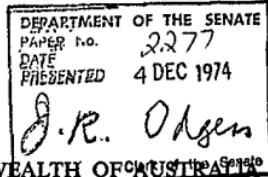


1974



JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
FIFTY-FIRST REPORT

PAYMENT OF ACCOUNTS

JOINT COMMITTEE OF PUBLIC ACCOUNTS

TENTH COMMITTEE

SENATOR R.E. McAULIFFE (Chairman)
B.W. GRAHAM, Esquire, M.P. (Vice-Chairman)

Senator D.J. GRIMES

F.W. COLLARD, Esquire, M.P.

Senator M.G.C. GUILFOYLE

D.M. CONNOLLY, Esquire, M.P.

S.A. LUSHER, Esquire, M.P.

V.J. MARTIN, Esquire, M.P.

P.F. MORRIS, Esquire, M.P.

L.J. REYNOLDS, Esquire, M.P.

The members from both the House of Representatives and the Senate were appointed on 16 July 1974.

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 the 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.

ONE HUNDRED AND FIFTY-FIRST REPORT

PAYMENT OF ACCOUNTS

CONTENTS

<u>CHAPTER</u>		<u>PAGE</u>
1	Introduction	5
2	Department of the Treasury	8
3	Department of the Capital Territory	23
4	Department of the Media	30
5	Department of the Northern Territory	41
6	Postmaster-General's Department	46
7	Department of Supply	54
8	General Conclusions	68

<u>APPENDICES</u>		
A	Treasury Direction 6/22A	70
B	Commonwealth Departments - Sundry Debtors as at 28 February 1973	71
C	Commonwealth Departments - Sundry Debtors as at 30 June 1973	72
D	Australian Government Departments - Telephone Debtors as at 31 August 1972	73
E	Treasury Direction 23/6	74
F	Commonwealth Departments - Sundry Debtors as at 29 July 1973	75

CHAPTER 1
INTRODUCTION

This inquiry arose from the Committee's surveillance of Treasury Circular Memorandum No. 1972/8, issued on 2 May 1972, relating to the prompt payment of accounts. The circular indicated that the Department of the Treasury was concerned that some departments were taking more than a reasonable time in which to process payments to creditors.

2. As the Committee has always been disturbed by failures on the part of departments to pay accounts promptly, the Committee resolved to conduct an inquiry into the payment of accounts with particular reference to departments which in the normal course of their operations are involved in debt recovery from other departments for whom they provide goods or services.
3. For the purpose of the Inquiry we obtained submissions from the then Departments of the Interior, Postmaster-General's, Environment, Aborigines and the Arts and Supply.
4. On 8 March 1973 the Departments of the Capital Territory, Media, Northern Territory, Postmaster-General's and Supply were advised that the Committee would be proceeding to public inquiry, and these Departments were requested to provide up-dated and revised submissions to account, *inter alia*, for variations flowing from the changes made in the Administrative Arrangements Orders of 19 and 20 December 1972.
5. The Departments of the Capital Territory and the Media provided amended submissions, and the Departments of the Northern Territory, Postmaster-General's and Supply took the view that to amend the submissions would not add significantly to the information already provided to the Committee. The Department of the Treasury provided two submissions, the first detailing the representations received from Australian Government creditors and related information, and the second giving details of the steps to be followed by departments in the payment of traders' accounts.

6. The statements received were made the subject of a public inquiry held at Parliament House, Canberra, on Wednesday, 1 August 1973.

7. The following witnesses were sworn or made an affirmation and were examined by the Committee during the public inquiry.

Department of the Treasury

Mr D.J. Hill	-	First Assistant Secretary, Accounting and Supply Division
Mr E.J. Donnelly	-	Chief Finance Officer, Accounting and Supply Division

Department of the Capital Territory

Mr D.M. Lalor	-	Acting Assistant Secretary, (Finance and Supply)
Mr R.W. Pratley	-	Finance Officer, Finance Branch
Mr N.K. Gladwin	-	Accountant, Transport Section
Mr N.A. Simpson	-	Manager, Transport Section

Department of the Media

Mr N.M. Boyle	-	Assistant Controller, Australian Government Publishing Service
Mr T.W. Coppin	-	Director, Management Services, Australian Government Publishing Service
Mr L.A. MacDonald	-	Assistant Secretary, Planning and Finance, Head Office
Mr M.T. Woodcock	-	Finance Officer, Australian Government Publishing Service

Department of the Northern Territory

Mr W.J.F. Hull	-	Acting Controller of Finance
----------------	---	------------------------------

Postmaster-General's Department

Mr T.V. Cain	-	Acting Deputy Assistant Director-General (Accounting) Management Services Division, Central Administration
Mr K.R. Fraser	-	Assistant Chief Accountant (Revenue), Finance and Accounting Branch, N.S.W.

Department of Supply

Mr K. McKnown	-	Assistant Secretary (Finance)
Mr L.K. McHugh	-	Assistant Manager (Administration) Government Clothing Factory, Coburg, Victoria
Mr D.A. Drew	-	Acting Assistant Director (Finance) Stores and Transport Branch

8. During our inquiry we were assisted by the following
Observers:

Mr R.G. Parker	-	Auditor-General's Office
Mr A.K. Ragless		
Mr D.J. Barratt-Eyles	-	Public Service Board
Mr M.R. Sexton		
Mr G.S. Davidson	-	Department of the Treasury
Mr J.I. Maunder		
Mr J.J. Ravenscroft		

CHAPTER 2

DEPARTMENT OF THE TREASURY

9. The Department of the Treasury informed the Committee that between 11 March 1971 and 24 May 1973 its Accounting and Supply Division had received approximately forty-four miscellaneous representations from Australian Government creditors seeking settlement of overdue accounts, after approaches made through normal departmental channels had been unsuccessful. The Committee was also informed that at times the Treasury is also made aware of undue delays in the settlements of accounts by criticism in the press and through the Treasurer's Office.

Exhibit
151/2 and
Qs. 3, 88
and 89

10. The reasons given by departments to the Treasury for delays in the payment of such accounts varied, and included staff shortages, holidays, difficulties in reconciliation, original claims not received, receipt of goods not recorded, documents misplaced, lack of details on claims, variations due to rise-fall conditions, freight charges and for some delays no explanations were received.

Exhibit
151/2

11. The Departmental witness pointed out that in relation to the volume of accounts paid each year by the Australian Government forty-four queries in twenty-six months are not many. However, the witness believed that a number of suppliers were reluctant to complain to the Treasury as they appeared to be under the impression that this could possibly affect their relationships with other departments.

Q. 89

12. In a memorandum to the Committee dated 28 July 1972 the Treasury stated that:

Committee
File 1972/4

"Although it cannot be advanced as evidence the fact remains that from time to time one hears criticism from businessmen about departmental delays in paying their accounts. We are convinced that most of these never reach the stage where a complaint is made to the Treasury although no doubt the departments concerned deal with complaints made to them."

13. As a result of complaints of delays in the payment of accounts made to the Treasury and surveys conducted by the Treasury, the Treasury has issued several Circulars drawing the attention of departments to the requirements concerning prompt settlement of accounts. However, the Committee was told that improper circulation of these Treasury Circulars within a number of departments, has detracted from the effectiveness of the Circulars. Mr Hill, the First Assistant Secretary, Accounting and Supply Division, was of the opinion that there had been no material improvement in the payments of outstanding accounts as a result of these Circulars, but he thought that a better effect was obtained if a direct personal approach was made at a senior level.

Qs. 28, 29
and 35 to
39

14. The Treasury in its submission stated that departments should take the following general steps in the payment of traders' accounts in accordance with the relevant Treasury Regulations (Reg) and Treasury Directions (T.D.).

Exhibit
151/1

"1. All claims for payment are endorsed with the date and time of receipt by the department.

T.D.
18/7(a)

Claimants are encouraged to submit claims on the prescribed Treasury Form 12 and every assistance is afforded for this to be done. However, a claim is not rejected merely because it is not made on the prescribed form. Where a claimant submits only an invoice or statement, a covering Form 12 is prepared in the department and the invoice or statement is attached.

Reg. 55
T.D.
18/7(a)

Where a claimant prepares his own Form 12, the examining officer ensures that adequate details are shown to enable proper departmental check.

T.D.
18/7(c)

2. Details of each claim are entered in a Register of Accounts and at the same time given a registration number.

Reg. 56A

This procedure enables a duplicate claim, if made, to be recognised and also assists departments in answering queries by claimants as to unpaid claims. Similarly, departments regularly peruse the Register of Accounts and follow up to ascertain reasons for undue delay in payment of claims.

T.D. 18/78

3.	A check is made by the examining officer that there is a properly approved Requisition for Supplies and which the Authorizing Officer has signed that sufficient funds are available. The serial number of the Requisition is recorded on the Form 12 and a record of each claim is made on the Requisition.	Reg. 46-50 T.D. 31/6
	Requisitions and Purchase Orders are not required for recurring expenditure, such as quarterly electricity accounts and telephone accounts. Expenditure of this nature is controlled through the Register of Commitments.	Reg. 52B(3) T.D. 31/10
4.	The rates of charge made by the claimant are compared with the approved Requisition or appropriate contract.	T.D. 31/6
5.	Where appropriate, a check is made that discount has been allowed. In these cases the claims receive preferential treatment.	T.D. 18/7C
6.	Acknowledgement of delivery of supplies or satisfactory performance of works or services is made by the receiving officer on the duplicate copy of the relevant Purchase Order.	Reg. 52B T.D. 31/12
7.	The person incurring the expense, or the person appointed for that purpose by the Minister administering the department concerned, signs a certificate on the Form 12 as to the correctness of the account in regard to rates of charge and faithful performance of the services charged.	T.D. 18/9-10
8.	The claim is submitted to a check for arithmetical accuracy	

