerations aside, it appears to your Committee that had the initial security survey been adequate, the Department would not have proceeded with the acquisition of the building. We would add that we find this aspect of the matter quite remarkable, having regard

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to the experience of the Department in the acquisition of properties in overseas countries.

54. The evidence tendered also shows that the survey that was made of departmental accommodation needs in Paris lacked thoroughness. We would emphasise that such surveys are of considerable importance when they are linked to the possible acquisition of property and should be made with care.

55. We were informed in evidence that, compared with the purchase price of \$578,000, it appeared that, due to a fall that had occurred in property values, the property might realise \$461,425 or as little as \$289,406 if sold as a cleared site, thus involving a substantial loss to the Australian Government and hence the Australian taxpayers. More recently, however, we have been advised by the Department that since a selling campaign commenced on 29 November 1968, the property has been advertised in Paris newspapers and 2,500 descriptive advertising brochures have been distributed by mail. A price has been fixed which, after allowing for a negotiating margin and for sale expenses, would result in recovery by the Commonwealth of the amount paid by it for the building. On 23 January 1969, the Ambassador in Paris reported that

As reported in paragraph 83 of the Auditor-General's Report for 1968-69, the property at 59 Rue de la Faisanderie was sold in March 1969 and realised \$545,356 after payment of agent's commission and associated legal fees totalling \$32,628.

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two organisations of good financial standing were interested in the building and that the agents believed that a firm offer approaching the asking price could be made in the near future. Your Committee trusts that it will prove possible for the building to be sold without loss.

56. Your Committee also notes that an interdepartmental committee comprising officers of the Department of External Affairs, the Public Service Board, the Department of Works and the Department of the Treasury was appointed in 1964 to examine building projects referred to it in connection with overseas posts. This committee had been concerned with the proposed building alterations at 59 Rue de la Faisanderie. Your Committee believes that a useful purpose might be served if the terms of reference of the interdepartmental committee were to be widened to include the acquisition of premises overseas as well as their construction or alteration, and if the membership of the committee were to be widened to include ASIO representation and, for the purposes of property acquisition, a representative of the Property Branch of the Department of the Interior.

The Department of External Affairs (now the Department of Foreign Affairs) has advised that in all cases where premises have been acquired for office purposes since the Committee dealt with the Rue de la Faisanderie premises, the Treasury, the Public Service Board, the Department of Works and the Australian Security Intelligence Organisation have been fully consulted and inspections of the properties have been made by representatives of the Department of Works and ASIO. A working party comprising representatives from the Department, the Department of Works and ASIO has visited various posts in connection with the assessment of properties. The Department has also used reputable property consultants who have first hand knowledge of local property markets.

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57. Finally, the evidence shows that difficulties were experienced by the Department of External Affairs in securing the services of Australian architects during important phases of the Rue de la Faisanderie project. In this regard we note the policy on which the Department of Works was said to be embarking of posting Australian architects overseas to assist with the needs of Commonwealth Missions. Your Committee would welcome a firmly based assurance that the policy envisaged is fully justified.

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The Department of Works has stated that it would not establish overseas offices unless there was a specific need related to a major construction project and that any such offices established would exist only for the construction period of each particular project. Discussions have been held with the Department of Foreign Affairs to consider ways of providing regular technical advice and assistance to overseas Missions generally, including the question of out posting Department of Works technical officers to locations overseas. The Department of Works has also stated that if it is not economical or otherwise practicable to station Commonwealth technical officers at locations where they could conveniently provide technical advice and assistance to Commonwealth Missions, then consideration will be given to the making of formal arrangements with competent overseas consultants to perform the required services.

DEPARTMENT OF HEALTH

68. It appears to your Committee that the main causes of the increase that occurred in sundry debtors related to increases made in fees as from 1 April 1967, and increased hospital admissions consistent with the growth of population in the Territory. It also appears, however, that debt

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recovery procedures that were instituted when the charging of hospital fees commenced in 1955 were inadequate but were not amended until the increased level of debts came under Treasury and Audit notice in 1967-68. In this respect we believe that the Department of Health was remiss in not testing the validity of its debt recovery procedures prior to that time.

69. Your Committee also notes that to assist the Department in the exercise of greater control over the level of outstanding debts, a revision of management returns submitted by the hospitals and Divisional Office in Darwin has been made. In particular, arrangements were made in March 1968 for quarterly statements indicating the number and value of outstanding accounts at each hospital and the Divisional Office in Darwin; an age analysis of these debts and comments on recovery action taken to be submitted to the Department of Health in Canberra as from 1 July 1968. We believe that these returns should have been sought as early as 1955 when the debt recovery procedures were introduced.

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70. So far as the revised procedures for debt recovery by the hospitals are concerned, your Committee notes that where action is required by the Charge Sister of a Ward, most of the difficulties appear to arise when discharges occur during rather than after normal working hours. Difficulties that arise in that area obviously require the close attention of the hospital authorities concerned. The evidence shows that while information is obtained from patients relating to their residential addresses and occupations and the names and address of their employers, no action is taken to verify this information prior to their discharge. While it may not be possible to verify this information in all cases, your Committee believes that some checks could be made without distress to patients. For example, patients could be asked to produce their motor licences when applicable, checks could be made with employers and patients addresses could be checked with electoral authorities.

71. The evidence also indicates that considerable progress has been made in the transferring

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The Department has issued further instructions to Medical Superintendents of the respective Northern Territory hospitals affirming procedures for interviewing patients prior to admission, with a view to facilitating payments and collection of fees. These instructions also referred to the issue of interim accounts to longer term patients and sought the co-operation of medical staff in keeping the incidence of "out of hours" discharges to a minimum. In addition, letters of demand are now forwarded with the final notice of account i.e. fourteen days after the date of the original account. This was introduced with the object of reducing the time interval between the date of account and the date of referral to the Crown Law Office. The Department has also taken action to increase the staffing of the Charging Section of the Darwin Hospital to provide clerical services up to 10.p.m. seven days per week to facilitate collection of fees at the time of discharge.

The Department has advised that the transfer of accumulated debits and credits from hospital ledgers to the

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of hospital debts to the Divisional Office of the Department of Health in Darwin where subsequent recovery action is required to be performed. We note, however, that that office has only one section dealing with sundry debtors and we believe that the Department must be vigilant to ensure that effective recovery is not impeded through lack of adequate facilities in that office.

72. Your Committee also notes that of the \$215,367 outstanding as at 30 June 1968, no less than \$39,557 of the debts concerned were in the hands of the Crown Law Office in Darwin for recovery action. In this area delays arise due to the time involved in court proceedings, the tracing of debtors, issue of summonses, hearing of cases and enforcement of judgments. In regard to these delays your Committee would commend for the consideration of the authorities concerned the practice adopted in South Australia whereby the clerical staffs of the hospitals issue summonses direct against debtors.

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Divisional Office has been completed and firm recovery procedures initiated. In this connection, a review of the staffing, organisation and procedures of the Sundry Debtors Section of the Divisional Office has been carried out by the Department's Organisation and Methods Section. Two additional positions of Field Debt Collectors were created and the occupants took up duty in July and August 1970. The Department confidently expects that the employment of these officers will contribute to the expeditious collection of these debts, particularly in the settled centres of the Territory.

The proposal that staff of the Department of Health should issue summonses was not favoured by the Crown Law Office because departmental officers would not have ready access to the services of legal officers to guide them on the question of law and proper Court procedure and they would have no right of audience before the Court. In addition, Attorney's fees which are recoverable from the debtor where a summons is issued by the Crown Solicitor's Office would not be recoverable if summonses were issued by the Department. The Attorney-General's Department was also not convinced that the issue of summonses by the Department of Health would necessarily speed up the processes of recovery, an

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examination of the matters referred for recovery action to the Crown Law Office, Darwin having shown that generally they were processed with reasonable promptness, usually within a few days. In the circumstances, the Department of Health does not intend to pursue any further the idea that it should issue its own summonses.

Referral of debts to the Crown Law Office for legal recovery action has been expedited. All debts over \$7 incurred by uninsured patients are forwarded immediately to the Crown Law Office after processing at the Divisional Office and a system of follow-up has been devised in conjunction with the Crown Law Office whereby advice is given of the recovery stage reached with each debt.

A revised procedure for the processing of third party claims has been introduced which enables a claim to be made against the insurance company under section 73 of the Northern Territory Motor Vehicles Ordinance.

In regard to workers' compensation cases, the representatives of the insurance companies have agreed to assist the Department to expedite payments. To improve the effectiveness of recovery in this area, the Department has introduced procedures whereby the patient completes a claim form on the employer, which facilitates

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the claim by the employer on the insurance company.

73. Finally, your Committee believes that if the sundry debtor problem of the Northern Territory hospitals is to be contained as the population of the Territory increases, the authorities concerned must keep under close surveillance the operations of the debt recovery procedures that have been evolved and must adjust and refine those procedures without delay should changes in circumstances warrant.