9.	During the examination of the claim for payment the duplicate copy of the Purchase Order containing the acknowledgement is attached to the Form 12, to support the payment. A record of the claim is made on the Purchase Order.	T.D. 31/17 Reg. 52B(3)
10.	A check is made that all necessary vouchers in support of the claim are attached to the Form 12 - for example, travel and freight warrants. A detailed check is made from the claim to the supporting sub-vouchers.	Reg. 45(i)(a)
11.	A check is made to ensure that the head of expenditure to which the account will be charged is shown correctly. A check is also made of any internal costing.	Reg. 45(i)(e) T.D. 18/21
12.	The final action in the examination process is for all vouchers supporting the Form 12 to be marked in such a way as to provide a means of detecting the re-presentation of any document in support of another claim.	T.D. 18/13
13.	The Certifying Officer gives a certificate on the Form 12 that the account is correct, and forwards it to the Authorizing Officer.	Reg. 65
14.	The Authorizing Officer checks that the account has been certified and that sufficient funds are available under the appropriate heads of expenditure. To enable this to be done the Authorizing Officer maintains in an appropriation ledger a record of all amounts authorized for payment, together with details of Warrant Authority for Expenditure in respect of Revenue and Loan appropriations, and credits available in respect of Trust Funds and Trust Accounts.	Reg. 67, 92 T.D. 17/1-3 Reg. 84 T.D. 37/10
15.	Accounts for authorisation are consecutively numbered commencing with the number 1 on 1 July each year.	T.D. 25/4A
16.	The consecutive number allocated to each account is recorded against the entry for that account in the Register of Accounts.	T.D. 25/4A

17. Accounts are scheduled by the Authorizing Officer and both the authorised schedule and the accounts are forwarded to a Paymaster for payment. Schedules are serially numbered prior to despatch to the Paymaster. Reg. 71(1)
T.D. 25/4B,
4C; 25/5,
6, 7, 7A;
37/2

18. The Paymaster pays the account by drawing a cheque or by deposit to a bank account in accordance with the Authorizing Officer's directions. Cheques to be posted to payees are required to be posted on the day they are drawn. Reg. 111

19. Immediately after the payment of an account, it is returned by the Paymaster to the Authorizing Officer for examination to ensure that it is an account which had been duly authorised for payment." Reg. 94
T.D. 25/7B

15. The Committee was informed that the above steps which should be followed by departments in the payment of traders' accounts were designed to carry into effect the principles laid down in section 34 of the Audit Act 1901-1969. If properly observed these steps ensure the protection of public moneys by requiring certain matters to be satisfactory before the drawing of a cheque is authorised. Exhibit 151/1

16. The Committee asked Mr Hill if he considered the provisions included in the Treasury Regulations and Directions relating to the payment of accounts to be over-elaborate or unnecessarily restrictive. The witness replied that in his opinion the relevant provisions in the Audit Act, the Treasury Regulations and the Treasury Directions were appropriate and sound and their observance by departments would not lead to excessive delays in the payment of accounts. The Treasury told the Committee that there was no requirement in the Treasury Regulations or the Treasury Directions for departments to carry out monthly or regular reviews of outstanding accounts. Exhibit 151/1 and Qs. 6, 136 and 137

17. It was explained to the Committee that the review of the Audit Act, the Treasury Regulations and Directions was a Q. 112

continuous process and where possible the Treasury endeavours to eliminate unnecessary and time consuming procedures. It was also pointed out that it was always open to a department to write to the Treasury to draw attention to any Treasury requirement that was considered to be too restrictive.

18. The Committee was informed that in May 1972 and in September 1972 Sub-Treasuries were requested to extract details of the time taken to process accounts that were submitted to them by departments for payment during a particular week. A comparison of the two surveys indicates that there has been a slight improvement since the first survey was undertaken. Details of the overall percentages are set out in the following table:

Exhibit 151/2,
Qs. 103 to
105 and
Committee
File 1972/4

No. of Claims examined and date	% paid within one month	% paid within 4-6 weeks	% paid within 6-8 weeks	% paid after 2 months
<u>May 1972</u>				
9390	81	6	6	7
<u>Sept. 1972</u>				
19379	82	8	4	6

19. The Committee noted that some of the miscellaneous representations made to the Treasury were in respect of claims for very small amounts, some for less than \$1 and asked the Treasury witnesses whether some procedure could be instituted for settling these small claims expeditiously. The Committee was informed that departments can and do settle some of these accounts from Petty Cash. The witness explained that there are no Treasury Regulations or Directions stipulating a limit to the size of an account to be paid from Petty Cash. Under Treasury Regulation 60 it is required that for expenditure exceeding \$2.00 a receipt must be obtained.

Exhibit 151/2
and Qs. 106
to 111

20. It was stated in the Treasury submission that one of the recurrent reasons for delays in the payment of accounts after all other steps have been taken is shortage of funds, i.e. insufficient Warrant Authority in the hands of the relevant Authorizing Officer. It was explained that in theory, this should not be possible, having regard to the requirement that approvals to purchase supplies may only be given after it is certified that funds are available.

Exhibit 151/1

21. The submission went on to say that the problem of shortage of funds usually appears towards the end of the Supply period or the close of the financial year, when the appropriations available to a department are becoming exhausted. The Committee was informed that shortages of funds can usually be traced to poor estimating and poor departmental management of the cash flow associated with Supply and Appropriation Bills. Supply provided by the Parliament for the first five months of the financial year is based on the previous year's expenditure. The Committee was told that departments do have the opportunity of approaching the Treasury if any extraordinary expenditures are likely to occur early in the financial year and these amounts are usually included in the Supply Bills. Once the financial year has commenced departments may then enter into commitments in the expectation that in due course they will have appropriations that are available under the annual Appropriation Acts, which are rarely available before the end of November or early December. Unless departments manage their financial transactions carefully they may end up with accounts falling due for payment towards the end of the period, with insufficient funds to meet these commitments.

Exhibit 151/1
and Qs. 9 to
11

22. The Treasury explained that in such a situation there is a tendency to delay the payment of accounts until the replacement of Supply by the Appropriation Acts or the commencement of the new financial year and the availability

Exhibit 151/1
and Qs. 12
to 14 and
16 to 19

of Supply. The Committee was informed that this practice is not considered illegal in terms of the Treasury Regulations and Audit Act although it is possible that a department in delaying the payment of an account is breaking contractual obligations with a contractor to settle an account at or before a predetermined date. The Treasury informed us that while there are funds available in the Advance to the Treasurer appropriations there is no good reason to hold up payment and the Treasury will favourably consider requests for funds from the Advances to enable payments to proceed. We were told that the processing of an application for funds from the Advance to the Treasurer can take as little time as an hour or two or may take several days, depending upon the urgency of the matter.

23. The witness expressed the view that some departments were reluctant to make use of the Treasurer's Advance as this would involve explaining to this Committee the reasons for the use of funds from Advance to the Treasurer. The Chairman of the Committee pointed out that the fact that the Committee requests explanations from departments in respect of expenditure from the Advance to the Treasurer should not in itself be looked upon as something which departments should fear. In the majority of cases the explanations provided by departments for the use of the Advance to the Treasurer are readily accepted by the Committee.

Qs. 20 and
80 to 87

24. We were informed that the Treasury had considered prescribing or directing a maximum period within which all accounts must be paid, unless queried or rejected. However, the variety of accounts and complexity of some contractual arrangements requiring extensive checking led Treasury to believe that an attempt to stipulate a time for common observance would lead to difficulties in practice, particularly as the operational arrangements for each department tend to vary according to needs and circumstances. Some Departments

Exhibit
151/1 and
Qs. 24, 25
and 73

have their accounting operations centred in Canberra, Sydney or Melbourne and verification of supply would have to be made at the place of delivery which could be in another State or area. So it was decided that the Treasury Regulations or Directions would not stipulate a specific requirement that all accounts be paid within a specified period from the date of receipt but merely request Departments to pay all accounts promptly.

Advertising Accounts

25. Treasury Direction 31/41 requires that all Australian Government advertising within Australia should be arranged through the Advertising Branch of the Australian Government Publishing Service of the Department of the Media, except where otherwise approved by the Controller.

Committee
File 1972/4

26. It was explained to the Committee that the Australian Government obtains its advertising at reduced rates by negotiating "master space and time orders" provided it observes long standing and firm agreements with charging agencies to settle accounts within a specified period after the advertising service is provided.

Committee
File 1972/4

27. The special procedures which apply to the settlement of advertising accounts provide for departments to pay the accounts in time for the cheques to be received by the charging agencies concerned by the tenth day of the month following the month in which the account is rendered. This allows the charging agencies, in turn, to meet their obligation to pay the media by the fifteenth day of the month. Where departments do not settle accounts by the stipulated date, the Treasury arranges for a special advance to be made to the agency concerned from the Advance to the Treasurer, which is later refunded by the agency.

Qs. 26, 90
to 96 and
115 to 119
and Committee
File 1972/4

28. The Committee was informed that the failure of departments to pay within the stipulated time was frequently noted. Details of amounts not received by the advertising agency by the set date are notified to the Director, Sub-Treasury Sydney. Inquiries are then made into these delays and the more serious cases found to be due to delays within departments are referred to senior officers in the Department concerned for corrective action, which frequently resulted in some improvement, but not in every case. Exhibit 151/2
and Qs. 97,
98 and 120
to 124

29. The reasons submitted to the Treasury for the delays in payment of advertising accounts include staff shortages, misdirected accounts, shortage of funds, misplacement of claims, queries concerning supplies or charges. Q. 99

Transport Accounts

30. Transport Services are provided to the various Australian Government Departments by the Department of Manufacturing Industry transport pool in the States, by the Department of the Capital Territory Transport pool in Canberra and by the Department of the Northern Territory Transport pool in Darwin. Q. 26

31. The operations of these transport pools are financed by separate Trust Accounts controlled by the departments operating the transport pools. These Trust Accounts were established by the Treasurer under section 62A of the Audit Act 1901-1969. All operational costs such as wages, fuel, repairs and other expenses incurred in connection with the operation of the transport pools are charged to the appropriate Trust Account. However, purchases of vehicles and other capital equipment are funded from annual appropriations of the Consolidated Revenue Fund. A significant advantage of the establishment of these Trust Accounts in relation to quasi-commercial activities of the government is that it facilitates accrual accounting and costing operations. Q. 26

32. A working capital advance is provided to these Trust Accounts from the Consolidated Revenue Fund. The main factor adversely affecting liquidity of the trust account is the volume of accounts outstanding and the working capital could become exhausted quite rapidly if prompt payment of accounts is not made by departments. The Treasury informed the Committee that it does not consider it appropriate to increase the working advances from Consolidated Revenue Fund because departments are unreasonably slow in discharging their financial obligations. That is why the Treasury has made special efforts to impress upon departments the necessity to pay transport accounts promptly.