The Department has stated that it is paying close attention to the sundry debtor position at the Northern Territory hospitals.

DEPARTMENT OF THE NAVY

94. The evidence shows that the purchase of a trainer, comprising a computer trailer and a personnel trailer, for use in the training of Tracker aircraft crews was arranged by the Royal Australian Navy in 1965. It was delivered at H.M.A.S. Albatross on 29 November 1967, at a cost of \$2,192,000 and was sited beside a wooden and fibro building which was to be used as a maintenance workshop. It was expected that the equipment concerned would be brought into operation on 12 January 1968, and would provide the Department with financial savings estimated at \$1,000,000 a year for ten years. The computer trailer

The Department of the Navy has advised that subsequent to the fire, limited training was accomplished using the personnel trailer, which contains a fully instrumented model of the cockpit of the aircraft, and this training, coupled with the development of further training aids and devices, produced a valuable interim alternative pending the arrival of the renewed Weapons System Training facility. The Department has stated that although the precise amount of savings through the use of these interim aids is not known, the first Operational Flying School was completed in the time allocated for training and that additional costs over those expected by using the Weapons System Trainer were minimal.

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and the building were destroyed by fire on 25 December 1967. The cost of replacing the computer trailer has been assessed at about \$1,600,000 and replacement is not expected to be made before November 1969. In these circumstances the Department will sustain a loss of expected savings of about \$2,000,000 arising from the failure of the equipment to be placed in service before early 1970. In addition, it is expected that the cost of replacing the building involved will amount to about £70,000. In total, therefore the economic cost of the fire would appear to be not less than some \$3,670,000.

95. Your Committee deplores the decision taken by the Department to install this highly specialised and expensive device beside a temporary wooden and fibro building. We believe that the Department should have provided a permanent building equipped with modern fire protection facilities to serve as a workshop for this equipment. We further believe that, as the Department was aware in 1965 that the trailer would be acquired and installed in 1967,

The Department agrees with the Committee's comment regarding the provision of a special purpose building. Departmental project co-ordination procedures which have been in operation for some time should ensure in the future that lead times for all facilities appropriate to each project are carefully planned.

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it had ample opportunity to provide a building of a suitable standard.

96. Your Committee also notes that it was not until August 1967, some three months prior to the expected delivery date of the trainer, that a proposal was raised to provide a fire alarm and air conditioning monitoring system for the wooden and fibro building, but at the date of the fire alterations to the building were still proceeding and this aspect had not been implemented. Having regard to the unsatisfactory decision to use that building in association with the trainer equipment, we believe that decisions relating to the alteration of the building were not taken soon enough and that the Department should have ensured that a fire alarm and air conditioning monitoring system were installed and operative before the trainer equipment was delivered.

97. Your Committee also notes that a masonite door was installed between the computer trailer and the wooden and fibro building. At a meeting held between officers of the Department of Works and officers of the Department of Navy stationed at Nowra, the Department of Works

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officers had specifically raised the question of whether a fire-proof door was required in that location. The officers of the Department of the Navy, however, had not required such a door to be fitted. Your Committee considers that such a decision represented an error of judgment and believes that a fire-proof door should have been installed, particularly as the masonite door was replacing a metal door.

98. The evidence also suggests that had the door between the wooden and fibro buildings and the computer trailer been closed, the extent of the damage to the equipment in the trailer might have been reduced significantly. The apparent need for this door to be left open to provide easy access to the trailer and to enable staff to take advantage of cool air provided by the air conditioning in the computer trailer reflects a lack of adequate planning in the interests of work efficiency as well as contributing to the fire hazard.

99. Although the Naval Board of Enquiry appointed subsequent to the disaster was unable to specifically determine the actual

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cause of the fire, it formed the opinion that the fire had been caused by the element in an electric urn located in the wooden and fibre building becoming red hot and subsequently burning the box on which it was standing and the fire spread from that point.

100. The urn concerned had been made available for use by civilian contractors' staff who were engaged on 'setting to work' of the weapons system trainer on behalf of the United States manufacturers. The evidence shows, however, that when the urn was installed in the wooden and fibre building it was not located on a fire-resistant base, although in its previous location it had been set up on such a base in accordance with recommendations that had been made by the Commonwealth Fire Board. The liaison officer for the weapons system trainer, who had arranged for the urn to be transferred to the wooden and fibre building, was unaware of the need for a fire-resistant base to be supplied with it. The evidence also shows that hitherto the Fire Board's recommendations had been circulated to the various commands, but there had been

The Department has advised that although Commonwealth Fire Board circulars had been issued to all naval

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no current order from the Naval Board making these recommendations mandatory. Your Committee believes that, as the recommendations of the Fire Board had been circulated to all commands, the liaison officer concerned should have been aware of the need for a fire-resistant base to be used in conjunction with the urn. We also believe that the Naval Board has been remiss in not making this Fire Board recommendation mandatory in naval establishments.

101. Your Committee notes with concern that the components used in the production of the urns at Nowra had been withdrawn from use on naval ships using direct current as there was a recognised danger of their contacts welding. We note also the recommendation made by the Board of Inquiry appointed subsequent to the fire that all hot water urns without a manual re-set device should be withdrawn from service. Your Committee believes that the danger inherent in such urns should have been recognised and manual re-set devices fitted. Moreover, we believe that where equipment of this nature is produced by apprentice mechanics in training, very great care must be

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establishments as received the contents of the circulars had not been made directives in the form of Navy Orders. A Navy Order has now been issued to all naval establishments which sets out the safeguards which must be taken when using electric urns and which makes it clear that they are not to be used unless fitted with an automatic cut out with a manual reset device.

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exercised to ensure their safety in service and to ensure that they incorporate appropriate modern electrical devices.

102. The evidence shows that the importance of the security of the trainer had been recognised by the commanding officer of the Air Station and, in special orders issued on 20 December 1967 relating to night rounds during the Christmas and New Year leave period, the need for particular attention to be given to the weapons system trainer had been emphasised. However, the Naval Board of Enquiry found that some of the rounds carried out prior to the fire had not been made as efficiently as they might have been, due partly to restricted manpower and transportation available during the leave period. Your Committee believes that, in the interests of security generally this lack of facilities should not have been permitted to arise in a Commonwealth defence establishment.

103. It also appears to your Committee that, arising from a misinterpretation of Naval Board instructions, the responsibility for

The Department has also advised that standing instructions have been amended to require Commanding Officers to formulate orders for rounds with special regard to the safety of electrical equipment, including the fire hazard should failure occur. The frequency of rounds is to be governed by the type and function of electrical equipment in operation and the number of remote indicating fire alarms installed. The orders are also to specify the electrical state of buildings which may be left unattended between rounds.

The Department has stated that the amending instruction removes any possibility of misinterpretation by clearly stating that the "responsible officer"

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the internal security of the wooden and fibro building had been placed in error with the civilian technicians who were engaged in work on the weapons system trainer. While we believe that such a misinterpretation should not have occurred, it is clear that the relevant Naval Board instructions, as they were framed at the time of the fire, were insufficiently precise to prevent such a misinterpretation. We believe that, as the relevant instruction was amended on 11 October 1968 so as to remove any doubt as to the meaning of the term 'responsible officer', the Naval Board would agree with this finding.

104. Certain other features of this matter will be dealt with in your Committee's later report relevant to the Commonwealth Fire Board.

SUPERANNUATION BOARD

21. It appears to your Committee that the Superannuation Board entered into 'buy back' investment arrangements in February 1966 and subsequently, arising from amendments that had been made to the Superannuation Act in 1965. These amendments required, inter alia, the accumulation of Funds beyond the

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Board's normal cash flow to enable excess contributions to be refunded to contributors to the Fund and to beneficiaries of the Fund.

122. While it appears that no question has been raised as to the sufficiency or the adequacy of the securities involved in this type of investment and while the funds involved have not been placed in jeopardy, the legal opinion tendered by the Attorney-General's Department indicates that 'buy back' investments cannot be regarded as investments in securities of the Commonwealth or of a State as specified in section 12 (2.) (a) of the Superannuation Act, notwithstanding that a dealing in securities of the Commonwealth or of a State may be involved in such investments. In these circumstances your Committee must conclude that the Board should not have engaged in such investments.

123. Whether the Board should have sought a legal advising before engaging in 'buy back' investments is a question to which your Committee has given careful consideration. In this regard we noted that the Attorney-General's Department Observer did not consider that the Superannation

With regard to the Committee's conclusion that it would have been prudent for the Board to seek an advising before embarking on investments on the 'buy back' type, the Superannation Board has commented that it considered it had grounds for believing that 'buy backs' were investments in Commonwealth securities

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Board should have sought an advising and, as such, an authorised form of investment before entering into these arrangements. On the other hand the evidence shows that on a previous occasion the Board had been making deposits with the official short term money market and that the Auditor-General had queried the practice because at that stage it was held to be beyond the terms of section 12 of the Superannuation Act which, so far as that type of investment was concerned, depended on State Trustee legislation. However, an amendment had been made to the trustee legislation in Western Australia and as a consequence of the general clause in section 12 of the Superannuation Act, the Board was empowered to invest in the short term money market. In view of this earlier experience relative to investments we are inclined to the view that it would have been prudent for the Board to seek an advising before embarking on investments of the 'buy back' type.

124. The evidence submitted also shows that since the early 1960's the Board has been concerned about its inability to obtain the best possible return from investments

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and to arrange adequate diversification of the investment of contributors' funds. In these circumstances the Board raised with the Department of the Treasury in March 1967, the question of a revision of the investment provisions of the Superannuation Act including some extension of its investment powers. Although this has been the subject of discussion between the parties concerned, we were disturbed to learn that, at the time of our inquiry, no decision had been reached on the matter. Having regard to the problems that have confronted the Board in recent years we believe that the Department of the Treasury and the Superannuation Board should make strenuous efforts to resolve the matter satisfactorily.

Whether there should be presented to the Parliament amendments to the Superannuation Act to extend the powers of the Superannuation Board to invest the moneys of the Superannuation Fund is a matter for decision by the Government. The subject is receiving active consideration at the official level.

HIGHER DUTIES ALLOWANCE

131. Your Committee is disturbed by the fact that there has evidently been a wide spread failure on the part of departments to comply with the provisions of Public Service Board General Order 7/A/16. We trust that the action commenced by the Board in its circular of 9 August 1968 to departments will yield positive results in regard to compliance with the General Order, and will also provide information to enable the Board to establish satisfactory uniform procedures in relation to higher duties allowances. We will

The Public Service Board issued a circular on 7 November 1969 to all departments drawing attention to previous shortcomings in the procedures relating to the payment of higher duties allowances and listing procedural checks that could be adopted. The circular (P.S.B. Memorandum 1969/7) also drew attention to the Committee's comments regarding the breakdown in training or instruction of officers engaged in the calculation and checking of higher duties entitlements and requested departments to ensure that leave and salary clerks are fully instructed on procedures and their responsibility to apply accurately the provisions of General Order 7/A/16.

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appreciate advice in due course,
of the outcome of the Board's
inquiries in this matter.

132. The evidence taken also
suggests that there may have been
some breakdown in departments in the
training or instruction of comparatively
junior officers who are engaged in the
calculation and checking of higher
duties entitlements. We trust that
all department will examine this aspect
of their operations without delay.

CONCLUSIONS

133. Your Committee's inquiry
this year covered eight matters to
which the Auditor-General had referred
in his Report. One of these, however,
related to Subscriber Trunk Dialling
facilities, a matter with which we
have been concerned in the context
of some of our more generalised
departmental inquiries. Because of
this wider area of interest and the
considerable importance of these
facilities, we felt that we should
report separately on this matter and
accordingly a report on these
facilities will be presented to the
Parliament shortly. Arising from
the hearings into the fire that
occurred at the Naval establishment
at Nowra, New South Wales, on 25
December 1967, we also had occasion
to examine the arrangements of the
Commonwealth Fire Board. The specific

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evidence tendered led us to the conclusion that a separate report should be submitted to the Parliament on that matter.

134. Your Committee's conclusion relative to the matters included in this Report are set out as follows:

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Department of External AffairsPage 19
Department of HealthPage 25
Department of the NavyPage 33
Superannuation BoardPage 42
Higher Duties AllowancePage 45

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The Treasury has examined the Report and has discussed with the departments and authorities concerned the observations and conclusions of the Committee which have, where necessary, been brought to the notice of the officers concerned.

35. The evidence shows that since 1909 the Commonwealth, to the greatest extent possible has acted as its own insurer for all property under its control. Directions issued by the Department of the Treasury require departments, in accepting insurable risks on behalf of the Commonwealth, to ensure, among other things, that there is a saving to the Commonwealth by accepting the risks and avoiding the cost of premiums which would otherwise be payable directly or indirectly from Commonwealth Funds. A further obligation rests on departments to ensure that any such property is under effective Commonwealth control and all safeguards, including fire protection, are exercised against the occurrence of risks for which the Commonwealth is acting as its own insurer.

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36. When this policy was adopted a Fire Board was appointed, at first on a temporary basis but permanently as from 1919. From that year until 1928 the Board experienced difficulties in defining its aims and functions. However, the evidence shows that, due to a large reduction that occurred in Commonwealth building activity in 1930, the Board was abolished. Although an attempt was made in 1941 to re-establish the Board, the exigencies of the war prevented its re-establishment until 1946.

37. It appears to Your Committee that, upon establishment, the purposes of the Fire Board should have been enunciated clearly. It also appears that, as the Commonwealth had acquired property to a considerable value by 1930, the disbandment of the Fire Board in that year, on the ground that Commonwealth building activity had declined, was not justified.

Adequacy and Effectiveness Surveys

38. The evidence shows that since its re-establishment in 1946, the Fire Board has relied to a large extent upon the delegation of its work, particularly to the Department of Works which has a responsibility

The Department of Works has advised that the Objectives, Methods and Administrative Arrangements of the Commonwealth Fire Board have been revised. The revised Methods provide for random inspections of the results of surveys

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for the maintenance of Commonwealth property. In this capacity the Department arranges for its fire protection officers to make Adequacy and Effectiveness Surveys of Commonwealth property. We were disturbed to learn, however, that the reports arising from these surveys are not forwarded as a matter of course to the Fire Board and that, indeed, that Board has had access to very few of these survey reports. Your Committee believes that all Adequacy and Effectiveness Survey reports prepared by the Department of Works should, as a matter of course, be forwarded to the Commonwealth Fire Board.

Interstate Inspections

39. Your Committee notes that, since 1965, the Fire Board has engaged in inter-State visits to improve its liaison with State fire-fighting authorities and to carry out inspections of Commonwealth buildings. Your Committee believes that, rather than rely mainly on the advice from Directors of Works in the States visited as to the inspections that should be made, the Fire Board should wholly develop its own programme of inspections, based at least in part on Adequacy and Effectiveness Reports that it has received. Its inspections should be designed to ensure that all Commonwealth

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undertaken by the departments and authorities responsible for the maintenance of installed fire fighting and protection facilities. The Department considers that it would be too time-consuming and, in many cases, unproductive for all Adequacy and Effectiveness Survey reports prepared by the Department of Works and similar reports prepared by other departments and authorities to be referred to the Commonwealth Fire Board.

The Department of Works has advised that the number of Commonwealth buildings throughout Australia approximates 52,000 with an approximate yearly increase of 500. The Department considers therefore that as the Commonwealth Fire Board is part-time and advisory it is completely impossible for the Board to inspect on a regular and effective basis all Commonwealth property.

The Department of Works with its fire protection officers undertakes inspections of the property of Commonwealth Departments and the Fire

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property is inspected on a regular and effective basis. Your Committee envisages that such a programme would include the re-inspection, as required, of property where the Fire Board had previously discovered sub-standard fire protection features. Your Committee also believes that, while the Fire Board maintains its present form and relationship with the Department of Works, details of its proposed programme of inter-state inspections should be submitted annually to the Finance Officer of that Department to serve as the basis of a properly constituted estimate of travel for the Board.

Fire Board Reports

40. While copies of reports prepared by the Fire Board are currently supplied to the Director of Works in a State visited by the Board and are also supplied to departments occupying inspected buildings, Your Committee believes that, as a matter of course, such reports should be forwarded also to the Property Branch of the Department of the Interior in the State concerned.

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Board undertakes random inspections when it meets in Melbourne and during its interstate visits. In this way, the fire protection of Commonwealth property is kept under review. If the Fire Board inspected all Commonwealth property on a regular and effective basis, a considerable staff of inspectors would be required and this would also mean a duplication of the work carried out by the Department.

The Commonwealth Fire Board now submits annually to the Finance Section of the Department of Works its estimated administrative expenses, including travelling expenses.

The Department has stated that the Commonwealth Fire Board will, when defective fire protection features have been observed, forward copies of its reports to the local State Branch of the Department of the Interior in those cases where it is the landlord.

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41. We were informed that during its inspections the Board may peruse plans being prepared for new buildings and check that the proposed fire precautions are satisfactory. We were disturbed to learn, however, that the Fire Board has not always taken the opportunity provided to peruse plans of proposed buildings. Your Committee is of the opinion that such a position is not consistent with the 1946 Charter of the Fire Board, which included the words 'to supervise requirements of the Commonwealth in regard to fire fighting principles and appliances and to ensure uniform application of approved methods throughout Commonwealth departments.'