Q. 26

Photocopying service accounts

33. In April 1973, Rank-Xerox (Australia) Pty Ltd provided the Treasury with a statement of amounts owing by Australian Government Departments as at 28 February 1973, for photocopying services. Of the total amount of \$369,009.37 claimed to be outstanding \$119,952.16 (32%) had been outstanding more than 150 days, in some instances several years, \$23,284.41 (6%) had been outstanding for more than 120 days, \$22,821.61 (6%) more than 90 days and \$35,166.86 (10%) more than 60 days.

Exhibit 151/2
and Qs. 150
to 155 and
159 to 161

34. Although a number of departments accepted that there were quite substantial arrears, from inquiries made it appears that not all the amounts claimed to be outstanding by the Company, could be substantiated.

Exhibit 151/2
and Q. 100

35. The following reasons for delays in settlement of Rank-Xerox (Australia) Pty. Ltd. accounts were given by departments to the Treasury, and the comments reproduced below under the various headings were made by the Treasury in its submission to the Committee.

Exhibit 151/2
and Qs. 125 to
130 and 138
to 158

Departments cannot trace receipt of invoice

The invoice may have gone astray before reaching the

department or it may have been mislaid after receipt. But an examination of the monthly statement or of the meter reading record, if the record is suitably noted when invoices are received, will reveal missing invoices.

Inexperienced Staff

Staff absences, Shortages, etc.

These causes would apparently apply to other accounts in addition to Rank-Xerox and the effect of delayed payments would be correspondingly more wide-spread than the records of one company would indicate. Where a department is aware of staffing difficulties it is expected that it would take corrective action in the form of more intense supervision, overtime, etc.

Internal procedures - delays in certification etc.

Departments are required to date-stamp invoices upon receipt. Any delays due to internal procedures should be capable of ready identification. The regular rendition of monthly accounts by suppliers should enable a problem area to be recognised and corrective action taken.

Departmental Oversight

If accounts are registered upon receipt in the Register of Accounts then procedures designed to identify amounts unpaid at regular monthly reviews should bring to notice invoices overlooked. If the account has been lost or mislaid internally action can be taken to obtain a copy of the account to allow settlement to be effected.

Incorrect Departmental Charging

The department advises that some invoices were charged to incorrect orders and requisitions which necessitated queries, delays and adjustments and additional funds on some requisitions.

Unauthorised Installations

The Commonwealth Stores Supply & Tender Board Circulars clearly state that prior approval to the installation of photo-copying equipment is necessary.

Invoices Returned for Completion of Treasury Form 12

This practice is in breach of Treasury Direction 18/7(c).

No Specific Cause Stated

In each of these cases the arrears at 28 February 1973 have been stated to have been paid at a subsequent date. The causes of delay have not been identified.

36. When questioned as to whether the reasons given by departments for delays in the payments of accounts were in fact the result of inexperienced staff, we were informed that clerks engaged in examination of accounts had relatively short experience. Although they may be familiar with general processes of examining accounts, they may not have sufficient experience to deal with accounts requiring some pre-knowledge of a particular agreement or contract. The Public Service Board Observer (Mr Sexton) agreed that there was a high turnover of staff in that particular area.

Qs. 131 to 133 and 149

37. The Treasury told the Committee that it found it difficult to understand why there were delays in the payment of Rank-Xerox accounts as they were a fairly straight forward type of account with charges based on a contract price and a meter reading and each installation was required to be properly authorised.

Qs. 101, 102, 147, 148 and 156 to 158

38. The Observer from the Auditor-General's Office (Mr Ragless) informed the Committee that a separate inquiry into the Rank-Xerox accounts conducted by his office made similar findings as those of the Treasury.

Q. 149

Conclusions

39. It was stated in evidence to the Committee that improper circulation of Treasury Circulars relating to the prompt payment of accounts in a number of departments had lessened the effectiveness of the Circulars. The Committee suggests that when such Circulars are issued in future, copies should be forwarded to an appropriate senior officer in each department to ensure that positive action is taken with regard to the prompt payment of accounts and that a proper distribution of the Circulars is made.

40. The Committee also suggests that there may be merit in including in a Treasury Circular relating to the payment of accounts the general steps in the payment of traders' accounts which formed part of the Treasury submission. It seems to the Committee that this could provide a ready means of reference for officers engaged in duties connected with the payment of accounts, particularly for inexperienced staff.

41. The Committee was disturbed to learn that one of the recurrent reasons for delays in the payment of accounts was shortage of funds, which usually occurred towards the end of the Supply period or the close of the financial year. The Committee believes that the Department of the Treasury should publicise by Circular the fact that the payment of accounts should not be delayed because of a lack of funds and encourage departments to apply for funds from the Advance to the Treasurer for this purpose.

42. With regard to the view expressed to the Committee that departments were reluctant to use the Advance to the Treasurer because this would involve explaining to the Committee the reasons for requiring such funds, the Committee wishes to point out that in all but a few cases each year, the explanations provided by departments are readily accepted by the Committee.

43. The Committee was informed that there is no requirement in the Treasury Regulations or Treasury Directions for departments to carry out regular reviews of outstanding creditor's accounts and the Committee has noted the reservations of the Treasury witness with regard to the staff resources necessary to carry out a detailed monthly review and the value that may be obtained from it. Nevertheless, the Committee considers that a regular review of unpaid accounts should be made by departments and it appears to the Committee that such a review could be carried out without excessive use of staff resources by the proper use of departmental Registers of Accounts which should readily disclose accounts which have been unpaid for any length of time and allow action to be taken to effect settlement.

44. The Committee recognises that some delays in the payment of accounts are unavoidable but it is clear from the evidence that the delays in respect of the accounts for photocopying services were excessive and that the reasons given by departments for such lengthy delays were unsatisfactory. As these accounts are fairly straightforward types of accounts with charges based on a contract price and a meter-reading, the Committee considers that the situation disclosed in relation to these accounts is deplorable and reflects seriously on the financial administration of the departments concerned.

45. The Committee is also inclined to agree with the Treasury view that delays in the payment of accounts to Australian Government creditors may be more wide-spread than the forty-four miscellaneous representations received by the Treasury in a period of just over two years, would indicate. The Committee suggests, therefore, that if action has not already been taken, the Treasury should issue a Circular drawing attention to the delays in the payment of the Rank-Xerox accounts and point out the need for departments to review their procedures for processing accounts for payment so as to avoid unnecessary delays.

46. It is also suggested that the Treasury should examine the desirability of having the provision in Treasury Direction 6/22A, which allows amounts under query to be deducted from transport accounts before payment, extended to cover all types of accounts.

CHAPTER 3

DEPARTMENT OF THE CAPITAL TERRITORY

47. The Transport Section of the Department of the Capital Territory provides passenger vehicle and carrying services in the Australian Capital Territory and also operates the city bus service. The Committee was informed that the Department of Supply (now the Department of Manufacturing Industry) provided transport services for Australian Government Departments in the States and that there existed no relationship between that Department in the A.C.T. and the Transport Section of the Department of the Capital Territory concerning the provision of transport.

Exhibit 151/B1
and Qs. B2 to
B9

48. The operations of the Transport Section are financed through the Australian Capital Territory Transport Trust Account which was established under section 62A of the Audit Act 1901-1969. The costs of the purchase of vehicles and plant are met from an annual appropriation controlled by the Department of the Capital Territory.

49. By way of background the Committee was told that the use of taxis in general was cheaper than the use of Australian Government cars. Rates of Charge of Government Cars - 33.75 per hour, 32¢ per mile; taxis - 10¢ radio call, 22¢ flag fall, 25¢ per mile, \$3.00 per hour waiting; Hire Cars - \$2.50 per hour, 20¢ per mile depot to depot.

Q. B9

50. The Department, in response to a question, submitted the following figures for expenditure on Australian Government Cars, Taxis and Hire Cars in 1972-73 and two preceding years:

Q. B10 and
Committee
File 1972/4

Year	Australian Government Cars	Taxis	Hire Cars
	\$	\$	\$
1970-71	848,202	255,182	35,509
1971-72	1,050,830	208,472	15,277
1972-73	1,092,551	293,406	21,615

51. Claims on client departments are rendered by the Transport Accounts Section of the Department of the Capital Territory for the following services:

- Passenger Transport
- Special Duty Vehicle Hire
- Taxi Services
- Hire Car Services
- Recovery of Drivers' Wages
- Petrol and Oil Issues
- Workshop Services
- Goods Transport Services
- Special Omnibuses
- Educational Services

Exhibit
151/B1

52. The Committee was informed that the accounting system used to operate the trust account is a full double entry system of accounting and was considered to be satisfactory. The witness did not consider that many improvements could be made to the system except perhaps computerisation of the system.

Qs. B51 to
B53

53. We were informed that each client department is allocated one or more charge numbers which are used when ordering the service and for the rendition of claims on departments.

Exhibit
151/B1

54. The Transport Accounts Section prepares fortnightly claims (Treasury Forms 12) which are checked, machine listed and certified prior to rendering on client departments. The original dockets issued by the driver, which are signed by the passenger in the case of passenger transport, are attached to the Treasury Form 12, in order to provide full information to client departments. Duplicates of the dockets are retained in the Transport Accounts Section. The Committee was informed that due to the volume of

Exhibit
151/B1
and Qs. B11
to B14 and
B104

dockets, about 8,000 every fortnight, delays of up to three weeks occur in the issue of claims.

55. During the preparation of claims, journals are also prepared and are used to post details to the ledgers in respect of earnings and sundry debtors.