Commonwealth Statutory Authorities

42. Your Committee notes that the Fire Board inspected the television studios of the Australian Broadcasting Commission in Sydney in March 1966. However, as the Commission is not a Commonwealth department, the Fire Board felt reluctant to make formal recommendations regarding the studios. As the Fire Board was evidently competent to inspect the studios, Your Committee

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Paragraph 3(iii) of the revised Methods of the Commonwealth Fire Board provide for "random examination of the protection proposed in new constructions".

Commonwealth Statutory Authorities do not stand in the same position in relation to the Commonwealth Fire Board as departments. Subject to whatever restraints may be imposed in their constituting legislation in relation to particular matters, Statutory Authorities are free to conduct their affairs in whatever manner they think will best enable them to discharge the responsibilities with which they are charged. This extends

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believes that it should have offered a formal report to the Commission for its guidance. However, the fact that this reluctance existed points to a strong need for the role of the Board in relation to properties occupied by Commonwealth Statutory Authorities to be clarified.

to arrangements made for the protection of property and staff against fire. At the same time, it is desirable that the services of the Commonwealth Fire Board should be available to any Statutory Authority that seeks its assistance and the revised Objectives, Methods and administrative Arrangements allow for this.

Treasury Direction 33/11

43. Treasury Direction 33/11 specifies that departments shall report the occurrence of fires on Commonwealth property to the Fire Board and itemises eight matters that shall be included in such reports. Your Committee is disturbed by the fact that while the Chairman of the Fire Board receives all departmental reports relating to fires, these reports are made available to other members of the Board at the Chairman's discretion. Also, decisions are taken by the Chairman as to whether additional information should be sought from departments. We were informed that this procedure has been adopted because the Fire Board is concerned with the principles of fire protection and with the adequacy and effectiveness of fire precautions, fire detection, and extinguishing equipment. Your Committee believes

Since May 1969, all members of the Fire Board review each departmental fire report where the value of damage is stated as exceeding \$1,000 and also any fire of an unusual nature, and decide corporately on any further action required in these cases.

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that because of these factors and because Treasury Direction 33/11 states that departments shall report the occurrence of fires on Commonwealth property to the Fire Board, the members of the Board itself should have access to each departmental report and should decide, corporately, on any further action that is required in each case.

44. So far as the report by the Department of the Navy relative to the fire at Nowra is concerned, it is clear that, in accordanced with the requirements on Treasury Direction 33/11, the department should have furnished the Fire Board with details of the value of the loss incurred as soon as that loss had been assessed. We also believe that the Fire Board should have specifically sought that information from the Department prior to 30 June 1968. We further believe that it would have been appropriate for the Chairman of the Fire Board, when he discovered from other sources the value of the loss incurred in the Nowra fire, to have sought confirmation of the figure involved from the Department of the Navy for inclusion in the Fire Board's report for 1967-68.

The Department of the Navy has advised that the report to the Fire Board in January 1968 stated that the damage was "undeclared" as the amount of the financial loss had not been assessed. The Department agrees that a follow-up report, should have been made when the estimated damage was assessed. Action has been taken to ensure that follow-up reports will be made in any similar cases in future.

The Department of Works has stated that the Commonwealth Fire Board now follows up all reports received whether these are direct or indirect, and all information noted from sources such as the press.

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45. Your Committee's examination of the annual reports of the Fire Board shows that these reports relate each year to information reported by departments in that year rather than to the fires that occurred in that year. While the basis on which the annual reports have been compiled is stated clearly, Your Committee doubts the value of reports compiled in that manner. In one instance, for example, we discovered that the number of fires shown as having been reported during the financial year 1964-65 included an appreciable number that had, in fact, occurred in 1963-64 but which had not been reported to the Fire Board until the following year. Your Committee believes that the annual reports of the Board would serve a useful purpose if they related to the fires that occurred each year even if this involved the amendment, in a later report, of figures reported for an earlier year. We consider, that where the Board finds at the time of preparation of its annual report, it has not received all of the statistical detail relevant to fires that occurred in that year, it should either report that the details are not yet available or should publish such details as it has in its possession and indicate that they are subject to revision.

The Commonwealth Fire Board is now preparing statistics on the basis of fires occurring during a financial year. The Board's Annual Report for 1968-69 was compiled on this basis.

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46. The reports of the Fire Board have not been furnished to the Minister for presentation to the Parliament. We were informed that so far, there has been no procedure or requirement for this to be done. In this regard we note that when the Fire Board was established initially, one of its duties included the obligation to report to the Minister. As the Commonwealth, to the greatest extent possible, acts as its own insurer for all property under its control, Your Committee is strongly of the opinion that the annual reports of the Fire Board which relate to a major cause of loss of Commonwealth property, should be made available through the Minister to the Parliament. Your Committee rejects the view put forward in evidence that as the Board is purely advisory in nature, it might be somewhat improper if portions of the reports, which are in a degree, critical of the administration of Commonwealth departments, were to be given wide publicity.

47. In this Report Your Committee has made several recommendations which, on the evidence, it believes would improve greatly the effectiveness of the Fire Board in the Public interest.

The Annual Report of the Board will in future be submitted to the Minister for Works, for distribution to members of both Houses of Parliament, heads of Commonwealth departments, authorities or instrumentalities, and other interested organisations and persons.

Action has been taken to reconstitute the Board and copies of the Objectives, Methods and Administrative Arrangements applicable to the Commonwealth Fire Board are attached as Annexures A, B

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However, we have noted that under its present arrangements the Board lacks any form of Statutory Authority. The absence of such authority was referred to by the Chairman of the Board in the context of the Board's incapacity to ensure that advice which it gives to departments is acted upon. In these circumstances Your Committee believes that if the need for such an advisory fire body exists, consideration should be given to the re-constitution of the Board, with clearly stated responsibilities, including that of reporting to the Minister and to the Parliament.

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and C respectively. The three procedural statements have been concurred in by the Commonwealth Fire Board and approved by the Minister for Works.

ANNEXURE A

COMMONWEALTH FIRE BOARD

OBJECTIVES

1. To ascertain as to whether, in Commonwealth owned or occupied property, staff and employees, the public, property, services and goods are protected against the occurrence and results of fire by effective and efficient means, consistent with sound community practices and the cost of maintaining these standards.
2. To advocate uniformity of practices and standardisation in fire protection, as appropriate, throughout Commonwealth Departments.
3. To encourage a consciousness in Commonwealth staff and employees of the importance of fire protection for lives, property, services and goods.
4. To act as a source of advice to Commonwealth Departments on fire protection matters giving, where appropriate, due consideration to the responsibility of the Commonwealth Department of Works for the "Design, Construction and Maintenance" of Commonwealth works.
5. In relation to fire protection matters, on request of Commonwealth Authorities/Instrumentalities, carry out inspections and act as a source of advice.
6. To advise Commonwealth Departments where it is considered that deficiencies in fire protection exist.
7. Assemble and distribute, with its concurrence, information on fire matters prepared by any Organisation.
8. To report to the Minister for Works annually on the extent to which these aims are being achieved.

MELBOURNE

Revised
October, 1971.

ANNEXURE B

COMMONWEALTH FIRE BOARD

METHODS

1. To review reports on all fires which occur in property owned or occupied by Commonwealth Departments.
2. To inspect and advise upon arrangements which exist for regular surveys of fire protection methods and practices.
3. To examine the extent to which individual Commonwealth Departments are achieving the objectives of the Board by it undertaking:-
 - (i) random inspections of fire protection facilities and their serviceability in Commonwealth properties.
 - (ii) random examination of standing instructions on action to be taken in the event of fire.
 - (iii) random examination of the protection proposed in new constructions.
 - (iv) receipt of reports of all fires in Commonwealth owned or occupied property.
 - (v) random inspections of the results of surveys undertaken by Commonwealth Departments responsible for the maintenance of installed fire fighting and protection facilities.
4. Advice to Commonwealth Departments and to Authorities/Instrumentalities, of the results of inspections and analyses of reports received.
5. Maintain liaison with Fire Fighting Authorities, the prime objective being standardisation and uniformity of practices.
6. To distribute information and advice on fire protection matters to Commonwealth Departments and other interested bodies.
7. To issue an Annual Report on its activities to the Commonwealth Minister for Works.

MELBOURNE

Revised
October, 1971.

ADMINISTRATIVE ARRANGEMENTS

APPLICABLE TO COMMONWEALTH FIRE BOARD

1. Responsibility

The Commonwealth Fire Board will be responsible to the Minister for Works through the Director-General of Works.

2. Executive Officer

The Chairman shall be the Executive Officer of the Board. He shall be full time on Commonwealth Fire Board duties.

3. Annual Reports

The Commonwealth Fire Board will, through the Director-General of Works, report to the Minister for Works annually on the activities of the Board in achieving its objectives.

Following acceptance by the Minister, Annual Reports of the Board will be distributed to members of both Houses of Parliament, Heads of Departments, Authorities and Instrumentalities, other organisations and persons who would be interested.

4. Membership

The Commonwealth Fire Board Members shall be:-

A Chairman, a Senior Professional Officer of the Commonwealth Public Service, whose selection shall be concurred in by the Minister for Works.

A Member representing the Commonwealth Department of Works (to be nominated by the Director-General of Works).

A Member representing the Defence Group of Departments (to be nominated by the Secretary, Department of Defence).

A Member representing Civil Departments (to be a nomination agreed to by the Departments of P.M.G., Civil Aviation, and Interior).

A Member who is a Senior Officer of a Capital City Fire Brigade or Fire Fighting Organisation.

A Member who represents the Fire Research Section of the Commonwealth Experimental Building Station.

The foregoing five (5) Members shall be appointed by the Minister for Works.

These five (5) Members shall be appointed for a period of three (3) years except in respect of the first appointments when the

Defence Department Member
Fire Brigade Member
Commonwealth Experimental Building Station Member

then shall hold office for a period of four (4) years and subsequent appointments to these offices to be for a period of three (3) years.

When a matter of importance is to be considered by the Board it may request the attendance at the discussion of a representative of any Department, Authority/Instrumentality likely to be affected.

The Board may also arrange for advice from within or without Departments, Authorities and Instrumentalities.

5. Meetings

The Board shall meet as frequently as it considers necessary but at no greater intervals than two months.

All Members shall have equal voting rights.

In the event of a deadlock the Chairman shall have a casting vote.

A quorum at a meeting shall consist of four Members.

In the absence of the Chairman Members present at a meeting shall decide on one to act as Chairman of the meeting until the Chairman attends.

Each Member, if he is unable to attend, shall arrange for a deputy to be present at the meeting.

The Secretary will attend and carry out all administrative matters associated with Meetings of the Board. He shall not be a Member of the Board.

6. Secretariat

The Commonwealth Department of Works will provide a Secretariat to the Commonwealth Fire Board including accommodation, a secretary, other administrative assistance as required, office requisites, telephone services, stationery and any other like administrative expenses.

7. Financial Arrangements

The salary and allowances of the Chairman and Officers of the Secretariat, emoluments (as approved by the Higher Salaries Committee of Cabinet), general administrative expenses and the like to be debited to the appropriation approved by Parliament for the Department of Works. The cost of fares and travelling allowances for the Fire Brigade Member should be debited in a like manner.

The Commonwealth Fire Board will submit annually to the Director-General of Works its estimated cost of general administrative expenses.

The salaries, allowances and general expenses of Members of other Commonwealth Departments shall be met from funds appropriated to their own organisations.

The Director-General of Works will cause to be kept sufficient accounting records, on a sectional costing basis, to disclose the actual annual costs of the Commonwealth Fire Board, as distinct from the cost of the operations of the Department of Works.

8. Treasury Direction 33/11

The Commonwealth Fire Board shall arrange for and review under the abovementioned Treasury Direction reports of fires where the value of damage is stated to be in excess of \$1,000 and decide corporately on any further action required in these cases. Similar action is to be taken for fires of unusual circumstances irrespective of value and any other fires considered by the Chairman warranting attention by the Board.

9. Emergency Decision

When an urgent decision is required the Chairman of the Board will call an emergency meeting, but if this cannot be arranged he shall obtain the agreement of the majority of the Members by telephone or personal visit or discussion and act on the decision reached. He shall, as soon as possible, circulate the decision in writing and submit the matter for confirmation at the next Meeting of the Board.

10. Minutes of Meetings of the Board

The Secretary of the Commonwealth Fire Board shall maintain a written record of all matters discussed and decided at Meetings of the Board.

A copy of the Minutes of all Meetings of the Board shall be submitted to the Director-General of Works as soon as practicable after the date of issue.

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Chapter 5 - Treasury Minute on the One Hundred and Thirteenth Report relating to the Report of the Auditor-General, Financial Year 1968-69.

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The Treasury has examined the Report and has discussed with the departments concerned the observations and conclusions of the Committee which have, where necessary, been brought to the notice of the officers concerned.

DEPARTMENT OF THE ARMY
Purchase of Utility Trucks in Australia

22. The evidence shows that during 1968-69, payments were made prior to delivery in respect of 200 utility trucks valued at \$620,405; 45, 2½ ton trucks valued at \$181,920; 16 tractor type trucks valued at \$419,533 and 3 wheel type tractors valued at \$109,763. In all, the payments concerned amounted to \$1,340,621.

23. Your Committee regards in a most serious light, the nature of these transactions and the motives that were said to have inspired them.

24. The persons involved in the irregularities were an Army Officer of the rank of Colonel, three Lieutenant-Colonels, a Major, a Lieutenant, two Sergeants and a Private together with five civilian officers, two of whom were of senior status. We note with great concern that the more senior

The Department has advised that charges were preferred against two of the senior military personnel involved; one was dealt with by the Commanding Officer and one by General Court Martial. In both cases the charges were dismissed.

The Department has also advised

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officers in this group were aware of the fact that they were committing irregularities and we trust that appropriate action will be taken in these cases by the authorities concerned.

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that the established facts indicated that the other military personnel involved were acting on the instructions of their superiors; accordingly, these members were not charged, but have been orally reprovved.

Six civilian officers concerned were charged under the Public Service Act with having acted improperly. Three of these officers were reprimanded; no disciplinary action was taken against the other three because they had followed directions given by their superiors.

25. So far as the motives underlying these irregularities are concerned, your Committee accepts that there will always be pressure within the Army and indeed within all departments to obtain equipment as quickly as possible, to ensure that claims are submitted promptly by contractors and that payment against these claims is paid correctly with minimum delay after the stores concerned have been delivered. While the Department claimed in evidence that it had not made any suggestion or issued any instruction that any irregularity should be engaged in with a view to achieving expenditure in the year of Appropriation, we find it somewhat remarkable that several senior Army and civilian officers of the Department should have misinterpreted the relevant requirements. If those requirements are capable of ready misinterpretation, then it appears to your Committee that they require urgent review.

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26. We note from the evidence that the Court of Inquiry took the view that no loss had actually been suffered by the Commonwealth and it found no evidence that there had been any intent to defraud the Commonwealth. It further indicated that there was insufficient evidence to suggest that collusion in the sense of an intention to defraud, existed in the occurrence. In this regard your Committee can only observe that several senior officers had successfully acted in concert to achieve an improper purpose. Moreover, they had acted in a manner which, with different motives, could have resulted in a large scale fraud with substantial loss to the Commonwealth.

27. Based on the findings of the Court of Inquiry we believe that the Department should examine, as a matter of urgency, the records maintained at its stores depots and that matters relating to progress payments made under contract should be examined in the offices of paying authorities.

The methods of exercising control over authorisations and expenditure were thoroughly examined by the Department and it was found that only minor variations to the system were required. Subsequent examination of the system in operation has proved it to be satisfactory.

The Court of Inquiry indicated in its findings that it had found nothing to suggest that the system and method of control of stores was inadequate if administered responsibly. This conclusion was confirmed within the Department by a comprehensive independent review of the systems of control

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and by Internal Audit examinations at the end of the financial years 1969-70 and 1970-71 which showed that the systems are adequate and are being operated efficiently.

An examination was also made of the procedures currently followed for control of progress payments under contract arrangements. A further instruction has been issued emphasising the responsibilities of Certifying Officers and claims examiners and introducing more specific procedures for the recording, control and adjustment of advance and progress payments.

28. The Court of Inquiry indicated that while it had taken no specific evidence in relation to initial checking and audit requirements, there was no evidence to indicate that there were any inadequacies in these areas. Nevertheless, your Committee is strongly of the opinion that the Department should examine these areas of its administration at the earliest opportunity.

The Department examined the internal checking and Army audit procedures and programmes and concluded that a normal audit system could not be expected to discover and prevent an irregularity where several officers have combined to falsify a series of documents. However, arrangements have been made for special internal audit reviews of payments for stores and supplies at the end of a financial year, with a view to detecting any future cases of this nature.

29. Finally, your Committee would report with concern, that the present case is not the first to come to its attention, in which an unacceptable course of action has been pursued to ensure the expenditure of funds in the year of Appropriation.

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30. In our examination of Expenditure from the Consolidated Revenue Fund, 1967-68, the evidence showed that the Department of Civil Aviation had arranged for the variation of contracts to achieve that objective. In that case we expressed the view that our Reports and the relevant Treasury Circular 1967/G3 were directed to the problems that arise where claims for work performed and services rendered are not obtained and paid promptly. Accordingly, we were unable to reach the conclusion that the Treasury Circular concerned in that case either intended or sought to encourage the varying of contracts to ensure the expenditure of appropriated funds.