Exhibit 151/B1

56. The Department stated that if an account is not paid within one month of rendition a letter is sent reminding the department of the amount outstanding. If payment is still not forthcoming a second letter is sent followed up by telephone contact between the transport accounting section and the accounting section in the department concerned. We were informed that the telephone contact was probably more effective than other forms of recovery action taken. The Committee was told that certain claims on selected departments are endorsed with a rubber stamp directing attention to Treasury Direction 6/22A. Treasury Direction 6/22A deals with the payment of transport claims and directs departments to pay such claims within fourteen days of receipt. It also sets out the degree of check to be exercised in examining such claims and allows mathematical errors aggregating \$20 or less to be ignored. The full text of the Direction is shown at Appendix A.

Qs. B59 to B61

57. A schedule of sundry transport debtors supplied to the Committee in evidence shows that at 31 March 1972 a total of \$220,648 was outstanding. The witness, in reply to a question said that at 30 June 1971 transport sundry debtors totalled \$458,674, at 11 June 1972 the total was \$552,969 and on 10 June 1973 the total amount outstanding was \$737,526.

Exhibit 151/B1
and Qs. B109
to B113

58. The Committee was informed that the increase in outstanding transport charges is largely explained by the fact that in the years 1971 and 1972 the Transport Section was part of the then Department of the Interior and transport charges incurred by that Department were recovered immediately, whilst in

Exhibit 151/B1
and Q. B114

1973 accounts are rendered on the Department of the Capital Territory.

59. The Department, in a supplementary submission, advised us that at 30 June 1973 the Transport Section sundry debtors totalled \$720,051.88 of which 98 per cent was for invoices issued between 1 April and 30 June 1973, 1 per cent for invoices issued between 1 January 1973 and 31 March 1973 and 1 per cent for invoices outstanding prior to 1 July 1972.

Q. B115 and Committee File 1972/4

60. The number of bad debts written off in 1970-71 amounted to \$361. Total revenue during that year, excluding buses, was \$2,321,000. In 1971-72 the total revenue was \$2,287,000 and the debts written off were \$183. In 1972-73 the revenue was \$2,822,000 and \$101 was written off in bad debts.

Qs. B59 to B61, B67 to B69 and B108

61. The Committee was informed that the departments's internal auditors in their normal routine audits were concerned more with the Department losing discounts due to late payments to creditors, than the prompt payment of transport accounts by other departments.

Q. B116

62. We were informed that there was a high turn-over of staff particularly in the lower levels of the section processing these accounts. The witness said that after training in the accounts section opportunities for advancement would arise elsewhere and staff would leave. The witness said that he was not aware of how to overcome the problem of the rapid turnover of staff.

Qs. B106 and B107

63. The Department stated that the major difficulties causing delays in the payment of claims were not positively known to the Department but appeared to stem from divided administrative control of vehicle ordering within client departments. Some departments have a large number of ordering

Exhibit 151/B1 and Qs. B62 to B65

officers which can result in difficulties in identification of passengers using the vehicle which throws undue emphasis on the necessity to establish the correctness of the charge, delaying the examination and certification of claims rendered.

64. The Committee was informed that one fairly small Department had listed forty-six officers authorised to order vehicles. The witness explained that one ordering officer per department would be the ideal situation but the witness conceded that this would not be very practical in Canberra where there is considerable movement of senior officers between offices.

Qs. B66 and
B89 to B101

65. The Public Service Board Observer (Mr Barritt-Eyles) and the Observer from the Auditor-General's Office (Mr Ragless), commented that from the client department's point of view there may well be advantages in having the present divided administrative control because a number of departments are spread over wide areas in Canberra. During the course of the hearing it was also pointed out that when senior officers go to a meeting they are often not aware when the meeting will end. Therefore, it is probably more efficient and economical for senior officers to phone directly for transport from that meeting than to telephone their secretary who would have to contact the departmental central authority to order cars.

Qs. B99, B101,
B117 and B118

66. Mr Ragless, of the Auditor-General's Office, informed the Committee that the Department of Supply, in addition to the use of a charge number also uses a line-number. The latter permits a much more positive check than when accounts are rendered simply on a charge basis. Mr Ragless suggested the possibility of introducing a system which uses sub-charge numbers identifying the particular authorised ordering officer making the request for transport. This would facilitate the verification and checking of accounts.

Q. B102

67. In reply to Mr Ragless' suggestion, the Departmental witness commented that the Department had considered the introduction of line numbers and sub-charge numbers. However, the Department had discarded the idea for practical reasons. The witness explained to the Committee that requests for transport are always made by telephone and the officer receiving the call has firstly to record the details on a form then transmit the information by radio to the driver of the vehicle concerned. The driver records the relevant details such as the car number, name of passenger and the destination on a transport docket. The passenger signs the docket which is then used for accounting purposes. Any addition to a message such as line or sub-charge numbers will affect the speed and total number of messages which can be transmitted through the radio network. We were told that at peak periods some 1,700 transport jobs per day are arranged by the Transport Section of the Department. Also, additional numbers will increase the possibility of errors in transposition.

Qs. B13, B26
to B50 and
B102 to B103

68. The witness informed the Committee that the Department relies on the person using the vehicle to certify that the service has been provided. The Department, therefore, requests client departments to advise officers to check meter readings before signing the dockets. During the course of inquiry it was suggested that the Department should consider issuing an instruction directing authorised persons using a taxi or government vehicle that, in addition to signing the docket, they should also fill in the time, mileage and costs when appropriate.

Qs. B25 to B48

69. The Committee was informed that frequently the difficulty with older outstanding claims is that there is some sort of error in identification or misdirection connected with the account. The witness said that it was difficult to get departments to reply to letters or requests. Frequently the Department is advised that an outstanding claim has been lost. The Department then has to produce a duplicate of this account and the three or four hundred dockets accompanying such an account before payment is made.

Q. B104

70. The Committee was informed that some discussion had taken place between the finance sections of certain departments which had debits outstanding for lengthy periods. The witness said that there had been some positive improvement in the situation, although whether this had been the result of these particular discussions or by normal follow-up action was not clear.

Exhibit 151/B1
and Qs. B82
to B84

71. The witness conceded that the follow-up system used in the Department was probably not as regular as it should be. The witness stated that a more vigorous pursuing of outstanding claims would probably improve the situation, although he expected that a certain number of dockets would always be disputed.

Qs. B104 and
B106

Conclusions

72. The Committee has no serious criticisms to make of the Department's treatment of outstanding accounts, except that it considers a more vigorous pursuing of outstanding claims to be desirable.

CHAPTER 4

DEPARTMENT OF THE MEDIA

73. The Committee examined the delays in payments for printing by client Departments of the Printing Branch, Australian Government Publishing Service, Department of the Media.

74. The operations of the Printing Branch of the Australian Government Publishing Service are financed through the Government Printer Trust Account established under section 62A of the Audit Act 1901-1969. At 30 June 1973 outstanding advances for this Trust Account totalled \$2,379,667.¹

75. We were informed that invoices for printing are raised from details compiled in the Management Services, Supply and Project Branch of the Department on cost cards on a weekly cycle based on a list of job completion advices which are prepared in conjunction with the computer printout of labour charges.

Exhibit
151/A1

76. The charges made for printing are designed to recover administration expenses, overhead costs, labour costs, machine costs and material costs. Administration and overhead costs are recovered by including in the charges a pre-determined percentage of the total factory costs, which at the time of the hearing was assessed at 15 per cent.

Exhibit
151/A1 and
Qs. A19 to
A24

77. The invoice raised for printing jobs is a Treasury Form 12 modified by printing the claimant's name on top of the form and attaching a second part which enables the A.G.P.S. to obtain an actual copy of the invoice sent to departments.

Exhibit
151/A1 and
Qs. A4 to
A5

78. Payment from the Postmaster-General's Department is claimed on a Trader's Invoice. This is a P.M.G. Form and contains the same information as the modified Treasury Form 12

Exhibit
151/A1 and
Qs. A27 to
A29, A37
and A38

1. The Treasurer's Statement of Receipts and Expenditure for the year ended 30 June 1973, Supplement to Table 6, page 90.

79. The following information is included on the invoice in respect of each order:

Exhibit
151/A1

- the invoice number which is allotted by Accounts staff on a consecutive basis and commences at 1 each financial year,
- the completion date of the job,
- the client department's order number,
- the work ticket number,
- a description of the job,
- the cost of the job.

80. Orders for some departments such as Housing and Construction and the Postmaster-General's Department are placed by the Central Office for delivery to various State offices. The final cost of these jobs is invoiced to the States in direct proportion to the quantities despatched. The witness for the Department did not consider that this caused any undue delays.

Exhibit
151/A1 and
Qs. A25 and
A26

81. Some departmental jobs involving mainly the printing of Annual Reports have specific numbers of copies held over for inclusion on the appropriate Parliamentary Paper. The Department is responsible for the full preparation and setting up costs and the run-on cost for the number of copies it receives. When the printing of the Parliamentary Paper has been completed, the balance of the run-on cost is charged to the Parliament.

Exhibit
151/A1 and
Qs. A30

82. We were told that the Bureau of Census and Statistics computer provides the initial action for the billing process, namely, the labour costing, the number of machine hours and the production control record for controlling the flow of jobs through the factory. Due to other priorities and processing problems in the computing section of the Bureau, delays of up to four weeks do at times occur.

Exhibit
151/A1 and
Qs. A6 to
A10, A32,
A40 and A41

Some delays in the preparation of invoices are caused by the supply of incorrect information originating in the Printing Branch. Information rejected by the computer has to be returned to the Printing Branch to be validated. We were informed that incorrect information sent to the computer section occurred at least once a month, causing delays of up to a week.

83. The Department told the Committee that originally it was intended that the Census and Statistics computer would eventually take over the whole billing cycle. However, under the present system the Census and Statistics Computer has insufficient capacity and time available to extend the programme beyond labour costing and the production control record. Hence a dual system using a computer and an accounting machine is in operation.

Qs. A33 to A35

84. We were also informed that due to inadequacies in the accounting machines being used, much of the work involved in invoicing clients has to be carried out manually. Consequently, delays of from two to eight weeks occur in the preparation of invoices. Although staff shortages do occur the witness was of the opinion that these did not prolong the delays to any great extent.

Exhibit 151/A1 and Qs. A11 to A15, A34 to A36 and A39

85. The Department informed the Committee that in consultation with the Public Service Board, a detailed examination was being made of the application of more advanced processes for the operation of the full costing system. The Department also pointed out that a feasibility study was being carried out into the possibility of installing a visible record or mini computer. However, the Committee was told that the extensive advances

Exhibit 151/A1 and Qs. A16 to A18, A42, A44 to A47, A59 and A60

recently made in the computer area have complicated this study, and that it would be some time yet before the result of the study is known.

86. The Department stated that the installation of a computer would ensure that invoices are issued promptly after completion of the job. It would also bring into consideration other possible areas for the application of EDP processes e.g. stock ledgers for the Bulk Paper Store, stock ledgers and debtor ledgers etc. for the Commonwealth Stores Supply and Tender Board and Publications Trust Accounts.

Exhibit
151/A1

87. At the time of the Inquiry the Department was not aware of the cost of installing systems or the level of possible savings resulting from the installation of a computer. The witness in reply to a question said that he considered it most unlikely that such action as purchasing the computer equipment and the recruitment of the necessary qualified programming staff would be completed before the end of the financial year.

Qs. A40 to
A50

88. In the meantime the Department had made arrangements to hire an additional and more modern accounting machine to bring the work arrears up to date. One of the two departmental accounting machines has reached the end of its operative life and the second machine is subject to continual breakdowns. The Department is considering the possibility of hiring a second accounting machine to assist in the preparation of invoices.

Exhibit
151/A1 and
Qs. A51, A52
and A59

89. The Department maintains a ledger card system. When an invoice is raised on a client Department for the cost of printing an entry is made on the respective debtors ledger cards. Payments are credited progressively to the relative ledger card.

Exhibit
151/A1

90. The Department stated that at the end of May each year, a tabulation of the jobs in process where there have been labour chargings in excess of \$50 per job, is extracted by the computer. This forms the basis of a progress account covering labour and direct material to date. The purpose of this operation is to indicate to departments their commitments on jobs in process as close to the end of the financial year as possible. This gives departments the opportunity to use part of the funds provided for their jobs before the end of the financial year.

Exhibit
151/A1 and
Q. A31

91. At the end of every quarter a list of outstanding claims, in chronological order, is forwarded by the Printing Branch to each department under cover of a pro-forma memorandum requesting an early settlement of outstanding accounts.

Exhibit
151/A1 and
Qs. A53 to
A57

92. Depending upon the result of this Memorandum, further follow-up action may be taken in the form of an individual typewritten memorandum requesting payment. The nature of subsequent correspondence or other action is dependent upon replies to earlier correspondence and reasons given for non-payment.

Exhibit
151/A1 and
Q. A61

93. The Printing Branch does at times approach Treasury for assistance with outstanding accounts. The witness for the Department expressed the opinion that as a result of a Treasury Circular issued on 4 May 1973, with particular reference to the Australian Government Publishing Service and the long outstanding unpaid accounts, a number of accounts were settled promptly.

Qs. A73 to
A77 and A91
to A94

94. It was stated that the approximate rate of recovery of amounts claimed on departments is as follows:

Exhibit
151/A1

10% pay within 2 months of rendering the claim;
40% pay within 2 to 4 months;
30% pay within 4 to 6 months;
15% pay within 6 to 9 months;
5% pay after 9 months.

95. The Department of the Media informed us that the main reasons given to them by other departments for delays in payment of accounts were inexperienced staff in departmental accounting areas, claims that orders had not been received, or difficulties in reconciling orders placed with the accounts received.

Exhibit
151/A1 and
Qs. A62

96. In elaborating on the latter, the witness informed the Committee that urgent requests for printing are sometimes made by departments on the understanding that a formal order will be forwarded later. If the formal order is not sent discrepancies causing delays in settlement often occur when the department receives the claim, which does not quote an order number.

Qs. A70 and
A71

97. A further problem does periodically occur in reconciling the monthly order raised by departments for small scale offset reproduction work. The purpose of the monthly order is to avoid the costing of each small job individually and instead to put all small offset reproduction work for the month on one bill. Sometimes following a change of staff in its finance section concerned with the payment of printing accounts, departments seek a detailed break-down of this type of work done and the costs incurred. This information is not available from the Printing Branch because the system is designed especially to avoid recording such detail. The witness said that if departments require a full costing of a job, they should use an order form TF13 for each job, which is designed to cost individual jobs separately.

Exhibit
151/A1 and
Qs. A70 to
A72

98. It was stated that at times identification problems also occur when progress accounts are raised because there may be insufficient identification shown for departmental purposes. The witness explained that many jobs are commenced prior to receipt of an order. Once a job is commenced a cost card is made out. The number of a departmental order submitted later may not appear on the cost card from which the progress accounts are raised. In these circumstances the account is often queried causing delays in

Exhibit
151/A1 and
Qs. A83 to
A88

the settlement of such accounts. The Committee was informed at the Public Hearing that the Printing Branch recently had installed a system whereby orders or other relevant information which are received late are forwarded to the financial section daily to be incorporated onto the already established cost card. The witness said that the introduction of this new system should eliminate the identification problem of progress accounts.

99. The Committee was also told that some orders may not be completed for some considerable time. So when the claim is made, the order number quoted on the claim may not be the current year's order number. This does at times result in a delay in payment of accounts. Q. A78

100. The Departmental witness expressed the opinion that departments in general would be more inclined to delay payments to another government department rather than to commercial people. Also, we were informed that the availability of funds often determined the dates of payments. Qs. A65 and A66

101. The Committee asked the Department if there was a relationship between departments being able to receive a firm estimate of printing costs and delays in the payment of their accounts. The Departmental witness said that he believed that such a relationship existed. If a department had made provision for an amount of money for a printing job and the bill exceeded this figure by any appreciable amount, delays could occur. He informed the Committee that although the Printing Branch was generally able to provide an estimate of the cost, at this stage the Branch was not in a position to give firm quotes except for items in certain limited ranges, such as stationery. The Department told us that for a number of years they had tried to recruit suitably qualified staff in the estimating section but despite extensive advertising the attempts had not been successful because of the shortage of competent people. Qs. A43 and A67 to A69

102. The Auditor-General's Office Observer (Mr Parker) expressed the opinion that the solving of the problem of procrastination in the payment of accounts by departments rests to a large extent upon the acceptance by responsible supervising officers in departments of the need to exercise continual supervision over the actual work performed by junior officers in that area and to see that they are properly instructed. He suggested that there should also be a continuous oversight over the register of accounts to find out why long-standing accounts have not been paid.

Q. A82

103. The Committee inquired whether, in general, the Department was satisfied that its accounting and costing procedures were adequate and if a review of their accounting measures and procedures was considered necessary. The witness was of the opinion that the system in use was adequate providing the Department had the means to operate it.

Q. A89

104. We were informed that following discussions between the Department and the Treasury with regard to delays in the payment of accounts rendered on departments, the Treasury, on 4 May 1973, issued a Circular Memorandum (72/6615) to the departments concerned, requesting them to settle their outstanding accounts with the Printing Branch as quickly as possible and at least not later than 31 May 1973.

Exhibit
151/A1 and
Qs. A90 and
A91

105. The Committee asked what was the reaction of departments to the issue of the Treasury Circular Memorandum. The Department replied that the overall situation had not improved much, although there was quite an improvement in the settlement of the older outstanding accounts. For example, the amount outstanding as at 28 February 1973 for the period 1 July 1972 to 31 December 1972 is shown as \$321,354.50, whereas at 30 June 1973 it was down to \$10,623.73.

Qs. A93 to
A95 and A99

106. The Treasury Observer (Mr Ravenscroft) informed the Committee that the response to their Circular Memorandum was reasonable but not entirely satisfactory. Further follow-up action had been taken in the form of memoranda to departments which had not responded to the Circular Memorandum of 4 May 1973. The Committee was informed that replies from departments indicated that they had begun to appreciate more the reasons for Treasury's concern for the liquidity of trust accounts and an awareness that these accounts needed to be paid quickly. Some of the criticisms of the billing procedures of the Printing Branch received by the Treasury have been passed on to the Branch. The Treasury has asked the Branch to give due consideration to those criticisms and to take appropriate action wherever possible.

Qs. A96 to
A98

107. The Department provided the Committee with an age analysis of sundry debtors as at 28 February 1973, and an age analysis of sundry debtors at 30 June 1973. Summaries of these analyses are included in the Report as Appendix B and C.

Exhibit
151/A1,
151/A2 and
Q. A58

108. Appendix B shows that at 28 February 1973, of the accounts outstanding \$155,948.65 or 20.2 per cent had been outstanding for more than eight months. Appendix C shows that at 30 June 1973 \$43,498.94 or 3 per cent of the claims had been outstanding for more than four months and \$28,957.34 or 2 per cent had been outstanding for six months.

109. The Treasury Observer (Mr Ravenscroft) expressed the opinion that, provided certain factors are discounted, a comparison between the two age analyses revealed that at 30 June 1973 there was \$208,240 less outstanding than at 28 February 1973, so that prima facie it would appear that since the issue of the Treasury Circular Memorandum on 4 May 1973, the situation had improved a little.

Q. A97

110. In elaborating on the factors to be discounted the Treasury Observer explained that the amount of \$272,833.69 representing accounts prepared between 16 June and 30 June 1973 could not possibly

Q. A97

have been paid before 30 June 1973, as some of the accounts had not even been posted before the end of the month. Also an allowance should be made for the payment of \$411,705 which the Department received in cash between 2 July and 6 July 1973 and which were processed as a charge against the previous financial year.

Conclusions

111. The Committee was informed that delays in the settlement of printing accounts often occur because departments do not follow up requests for urgent printing with a formal order. The Committee considers that printing should not proceed until departments supply the Printing Branch with an official order number. The Committee also suggests that a follow-up procedure should be instituted in the Printing Branch to ensure that a formal order is finally received.

112. The evidence shows that delays in the payment of accounts can occur when the actual costs for printing exceed by an appreciable amount the funds provided by departments for particular jobs. The Committee notes that the Australian Government Publishing Service has so far been unable to recruit suitable qualified staff to provide departments with firm estimates of prices for printing jobs. Nevertheless, the Committee believes that the provision of such an estimating service to departments is a worthwhile aim and should be pursued in the future.