The Treasury Minute on the Committee's Eighty-fourth Report forwarded to the Committee in June, 1971, advised that Treasury Circular 1967/G3 had been withdrawn and new guidelines for the payment of accounts had been issued to departments.

Purchase of Amplifiers in United States of America

57. From the evidence submitted it appears to your Committee that, due to the urgency of the requirement an order for 170 amplifiers was placed on a United States manufacturer in May 1967 and a further order was placed in January 1968.

58. When the first order was placed it was known that the United States Army had placed a limited period contract on the same manufacturer for the same type of equipment. As the Australian Army does not undertake a great amount of designing and research work on equipment

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of this nature in Australia it relies to a considerable extent upon the development work carried out in the United States and was therefore guided by the fact that the United States Army had placed such a contract.

59. During 1967 the Australian Army was aware, through informal advices that the United States Army was experiencing problems with the design of the equipment and that modifications had been introduced into the specifications relating to that contract. Although, evidently, the United States Army accepted the equipment later in that year, your Committee believes that the Australian Army should have been alerted when it was discovered that difficulties were being experienced by the United States Army.

60. In April 1968 the Australian Army became aware, again through informal advices, that the United States Army had suspended all action on the amplifiers while it re-evaluated another equipment. Due to a breakdown in signals however, this information was not conveyed to the appropriate technical staff. Your Committee takes a most serious view of the failure of a signal to reach its proper destination. But for this failure, the

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Army may well have avoided taking delivery of the amplifiers.

61. Following a visit by AAS(W) to the United States manufacturer late in June 1968 it was reported that the 370 amplifiers concerned had been built to the specifications called for in the Australian Army contract and incorporated all modifications sought by the United States Army. The report also indicated, however, that the amplifiers concerned were intended for use in a manpack role only. We believe that this limitation should have prompted the Department of the Army to a closer examination of the matter rather than make a decision to expedite deliveries to Australia.

62. Your Committee notes with concern that, evidently due to a further failure in communication, Army Headquarters in Australia was not made aware that unusual stipulations had been applied by the American authorities to the export licence covering 170 of the sets.

63. It appears that the manufacturer shipped the remaining 200 sets to the Freight Forwarder in New York before obtaining formal inspection certification on the invoices, allegedly in error. The error was not known to AAS(W) until it was discovered by ACG Procurement Section after payment had been made to the manufacturer. The evidence shows that the inspection documents should have been

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provided with the claim for payment but the staff in the Army Office in Washington were not aware that the documents had not been provided until they were informed of this fact by the ACG(New York). At that stage it was too late for the sets to be returned to the manufacturer as they had been shipped to Australia. Your Committee believes that this situation should not have been permitted to arise and that it reflects adversely on the Australian Consul-General's Office in New York.

64. In this regard your Committee notes that in its Ninety-eighth Report it commented critically on the location and administration of the Australian Consul-General's Office in New York in connection with accounting arrangements in North America and the purchase of destroyers by the Department of the Navy. Your Committee also notes that, following a comprehensive study by representatives of the Public Service Board and the Department of the Treasury a decision has been taken with effect from 1 July 1968 to close the ACG Defence Procurement Sections in New York and transfer all responsibilities for procurement to the Australian Embassy in Washington where they will be under the control of a separate Contract Board. This change in

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4) arrangements should overcome the problems that have arisen in the past in that area.

v) 65. A technical evaluation made of the amplifiers subsequent to their arrival in Australia indicated a number of unsatisfactory features which have been set out in this Report. Apart from those matters, your Committee notes with considerable concern the fact that the equipment is not considered to be of a standard desired for the military communications equipments, due primarily to its poor mechanical design and the departure from the current policy requirement for plug-in assemblies, repair accessibility and minimum down-time.

66. After taking into account the estimated cost of \$307,000 for the development of a modification kit to enable the amplifiers to be used in a vehicular role and the further action contemplated by the Department and submitted in confidence, your Committee, recognising that commercial alternatives should not be disclosed, believes that the Department should pursue to the fullest extent possible the proposed course of action set out as the first alternative in its confidential submission.

The proposed course of action set out as the first alternative in its confidential submission on the purchase of amplifiers, is being pursued by the Department.

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67. Finally, your Committee believes that a major cause of the failure of the amplifiers to meet the Australian Army's requirement has arisen primarily from the fact that the equipment was not classified 'Standard A' by the United States Army when it was ordered but was classified 'Limited Production'. While we recognise that instances will always arise where the urgency of a requirement justifies the acquisition of items that have not been classified 'Standard A'. Your Committee believes that special arrangements should be introduced in the Department of the Army to provide review procedures additional to those already in operation, to meet the needs of such cases.

DEPARTMENT OF THE NAVY
Interim Search and Rescue Craft

90. There are several features of the evidence in this case to which your Committee would invite attention.

91. In 1963 the Department of the Navy acquired two craft from the Department of Air for use in the SAR role off Jervis Bay in New South Wales. Following a cursory inspection in October-November 1964 of the four craft involved a replacement inspection carried out in February

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The Department has issued instructions which specify that where in special circumstances an Australian order is placed for an item of United States equipment not classified 'Standard A', the order shall be kept under close and constant scrutiny to ensure that any change in status of the equipment or developments which might affect a decision to continue with production is immediately brought to the notice of higher authority.

The Department has advised that surveys of the two craft acquired from the Department of Air in 1963 were carried out in the latter part of 1962. They revealed that generally the craft were in poor condition but, with appropriate repairs, which were subsequently undertaken, they would be acceptable

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1965 showed that two of the craft were unfit for operational service and had been in that condition for an unknown period of time; the third craft had a life expectancy of two years and the fourth craft a life expectancy of 11 years. Your Committee believes that the Department of the Navy should have inspected thoroughly the craft concerned before acquiring them from the Department of Air, particularly when it was known that they had been used by that Department in the SAR role and were twenty years old at the time of acquisition. While we recognise that each of those boats should have been assessed in relation to its particular condition at that time, nevertheless the expert evidence tendered indicated that, under normal operating conditions, the average life expectancy of a boat used for SAR work is about fifteen years. We believe that a proper inspection made at that time may have resulted in the non-acquisition of the two boats. The acquisition of these boats, in the circumstances at that time, suggests strongly that forward planning on the part of the Navy in relation to the SAR role had been inadequate.

for use in the SAR role.

The Department realised at the time the order was placed that considerable modifications would be necessary to fit the two Bertram craft for the interim SAR role. Although, as it transpired, performance of the craft after modification for the interim SAR role was below expectations they were used for secondary functions at Jervis Bay and continue, with a long useful life ahead, to be used in their permanent role as harbour boats. It remains the Department's view that the purchase of the two boats was the correct decision on the grounds of both need and economy.

92. Your Committee also notes that the decision to acquire the two 38-ft Bertram craft was influenced in large part by the fact that a United States

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company had supplied the United States Navy with boats of a similar hull form and construction to those contemplated. While those craft were being used in an armed patrol role they had not been used in an SAR role. Your Committee believes that this was an inadequate basis for assessment, particularly in view of the report made by the Naval Architect subsequent to the delivery of the first boat.

93. While your Committee takes cognisance of the fact that the 2 Bertram craft were required to perform in an interim SAR role only, pending the acquisition of new patrol boats, the fact remains that they were required to be adequate for SAR work including rescuing from the sea, people who were possibly injured and return them to safety. The boats therefore were required to provide a reasonably soft ride and not expose passengers to unnecessary stresses. The report of the Naval Architect, however, based on the trials referred to, showed that the boat produced the usual feeling of discomfort experienced with any planing boat at high speed in a seaway. The report also indicated that, fully loaded and fitted out for SAR duties, the boat would achieve only the minimum speed required for the SAR role; it was insufficiently robust in certain important

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respects, for SAR work; substantial additions and alterations would need to be made to the craft but these would have an adverse affect on its speed. The report also indicated that its full power endurance was estimated at only 170 miles which appeared hardly adequate if the boat was to operate, as planned, 60 miles offshore.

94. On the basis of that report, your Committee believes that the two boats that were acquired were unsatisfactory for use as SAR craft, even in an interim role. Your Committee accepts the view of the Naval Architect, however, that the boats were well fitted for their role as a pleasure craft which was the purpose for which they were primarily designed. In this regard, we have noted the report made in April 1968 by the Commanding Officer of H.M.A.S. Creswell in which he referred to considerations that had evidently been taken into account prior to the acquisition of the boats. These included the fact that, at that time, the naval officer in charge at Jervis Bay had no suitable, presentable craft for the various local requirements involving the transport of important personages and visitors to and from ships of the fleet or public relations cruises in the Bay. The advent of the Bertram craft had overcome these problems, however, and had

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created a favourable impression regarding the modernisation of the Navy.