113. The Committee has noted that the Auditor-General's Report for 1973-74 refers to an Audit examination of the sundry debtors ledgers of the Australian Government Publishing Service which revealed a number of unsatisfactory aspects relating to the control, issue and processing of invoices and debt recovery procedures. The Department agreed that recovery action taken against sundry debtors during 1973-74 had not been as effective as in previous years, which was apparently due to the large

volume of work, inadequate accounting machine capacity and staffing problems. It was also reported that a breakdown in computer processing during the year seriously affected the sundry debtors situation causing substantial delays in the issue of accounts.

114. The Committee considers the situation disclosed by the Audit examination to be most unsatisfactory and is concerned that the sundry debtors position at the Printing Branch seems to have further deteriorated since the Committee's inquiry.

115. In its Eighty-fourth Report the Committee expressed the view that any department which charges other departments for services rendered has a clear responsibility to ensure that it submits accounts for payment to debtor departments as soon as possible after the provision of the service concerned. The Committee still holds this view and would expect the Department to take urgent action to overcome the problems causing the substantial delays in the issue of accounts by the Australian Government Publishing Service and to strengthen recovery procedures and the efficacy of recovery action.

116. Conversely, the Committee believes that departments who receive a service from another department for which a charge is made also have a clear responsibility to pay the account for that service as soon as possible after it has been received. The evidence shows that a number of accounts rendered by the Printing Branch have been outstanding for long periods, in many instances for years. The Committee expresses its dissatisfaction with this situation, particularly as the position regarding the sundry debtors of the Printing Branch appears to have worsened since the Committee's inquiry. The Committee suggests that the Treasury should again consider issuing a Circular Memorandum to the dilatory departments who are not settling their accounts with the Australian Government Publishing Service promptly.

117. The Committee appreciates the points made by the Treasury Observer in relation to the two age analyses of sundry debtors but the Committee is of the opinion that no meaningful comparison can be made unless similar factors are discounted for both age analyses.

CHAPTER 5

DEPARTMENT OF THE NORTHERN TERRITORY

118. The Committee was informed that the Central Motor Transport pool for passenger vehicles was established in the Northern Territory on 1 July 1963. The Department of the Northern Territory is responsible for operating and controlling the pool. The Department's submission stated that the pool provides transport for a number of Government Departments and instrumentalities excluding vehicles operated by the Service Departments, the Postmaster-General's Department, the Department of Works and special purpose vehicles such as ambulances operated by the Department of Health and fire fighting vehicles operated by the Department of Civil Aviation. Exhibit 151/B3

119. The vehicles hired out to Government Departments are passenger vehicles and are in the majority of cases on weekly hire without driver. Pools are established in Darwin and Alice Springs and operate on similar lines as Government transport pools in Canberra and other capital cities. Exhibit 151/B3 and Qs. B132 and B145 to B147

120. The operation of the transport pool is financed by the Northern Territory Trust Account established on 1 July 1963 under Section 62A of the Audit Act 1901-1969. Expenditure on capital assets is charged to annual appropriations. Exhibit 151/B3

121. The Department stated that commercial taxis are used during peak demand and also to provide services outside normal hours. Expenditure on hire of commercial taxis was \$18,286 in 1969-1970, \$28,594 in 1970-1971 and \$31,663 in 1971-1972. The witness for the Department informed the Committee that the use of private taxis outside normal working hours proved to be more economical than to provide transport from the pool. Taxis are not metered and flat rates are charged for certain trips. Because of the modest size of the town, checking officers are aware of the actual distances and appropriate charges to be paid. Qs. B148 to B160

122. A department hiring a vehicle is required to enter details of the vehicle used, such as mileage and dates, on a vehicle log sheet. These sheets are forwarded to the transport pool at the end of each four-weekly period for calculation of charges. The charges for each Department are collated and a Debit Note is then raised to cover all vehicles hired by the particular Department.

Exhibit 151/B3

123. The original of the debit note with supporting vouchers is forwarded to client departments. The duplicate copies of the debit notes are sent to the Finance Section of the Department of the Northern Territory for posting in ledgers and follow-up action on outstanding accounts. The Committee was informed that there was an approximate three-weeks' time lag between the close of the accounting period and the issue of the Debit Note.

Exhibit 151/B3
and Qs. B138
to B144

124. At the time of the hearing the accounts were prepared manually, however, the Department plans to convert the costing and billing procedures to A.D.P. processing sometime in the future.

Exhibit 151/B3
and Qs. B135
and B137

125. The Committee was informed that in case of branches of the Department of the Northern Territory, charges for vehicle transport are recovered by the use of a journal entry debiting the particular appropriations of user branches and crediting the Northern Territory Transport Trust Account.

Exhibit 151/B3

126. It was stated that the Debit notes forwarded to other departments are covered by a Treasury Form 12 which bears a notation in accordance with Treasury Direction 6/22A. Treasury Direction 6/22A deals with the payment of transport claims and directs departments to pay such claims within 14 days of receipt. It also sets out the degree of check to be exercised in examining such claims and allows mathematical errors aggregating to \$20 or less to be ignored. The full text of the Direction is shown at Appendix A.

Exhibit 151/B3

127. If after twenty-eight days of the issue of the debit note a settlement has not been made a reminder is sent out to the debtor Department, again directing attention to Treasury Direction 6/22A. In the case of a Department with an office or branch in the Northern Territory the reminder is usually followed up by a telephone call. However, if the debtor Department has no office or Branch in the Northern Territory, the follow-up is carried out by correspondence.

Exhibit 151/B3
and Qs. B161
and B167

128. A review of outstanding debts is carried out by the Department's debts recovery section, which handles the Department's sundry debtors ledgers for services provided by the Department such as water, sewerage, electricity and also Transport Trust Account debtors. The clerk controlling the sundry debtor ledger reports to the officer in charge of the section, who takes whatever follow-up action he considers appropriate. Every three months the officer in charge of the revenue section reviews the recovery action taken.

Qs. B125 and
B164

129. The witness in reply to a question informed us that the internal auditors of the Department carry out half-yearly examinations of various parts of the sundry debtors ledger and report on outstanding accounts on which they consider more active recovery action should have been taken.

Q. B180

130. At 30 June 1973 the outstanding advances to the Northern Territory Transport Trust Account were \$50,000.² The report of the Auditor-General upon the Treasurer's Statement of Receipts and Expenditure for the year ended 30 June 1973 states that receipts of the Transport Section of the Department of the Northern Territory for fares, hire charges and other receipts were \$1,877,717 for 1971-1972 and \$2,022,129 for the financial year 1972-73.

2. The Treasurer's Statement of Receipts and Expenditure for the year ended 30 June 1973, Supplement to Table 6, page 90.

131. The witness informed the Committee that as a result of the Committee's interest in the delays in payment of accounts, the Department had taken active steps to reduce outstanding accounts and the situation had improved.

Qs. B121,
B124 and
B165

132. At 31 March 1972 the amount of outstanding transport accounts totalled \$29,007.34, of which 10 per cent had been outstanding since the 1969-1970 financial year, 11 per cent was for invoices issued between October 1971 and 31 December 1971, and 79 per cent for invoices issued between 1 January 1972 and 31 March 1972.

Exhibit
151/B3

133. The Department in a supplementary submission stated that at 30 June 1973 there was a total of \$21,313.47 outstanding of which \$133.12 (0.6 per cent) had been outstanding for more than five months, 7 per cent had been outstanding for more than three months, 14 per cent between two and three months and 79 per cent had been for invoices outstanding less than two months.

Committee
File 1972/4

134. The Department stated in its original submission that one of the principal reasons for delay in payment of accounts was that:

Exhibit
151/B3 and
Qs. B168,
B169 and
B181 to 185

"For administrative reasons, various departments require their debit notes to be forwarded to their Head Office or their State Office covering their activities in the Northern Territory.

These offices frequently return the debit note to their office in the Northern Territory for a Certificate of Service in accordance with Section 34(5) of the Audit Act. It is not unusual for the account to be lost in these movements."

135. In an additional submission, the Department informed the Committee that now the vast majority of accounts are forwarded direct to an interstate office, causing no long or undue delays in payment.

Qs. B184 and
B185 and
Committee
File 1972/4

136. The losses of claims by departments result in delays in settlement as duplicates of such accounts and accompanying dockets have to be prepared and again despatched.

Qs. B170 and B171

137. We were informed that where the account is for the hire of a vehicle on a permanent basis, there is generally little delay in the payment of accounts. However, at times difficulties in identification cause delays in the payment of claims. This occurs mainly if visiting officers using the Transport Pool fail to identify clearly the office to which the claim should be furnished. The witness said that this problem was sometimes further aggravated by the quality of the staff issuing the vehicles. The Department has issued instructions attempting to remedy the identification problem.

Exhibit 151/B3 and Qs. B166 and B172 to B175

Conclusions

138. The Committee notes that as a result of the Committee's interest in the question of delays in the payment of accounts the Department took steps to reduce the number of outstanding accounts. While the Committee is pleased that the situation has improved, it considers that the action taken by the Department should have been taken earlier in the normal course of departmental financial management and not have depended upon the Committee's interest in this matter.

139. The Committee hopes that follow-up action on outstanding accounts will continue to be a permanent feature of the Department's control procedures and that the position will not be allowed to deteriorate.

CHAPTER 6

POSTMASTER GENERAL'S DEPARTMENT

140. The Postmaster-General's Department was examined by the Committee on the delays by Australian Government Departments in the payment of accounts for telephone and telex services and accounts for bulk postage.

Telephone Accounts:

141. The Committee was informed that the Department operates two systems for the accumulation of charges and the billing of telephone subscribers. At the time of the Inquiry the Department operated a computerised system to prepare bills for Sydney and Melbourne Metropolitan subscribers only, and a manually operated system for all other subscribers.

Exhibit
151/B5
and
Q. B199

142. The computer produces a subscriber's bill automatically in accordance with predetermined schedules, or as required by special action. If an account is not paid within the prescribed period, a reminder is produced automatically and despatched to the subscriber.

Exhibit
151/B5
and
Q. B237

143. The Department stated that for computer prepared bills an accounting history of a subscriber's service is maintained on a computer file. Charges incurred by each service are input to the computer periodically, trunk calls and phonograms daily, metered calls monthly, rental variations, miscellaneous charges and credits as they occur - and are accumulated against each subscriber's account. Payments are input daily and credited against the relevant accounts.

Exhibit
151/B5

144. The Committee was interested to know what benefits, monetary or otherwise, had been achieved by the introduction of the computer system.

145. The Committee was informed that the actual savings were difficult to measure in money terms, although it was anticipated that there would be some staff savings. The computer system provides ready access for the credit control officers to details of payments and the credit history of the consumer account. The use of computers provides a greater control over the extent to which customers accumulate credit. Once the customers account reaches a predetermined level the computer automatically reports to the credit control officer.

Exhibit
151/B5
and Qs.
B200 and
B223 to
B228

146. The Department's computers are also used for a number of engineering and traffic surveys and the Department is considering the use of computers for salary payments and personnel records.

Qs. B223
to B225

147. The Department stated that for manually prepared bills a ledger card is maintained for each telephone subscriber's service containing the full accounting history of the service. Charges are progressively collated during the half-yearly accounting period and prior to billing are posted under their respective heading to the ledger card.

Exhibit
151/B5

148. In the preparation of the computer-prepared accounts the same basic documents are used as in the manual preparation of accounts. The manually calculated bills are prepared from the ledger card by electro-mechanical accounting machine process on a three-part form which comprises (1) First and Final Account (2) Reminder and (3) Accounting Stub. If an account is not paid within the prescribed period, the Reminder is despatched to the subscriber. Each ledger retains its own accounting stubs and is subject to oversight by the group controlling officers and ledger control staff every day. At the end of every month, the credit control staff is obliged to go through the total outstanding stubs in order to determine if follow-up action is to be taken.

Qs. B259 to
B267 and
B278

149. The Department uses a double entry book-keeping system of accounting which provides control accounts for all debtor transactions. The total value of telephone bills issued each month, both manually and computer prepared, is recorded against "Telephone Debtors". The Accounting Stub is the Department's basic record. The stubs are kept in date sequence as well as in account reference number order. Once a bill has been settled, the relevant accounting stub is extracted and used as a means of reconciling the revenue collected on the particular day payment was made. Having regard for payments made during the month the balance on the account at the end of each month is reconciled with the value of the accounting stubs remaining in the original entry

Exhibit
151/B5

ledgers together with the value of unpaid bills held on computer file.

150. We were informed that in the manual system there is approximately four to six weeks' delay between the closing of the accounting period and the submittal of bills to the subscribers. In the A.D.P. system, a bill is despatched in about five working days after the date the meter is read. The output of the Billing Section is affected at times by staff shortages. Staff turnover in the follow-up area has been particularly high. For example, in the Revenue Section in Sydney out of a staff of approximately three hundred clerks, ninety-seven were recruited during the financial year 1972-73. We were told that although a training program is in existence it was the Department's view that training is not a substitute for experience, particularly with base grade clerks. In order to improve the position and retain experienced staff the Department is examining the possibility of expanding the career structure in this area.

151. Because of smaller risks involved in Government accounts remaining unsettled and because of staff shortages, follow-up action on Government accounts is not as intense as for ordinary subscribers. If a Government account remains unpaid for six to eight weeks after the due date, the appropriate Department is usually contacted by telephone. If the account is still not settled the matter is referred to a higher management level both in the Postmaster-General's Department and the Department concerned. We were informed that supervisors carry out a review of outstanding accounts at least once a fortnight.

Exhibit
151/B5
and Qs.
B242,
B245 to
B247,
B250 and
B278

152. In order to recover some long outstanding debts from Government Departments, the Postmaster-General's Department has on occasions made representations to Treasury and has received the necessary assistance.

Q. B244

153. The Department submitted three possible reasons for delays in the payment of accounts by Government Departments. Firstly, it appears that some delays in certification and authorisation of accounts are caused by identification difficulties of particular departmental telephone services at outlying points. Accounts are despatched to the addresses as requested when the service was first created unless advised differently.

Exhibit
151/B5 and
Qs. B248
and B250

154. The second possible reason submitted for delays in the payment of Government accounts is a shortage of funds at certain times of the year. However, the witness stated that departments are given a very accurate estimate of the equipment rental charges on variation of equipment and that telephone charges for services are static. The witness suggested that the shortage of funds at times would very likely be due to increased usage or a change in the departmental telephone requirements necessitating extensive use of trunk/line or international traffic.

Exhibit
151/B5 and
Qs. B251 to
B253

155. The Department also pointed out that delays in the payment of telephone accounts were caused by subscribers raising queries with the Post Office in relation to charges included in bills, e.g. metered calls, trunk calls, phonograms, etc.

Exhibit
151/B5

156. The Committee was informed that a query concerning a readily detectable error in an account can be resolved in two or three days. If the error is in addition or a trunk charge is clearly made to the wrong number, the accounts may be amended on the spot. However, where any error is not so easily detected, testing of possible faulty equipment could vary from a few days to a few months.

Q. B254

157. The Committee questioned the Department on possible errors in the recording of telephone calls. The Department stated that it was concerned over the incidence of complaints and queries concerning accounts since the advent of subscriber trunk dialling. The witness

Qs. B201 to
B222

explained that trunk calls were recorded separately and that errors may occur when numbers were transcribed wrongly. With the existing equipment it is not possible to record S.T.D. calls separately from local metered calls. However, the witness considered it extremely unlikely that S.T.D. calls could be charged to the wrong number.

158. The Department advised the Committee that during 1972-73, 3,891,374 bills were issued which gave rise to 54,728 queries in respect of metered call charges, and of the 2,855 adjusted 495 (0.9%) were considered due to faulty metering apparatus.

Qs. B255 to
B259 and
B281 and
B284 and
Committee
File 1972/4

159. The Treasury Observer, Mr Mauder, informed the Committee that following the Committee's One Hundred and Seventh Report an interdepartmental committee consisting of representatives of the Postmaster-General's Department, the Public Service Board and the Treasury convened to consider a number of questions, including the problems confronting departments in multi-occupied buildings. Following the interdepartmental committee's report Treasury directed that if possible separate metering facilities should be provided for each department in multi-occupied premises so that departments which are metered separately would pay for the rental of its block of exchange lines as well as for all trunk and S.T.D. calls made through those lines. Unfortunately, however, a number of P.A.B.X. systems in use, even those installed in recently completed buildings in Canberra, are not capable of separate metering. Where more than one department is connected to the same switchboard the registered subscriber accepts responsibility for the payment of telephone accounts and also the cost of staffing the switchboard whilst no recovery action is taken against occupying departments. The registered subscriber in such cases is normally the Department of Services and Property or the Department occupying the larger proportion of the building.

Exhibit
151/B4 and
151/B5 and
Qs. B280
and B281

160. The witness informed the Committee that the sharing of switchboard facilities did not cause any particular problems to

Exhibit
151/B5 and
Qs. B189
to B194

the Post Office in the preparation of accounts. However, the witness felt that the sharing of facilities could contribute to the debtor department's problems in identifying the charges or in the distribution of those charges. We were informed that the basis of sharing was an internal arrangement between the sharing departments. The method of determining the proportion of the cost of shared switchboard facilities varies between Departments. The number of outlet points or floor space occupied are frequently used as a basis to calculate the portion of costs for each Department. Where a shared switchboard is manually operated and trunk call details are available, each department is charged for the actual cost of the calls it makes.

161. The Committee was informed that the Post Office periodically inspects the equipment provided to client departments and carries out a reconciliation with Post Office engineering, telecommunication and accounting records to ensure accuracy in calculating the charge for equipment rental.

Q. B195

162. During the course of the Inquiry the Department informed us that since the Committee decided to inquire into the payment of accounts, the situation on the recovery of outstanding debts had substantially improved.

Qs. B197,
B243 and
B249

163. An examination of outstanding Australian Government telephone accounts showed that of the total amount of \$671,523 outstanding at 31 August 1972 10 per cent had been outstanding for more than seven months. Details are shown in Appendix D.

Exhibit
151/B5

164. The Observer from the Auditor-General's Office (Mr Ragless) drew the Committee's attention to a report from one of the Chief Auditors in which it was stated that because an amount of \$320 was in dispute an account for telephone charges of some \$91,000 had remained unpaid for some time. He went on to say that Treasury Direction 23/6, which deals with the payment of telephone and wireless traffic accounts, could perhaps be expanded along similar lines to Treasury Direction 6/22A which deals with the payment of transport claims and directs departments to pay such claims within 14 days of receipt. It

also sets out the degree of check to be exercised in examining such claims and allows mathematical errors aggregating \$20 to be ignored. The full text of Treasury Direction 6/22A is shown at Appendix A and Treasury Direction 23/6 at Appendix E.

Telex Accounts

165. A ledger card containing a full accounting history is maintained for each telex subscriber. The Billing and follow-up procedures for telex accounts are the same as for telephone accounts, except that the bills for telex charges are prepared monthly. The witness representing the Postmaster-General's Department recognised that there probably would be some economies from the Department's point of view if bills were issued quarterly instead of monthly. However, he explained that large numbers of customers prefer monthly bills. Outstanding telex accounts at 31 August 1972 totalled \$8,906, of which only 2 per cent had been outstanding for more than four months.

Exhibit
151/B5
and Qs.
B233 to
B236

Bulk Postage Accounts

166. The preparation of bills for bulk postage involves only an accumulation of dockets issued during a month for postage charges. The bill is prepared from the dockets on a three-part form similar to that used for the telephone and telex services. Reminder action and payment controls are also similar to those used for the telephone and telex services.

Exhibit
151/B5
and Qs.
B238 to
B240

167. At the 31 August 1972 seven Government accounts totalling \$6,329 for the purchase of bulk stamps were outstanding. None of these accounts had been outstanding for more than four months.