95. The evidence shows that following protracted delays connected with their modification for the SAR role the boats went into service at Jervis Bay in November 1967. One boat was returned to Garden Island in June 1968 and the other in November 1968 for duty as harbour personnel boats, a patrol boat having been allocated to Jervis Bay in October 1968. In these circumstances it appears that one boat fulfilled its function as an SAR craft for only about six months and the other for about twelve months, after extensive modifications had been made to them for work in that role. The evidence also shows that, subsequent to the return of the boats to Garden Island for harbour duties, their service in that role has been limited due to breakdowns, mainly to failure of a gearbox but also including damage to propellers and steering box and injector failures. In this regard your Committee is unable to accept the claim made in evidence that a failure of a gearbox is not related to the failure of the boat in which it is installed.

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96. Your Committee is also disturbed by the statement made in evidence that if the Navy were to require craft purely for harbour personnel duties, which is in fact the purpose for which these craft are now being used, it would not require expensive craft of this type. This indicates that not only were these craft inadequate for interim use in the SAR role but also they are inappropriate for the long-term harbour duty role which was also contemplated when they were acquired.

97. Your Committee regards the circumstances surrounding this matter as most unsatisfactory and believes that the Department of the Navy has a clear responsibility to ensure that they are not repeated in other areas of its administration.

The Department is mindful of its responsibility to ensure that equipment ordered to meet service requirements is properly evaluated and that progress towards completion of supply is monitored throughout. Procedures in this respect are being continually improved.

DEPARTMENT OF SOCIAL SERVICES

113. From the evidence submitted it appears to your Committee that the decision taken by the Department of the Treasury in March 1961 to retain the existing bank accounts under the new Drawing Account arrangements operative from 1 July 1961 and based on a reconciliation of those bank accounts as at 30 June 1961 was an unwise decision. While the accounts concerned were known to be correct as at that date, they had not been reconciled insofar as proving the amounts

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of outstanding cheques was concerned.

114. The evidence shows that investigations carried out early in 1969 by the Department of Social Services revealed no evidence of unauthorised or irregular drawing of cheques from the Sydney and Melbourne Drawing Accounts nor any weakness in procedures providing for strict control over the custody and issue of cheques. While we note that these aspects were subject to intensive, continuous internal audit checking throughout the years in which the accounts operated, other evidence suggests that over those years there were, in some areas of the Department's accounting operations inadequate standards of performance. The evidence indicates that following the introduction of the new Drawing Account arrangements the onerous work of dissecting the large volume of paid cheques was not perfectly performed, with the result that insufficient funds were paid into the Drawing Accounts. Also, the same factors which affected the Suspense Account in respect of cheques issued prior to 1 July 1961 affected the Drawing Accounts when cheques were issued after that date. These errors included failure to reimburse the Drawing Accounts for cheques issued under Suspense Account procedures; mistakes in repaying to Revenue, cheques listed as stale and omission to adjust the Drawing

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Account when original and duplicate cheques were both paid. It also appears that occasionally, prior attention to the matter of recovery of the amount of dual payment resulted in Drawing Account adjustments being overlooked. Although these accounting errors have not resulted in a loss of Commonwealth moneys your Committee believes that they do not reflect creditably upon the Department's past financial administration.

While acknowledging the imperfections of the systems then in force for accounting for unrepresented cheques, duplicate cheque issues and stale cheques, the Department of Social Services considers that it achieved a commendably high standard of performance when viewed in the light of the immense volume of transactions continuously processed over a long period of time.

115. Your Committee notes with satisfaction, however, that the problem of reconciliation of the high volume Drawing Accounts has been virtually overcome and that new accounts operating under recently introduced computer methods are fully reconciled.

CONCLUSIONS

116. Due to the pending dissolution of the House of Representatives your Committee's Inquiry this year covered only four matters involving three departments and constitutes one of the smallest of the inquiries conducted by your Committee in this important area of its work. The evidence taken during the Inquiry, however, relates to matters of considerable importance in terms of the responsibilities vested in your Committee under the Public Accounts Committee Act.

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117. Your Committee's conclusions relative to the matters included in this Report are set out as follows:

Department of the Army

Purchase of Utility Trucks in Australia Page 7

Purchase of Amplifiers in the United States of America Page 18

Department of the Navy

Interim Search and Rescue Craft Page 27

Department of Social Services

Deficiencies in Drawing Accounts..... Page 35

118. Your Committee's decision to inquire into only four items on this occasion has inhibited inquiry into a range of matters referred to in the Auditor-General's Report that would, in other circumstances, have led to public examination. Your Committee would therefore refer its successor Committee to other matters mentioned in that Report, for evaluation in the context of further public inquiry.

Chapter 6 - Treasury Minute on the One Hundred and
Twenty-eighth Report relating to the
Australian Tourist Commission.

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One Hundred and Twenty-Eighth Report
(6 May 1971)

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(1 March 1972)

The Treasury has examined the Report and has discussed with the departments and authorities concerned the observations and conclusions of the Committee which have, where necessary, been brought to the notice of the officers concerned.

198. The evidence taken in this Inquiry has served to highlight the importance of Tourism as an International industry and as an activity of very great importance to Australia through its contribution to the earning of overseas exchange, the generation of additional income within the Australian community and as an instrument of goodwill and understanding. The information supplied to us in this regard has been set out in Chapter 2 of this Report.

199. The evidence also shows that in 1929 the Commonwealth Government became actively involved in international tourism when it arranged for the inauguration of the Australian National Travel Association as a national, non-profit organisation responsible for the promotion of travel to Australia. Membership of that Association comprised Commonwealth and State Governments;

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Government instrumentalities and industries related to tourism. From the outset the Association directed its attention to the presentation of a national image to overseas tourists and, since 1934, has produced and published the magazine "Walkabout" as a major aspect of its work. In 1954 the Commonwealth and State Governments pledged substantial financial support for the Association. By 1965-66 the Commonwealth contribution amounted to \$462,000 a year together with a dollar for dollar subsidy to match contributions received by the Association from non-Commonwealth Government sources. In that year the Association was responsible among other facets of its work, for launching in North America the first fully integrated marketing programme entitled "Destination South Pacific".

200. By 1964, however, the Australian National Travel Association recognised the need for a new style of tourist organisation with the support of tourist interests and the Commonwealth and State Governments. Prominent business consultants were appointed to study Australia's tourist industry, and its future requirements. The consultants, who reported in October 1965, recommended that a much stronger and more formal organisation was required

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in the improvement and development of tourism in Australia. Following these recommendations the Association approached the Commonwealth Government in April 1966 to establish a statutory authority with sufficient autonomy and finance to carry out Australia's tourism promotion overseas.

201. The evidence shows that it was from this background that the Government announced its intention in November 1966 to form the Australian Tourist Commission. The Australian Tourist Commission Bill was introduced into the Parliament on 6 April 1967 and was assented to on 23 May of that year.

202. In examining the affairs of the Australian Tourist Commission we have borne in mind that the Commission had been in operation for a period of only three years when our inquiry began. For this reason, many of the problems that have confronted the Commission in the past have been mainly developmental in character.

203. We note from the evidence that, from the outset, the Commission has been conscious of the need to develop a professional marketing organisation in its structure, to integrate that organisation with proper and adequate financial controls and to build an

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organisation to develop Australian tourist facilities for projection to overseas markets. Your Committee would congratulate the Commission on this approach to its task and for its initiative in seeking, at the earliest opportunity, the services of management consultants to provide assistance and guidance in these areas.

Powers of the Commission.

204. So far as the Australian Tourist Commission Act is concerned the evidence shows that when our inquiry commenced, the Commission had not tested fully the extent of the wide powers conferred on it. The view was expressed, however, that, in the light of its experience, some amendments of the Commission's functions may be required under the Act if the Commission were to become actively involved in the development of tourist facilities in Australia. Your Committee believes that the Commission should explore the extent of its existing powers under the Australian Tourist Commission Act and should discuss with the Minister at the earliest opportunity any variations that it considers should be made to those powers to increase its effectiveness.

The Commission acknowledges that its active involvement in the development of tourist facilities in Australia may require revision of its functions and powers as presently defined in the Act. However, the Commission considers that the kind of revision required can only be determined when the precise nature of the Commission's role in the developmental area has been agreed at official and Ministerial level. In this latter respect, the Commission is in continuing consultation with the Minister-in-Charge of Tourist Activities and the Department of Trade and Industry. Consistent with the observations of the Committee, appropriate account will be taken of the legislative consequences and requirements in the drafting of specific proposals in the developmental area.

Staff Rules

205. We note from the evidence that while the Australian Tourist Commission Act provides specifically that the terms and conditions of employment of persons employed

A first draft of the Commission's Staff Rules was prepared in September 1967, and following consideration by the Commission, was submitted to the Public Service Board in June 1968. Due to staffing and

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by the Commission are such as are determined by the Commission with the approval of the Public Service Board, staff rules relating to conditions of employment were not determined by the Commission until January 1971. The evidence also shows that prior to that date, the Commission had been operating under staff rules approved by the Public Service Board for the Housing Loans Insurance Corporation. Your Committee believes that the Commission should have evolved its own staff rules at an earlier stage in its development.

organisational problems within the Commission, discussions on this draft did not take place until January 1969, following which it was necessary to subject the draft to comprehensive revision so as to ensure that the Rules reflected the suggestions and requirements of the Board. Following the completion of this task and further discussions with the Board, the Commission approved a final draft at its 41st Meeting on 19 January 1971. The Public Service Board gave its formal approval on 16 March 1971 and the Rules are now fully operative.

Annual Report - Staffing Information

206. During our examination of the Commission's Annual Reports to the Parliament we noted that in each year from 1966-67 to 1968-69 the Commission provided detailed information of its executive staff located in Australia and overseas. It was not until 1969-70, however, as a direct result of our inquiry, that the Commission provided any information in its Annual Reports relating to its total staff employed. Your Committee notes with satisfaction the assurance given in evidence, that staff details similar to those provided by the National Capital Development Commission in its Annual Reports can be provided in the Annual Reports of the Commission for years subsequent to 1969-70.

A section related to staffing statistics has been included in the Commission's Annual Report for 1970-71 and, subject to possible review of its format and content, it is expected that this section will be included in all future reports. In addition, the sections in the 1970-71 Annual Report entitled "Marketing Activities" and "Development and Research Activities include information on Divisional staff resources.

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Bad Debts Policy

207. In relation to the Commission's finances the evidence indicates that while the Commission has always taken action to pursue outstanding debts prior to write-off, it was not until as recently as April 1971 that it developed a clear policy in relation to bad debts. Your Committee believes that such a policy should have been evolved at a much earlier stage in the Commission's development.

The Commission has advised that until the matter was raised by the Committee, policy on bad debts was handled as a management responsibility and levels of authority for writing off bad debts were written into the Commission's Manual of Delegations, issued early in 1968. A paper consolidating policy and procedures relating to delinquent and bad debts was approved by the Commission in April 1971. Management now submits at quarterly intervals, for the approval of the Commission, a statement setting out the status of debtors' accounts and write-off action proposed or taken.

Asset Inventories

208. It appears from the evidence that each office of the Commission maintains an inventory of assets. At some overseas offices the Auditor-General's Office has conducted checks on inventories as part of its normal inspections. In those overseas offices that have not been so inspected, however, the Commission relies on inventories prepared by its own staff in the offices concerned. Your Committee believes that this arrangement requires urgent examination and that inventory checks at all overseas offices should be designed by the Commission's internal audit organisation.

The Commission's Finance Branch is currently preparing standard forms and procedures on inventory control. Provision will be made in these procedures for periodic checks by other than the local branch staffs who are responsible for inventory maintenance and the review of these checks will be included in the duties of the Internal Auditor.

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Internal Audit

209. The evidence shows that prior to July 1970 the internal audit of the Commission's accounts was spasmodic due to staffing problems and was less thorough than the Commission desired. As part of a recent re-organisation, this work has been allocated to the Budget Control Officer who is required to report to the Director of Finance and Administration. As recently as April 1971, however, no internal audit reports had evidently been prepared although the Director of Operations and his staff had undertaken a check of the bona fides of a number of overseas accounts and has performed an arithmetical and accounting check on all overseas accounts.

210. Your Committee accepts the definition of Internal Audit adopted by the Public Service Board and expressed in the following terms in its Circular 1968/20:-

"Internal Auditing is an independent, post-operative, appraisal function performed within a department as a service to management. It covers the revenue, expenditure, stores, personnel and related operations of a department and also any financial, accounting and supply activities arising from particular functions of a department".

Your Committee believes that this description of the Internal Audit function applies equally to Statutory Authorities. In paragraph 310 of his

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Report for 1969-70, the Auditor-General indicated that the extent to which his office is able to dispense with all or any part of a detailed audit is influenced in each case by the effectiveness of the system of internal control of which internal audit is an integral part. In these circumstances we believe that a high priority should be accorded the introduction of an effective Internal Audit organisation within the Commission's administration. As Internal Audit is intended to provide a service to management Your Committee also believes that arrangements should be made for the Commission's Chief Internal Auditor to report direct to the General Manager of the Commission and not to the Director of Finance and Administration as is provided at present.

At its 48th Meeting on 20 September 1971, the Commission determined the creation of a position of Internal Auditor at the Commonwealth Public Service Class 6 classification. This position has since been approved by the Public Service Board pursuant to section 19 (2a) of the Australian Tourist Commission Act 1967 and the position has been staffed. The Internal Auditor is responsible direct to the General Manager.

Accounting Arrangements

211. The evidence shows that the accounting system established originally by the Commission contained a number of defects which were reported by the Auditor-General to the Commission late in 1968. It was not until September 1969, however, that the Commission appointed management consultants specifically to examine the problems involved. In view of the nature of the weaknesses that had been disclosed by the audit reviews Your Committee believes that the

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Commission should have taken action more promptly to review its accounting system.

Budgeting Arrangements

212. Your Committee would congratulate the Commission on its approach to project budgeting, a system implemented as from 1 July 1970. It is clear that this system was introduced following careful examination by the Commission of the activities of the Canadian Government Tourist Organisation in relation to programme budgeting and the concepts adopted by that organisation. While the introduction of project budgeting by the Commission has given rise to additional work in the Commission's overseas offices the Commission has taken the view that this has been justified by the improved control achieved over its expenditure.

Commonwealth Contributions

213. During our Inquiry we questioned witnesses carefully on the matter of a formula for Commonwealth contributions that had been recommended by the management consultants Harris, Kerr, Forster and Stanton Robbins. We were disturbed to find that while the Commission evidently appreciates the nature of the limitations imposed on the Department of the Treasury in allocating funds for the Tourist industry, it adhered to the principle that a formula should be determined for allocating Commonwealth contributions. On this

The Commission agrees that a

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matter we would observe that while in years of increasing tourist activity a formula of the nature recommended by the management consultants might result in larger Commonwealth contributions than would otherwise be made available, the application of such a formula in years of restricted or declining tourist activity might well result in reduced Commonwealth contributions. As a consequence this situation might inhibit the Commission in the exercise of its responsibilities in circumstances where a more intensive effort is, in fact, required.

major difficulty with any formula arrangements relating the annual Commonwealth budgetary allocation directly to movements in total tourist receipts would be the reduced allocation in years of restricted or declining tourist activity which is when more intensive marketing and related activity may be required. The Commission does not propose to pursue the adoption of this formula arrangement.

Market Research

214. A further matter to which we would refer is market research, a term described in evidence as something of a misnomer as it includes economic research and developmental studies. While the evidence indicated that such market research as has been carried out in the past has been costed in detail it does not appear that the Commission has examined this facet of its work in terms of the increase in its costs. As the Commission is evidently anxious to develop a body of market research expertise in Australia we believe that the costs associated with such a development should be kept under close surveillance.

The Commission has confirmed that it is anxious to develop this kind of expertise in Australia but has given an assurance that it will closely scrutinise the associated costs.

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Use of Telephones

215. Finally we would refer to the controls maintained by the Commission over the use of telephones. It appears from the evidence that administrative controls have been exercised through the recording and analysis of trunk call bookings and through staff circulars issued in December 1968, March 1969 and May, August and September, 1970. The evidence also shows that the Commission has recently introduced a telex service for its use in Australia. It was claimed that this facility appeared to have reduced considerably the number of telephone trunk calls made by the Commission's staff. In general the evidence reflected an awareness on the part of the Commission and its management of the need to retain telephone costs at minimum levels.

The Committee's One Hundred and seventh and One hundred and twenty-sixth Reports have been studied by senior officers of the Commission. Staff circulars on the use of telephones and telex have been restated and re-issued and the Commission's management will continue to exercise periodical administrative and financial checks to ensure that the cost of these facilities is kept under close surveillance.

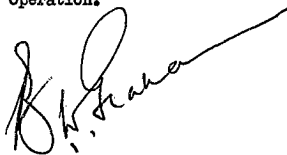
Chapter 7 - Observations of the Committee

In relation to the Treasury Minute on the One Hundred and Sixth Report, the Committee has noted the views expressed by the Department of Works in relation to adequacy and effectiveness surveys, and also to interstate inspections of Commonwealth buildings by the Fire Board. The Committee has also noted the action taken to reconstitute the Fire Board and has examined the objectives, methods and administrative arrangements determined for the Board with effect from October 1971. In view of this comparatively recent re-organisation the Committee will examine the Annual Reports of the Fire Board, which in future will be presented to the Parliament, to enable it to assess the effectiveness of the new arrangements in operation.

For and on behalf of the Committee,



David N. Reid
Secretary
Joint Committee of Public Accounts,
Parliament House,
Canberra. A.C.T.
27 April, 1972.



B.W. Graham
Chairman