Exhibit
151/B5

Conclusions

168. It appears from the evidence that although the procedures for following up unpaid accounts which operate in the Post Office are satisfactory, a high rate of staff turnover in the accounts follow-up area has made it difficult for the Post Office to maintain pressure on Government Departments to pay their accounts promptly. The Committee has noted that at the time of the inquiry the Post Office was examining the possibility of expanding the career structure in this area with a view to retaining experienced staff for longer periods.

169. The Committee endorses the view expressed by the Observer from the Auditor-General's Office (Mr Ragless) that Treasury Direction 23/6, which deals with the payment of telephone and wireless traffic accounts, could be expanded along similar lines to Treasury Direction 6/22A. The Committee suggests that the Treasury should examine this matter in conjunction with the earlier suggestion made regarding expanding Treasury Direction 6/22A to include all types of accounts.

CHAPTER 7

DEPARTMENT OF SUPPLY

(Now the Department of Manufacturing Industry)

Transport Trust Account

170. The Department of Manufacturing Industry (formerly the Department of Supply) through its Stores and Transport Branch, provides transport services for Australian Government Departments and authorities. The Department operates a fleet of approximately 4500 passenger and goods-carrying vehicles and over 500 ancillary vehicles such as cranes, aircraft tow-motors, material-handling equipment etc. Facilities available through the Department include passenger car and bus services, goods transport services, transit depots for receipt of goods for onforwarding, a metropolitan goods pick-up and delivery service and the provision of vehicles on hire with or without drivers in metropolitan and country areas. The commercial transport industry is used to supplement the Department's fleet. The operation of the Department's Transport pool is financed through the Storage and Transport Trust Account.

Exhibit 151/A3
and Qs. A121
to A124 and
1973 Annual
Report -
Department
of Supply

171. On receipt of a request for transport, the Stores and Transport Branch raises a transport order indicating the client's name, client's reference number, details of the service required and the client's hirer code number. The latter is used to identify each paying authority and in many cases, the sections of each department for which separate charges are required. In order to assist departments in maintaining a record of details of transport used, the Stores and Transport Branch supplies departments with a register of requisitions for either passenger or goods transport.

Exhibit 151/A3
and Qs. A126
and A127

172. Once a service has been provided and the actual transport use is known, the transport orders are priced in accordance with rates fixed by the Department. The witness explained that the rates are based on the running costs of the vehicles plus depreciation, labour costs and overhead. These rates are

Qs. A128 to
A134

reviewed periodically and departments are advised of any changes in the rates. The Committee was informed that the Department's weekly hire rates charged for cars in country areas were approximately forty per cent of commercial car hire services. In metropolitan areas, except Sydney, departmental hire car charges are lower than private taxis.

173. At the end of each four-weekly accounting period an invoice, a slightly modified Treasury Form 12, is prepared from the priced transport orders. Each invoice, supported by copies of the relevant transport orders, is forwarded to the appropriate paying authority. In New South Wales, Victoria and South Australia the invoices are prepared by computer, the copies of transport orders accompanying the invoices are replaced by a computer print-out listing similar information.

Exhibit 151/A3
and Qs. A135
to A137

174. The Stores and Transport Branch maintains a Debit Note dissection register in which particulars of each invoice are recorded. After all invoices covering transport orders for an accounting period are despatched the register is totalled and the debtor's account in the Control Ledger is debited accordingly. Copies of invoices raised are filed in a loose leaf form. When payments are received the relevant invoices are then noted and removed from the file. At the end of an accounting period, the value of the invoices remaining in the file are reconciled with the total of the debtors account in the Control Ledger.

Exhibit 151/A3
and Qs. A119
and A145 to
A151

175. Comprehensive instructions covering departmental accounting procedures are laid down in a detailed accounting manual which includes the procedures for the control of creditors and debtors. In addition to the main manual covering Treasury accounting there is a separate manual for the Stores and Transport operations. The Committee was informed that the Department uses a continuous system of review for their accounting manuals.

Qs. A106 and
A145

176. The departmental accounting instructions require that at the end of each four-weekly accounting period, a memorandum or statement of overdue amounts is sent to each debtor seeking payment of accounts not paid within 14 days, as prescribed by Treasury Direction 6/22A. If the outstanding claim is not settled within a further four weeks a second reminder is despatched to the debtor. If payment has not been received by the end of the next accounting period, follow-up of the outstanding accounts is carried out in a number of ways depending on the particular circumstances, e.g. contact by telephone, personal visits, special memoranda and where considered necessary the matter is referred to the Central Office of the client department.

Exhibit 151/A3
and Qs. A107,
A112 to A115
and A120

177. Section 1.13.53, paragraphs 2, 3 and 4 of the Department of Supply's Accounting Manual states in part that:

Qs. A147 to
A149 and
Committee
File 1972/4

" (2) Statements for very large overdue amounts or those which include accounts that have been long outstanding will be referred to the Accountant for progressing instructions. In particular, the following action shall be taken only upon instructions from the Accountant.

- a) refer accounts to the controlling Division/Branch;
- b) warn a private debtor of intended legal action; or
- c) refer an account to the Crown Solicitor

Normally, the Accountant shall sign all correspondence with debtors other than Chaser Memos Nos. 1 and 2 which shall be signed by the O.I.C. General Accounts

(3) In deciding action to be taken, the O.I.C. General Accounts or Accountant shall have regard to prior progressing action as recorded on correspondence files and, if necessary to the debtor's credit history as shown on previous correspondence.

- (4) Depending on circumstances, the action to be taken will include:
 - a) a memorandum of appropriate urgency addressed to the debtor;
 - b) telephone contact with the debtor at a level sufficiently senior to obtain action;
 - c) personal contact with the appropriate section of the debtor's department;
 - d) in the case of a Commonwealth Department, a memorandum addressed to the Central Office of the department.
 - e) in cases of last resort, reference to the controlling Division/Branch, where applicable.

If a satisfactory response is not received from the central office of a department, the controlling Division/Branch or Regional Office shall refer the matter to Treasury (through the Central Finance Branch)."

178. The witness for the Department informed the Committee that the frequent use of chaser memoranda tended to lessen their effectiveness to some extent.

Qs. A151 to A155

179. The Committee inquired whether or not departments responded to Treasury Direction 6/22A. Treasury Direction 6/22A deals with the payment of transport claims and directs departments to pay such claims within 14 days of receipt. It also sets out the degree of check to be exercised in examining such claims and allows mathematical errors aggregating to \$20 or less to be ignored. The full text of

Q. A150

the Direction is shown at Appendix A. The Department replied that the response varied from department to department. Some departments are under the impression that section 34 of the Audit Act precludes them from extracting a queried section of the account, paying the balance and discussing with the Department of Supply the query involved.

Section 34.-{(3.) of the Audit Act 1901-1969 states that:

"No such person shall certify any account until he shall have ascertained that the expenditure has been duly approved in writing by the prescribed authority and that the account is correct in every particular and that the expenditure involved therein is in accordance with the laws and regulations applicable thereto and is charged against the proper head of expenditure."

180. The Observers from the Auditor-General's Office (Mr Parker) and the Treasury (Mr Ravenscroft) were both of the opinion that section 34 of the Audit Act did not preclude departments from deducting items under query from an account and paying the balance immediately as provided under Treasury Direction 6/22A.

qs. A165 and
A166

181. The Department, in its submission, stated that the reasons for delays in settlement of accounts by other departments are not normally known to the Department. Therefore the Department could not confidently attribute delay to any reasons which generally predominate.

Exhibit 151/A3
and Committee
File 1972/4

182. However, the Committee notes that Section 1.13.53 paragraph 4 of the Department's Accounting Manual states in part:

"Establishments should not hesitate to seek from debtors the reasons for slow payments. Apart from the fact that this could identify some problem capable of being overcome by mutual co-operation, the Branch has a responsibility to obtain prompt payment and not to tolerate an unsatisfactory state of affairs."

The Department did not explain to the Committee the reason for this apparent contradiction.

183. The Committee was informed that the following reasons for delays in the payments of accounts were obtained as a result of a review in the payment of accounts conducted by the Department in 1971 in its Victorian Branch.

Qs. A156

- Claims were being forwarded by the Department of Supply to an address other than the paying authority.
- Internal delays in departments e.g. certification of services, time lapse in movements of claims from departmental registry to accounts branch; delays between the regional and central offices when payments are made by a central accounting branch.
- Claims covered by the provisions of Treasury Direction 6/22A are not being treated as urgent by some departments.

184. In regard to delays the Committee was informed that the addresses to which claims are sent are the addresses requested by the departments concerned. The witness also informed the Committee that at times errors in the transposition of figures do occur. It has also happened that claims have been sent to the wrong department.

Qs. A157 to A159

185. The Department was asked whether changes had been made to its procedures as a result of departmental requests. The Committee was told that the Department had amended its procedures to accommodate one department which had requested separate claims for goods and carrying services in order to pay its accounts more promptly. It was explained that because of identification difficulties more problems occurred in freight claims than passenger claims.

Qs. A160 and A166

186. The Committee was informed that following the departmental changes resulting from the Administrative Arrangements Order of 19 December 1972, some identification and procedural problems had occurred. However, a circular memorandum was issued which explained the necessary procedures and these problems have lessened.

Qs. A103 to
A105

187. At 30 June 1973, the outstanding advances for the Supply Storage and Transport Trust Account were \$3,964,947.³ Evidence presented to the Committee in a supplementary submission shows that at 29 July 1973 the total amount of outstanding accounts by Australian Government Departments was \$1,090,183 of which 84 per cent had been outstanding for less than a month, 10 per cent for less than two months and 3 per cent for more than three months. (See Appendix F).

Committee
File 1972/4

188. During the last three accounting periods of the 1972-73 financial year, the Department conducted a special exercise to reduce the amount of outstanding accounts in New South Wales. The regional accountant and a representative from the Department's Central Office visited client departments which were recalcitrant payers and pointed out the need for prompt settlement of outstanding claims. Consequently, the balance of outstanding claims in New South Wales was reduced from \$220,000 on 6 May 1973 to \$141,000 on 1 July 1973.

Qs. A152 to
A154

189. The Committee asked the witness the reasons why the Department of Supply appeared so often on its own debtors schedule. The witness replied that the Department itself was

Q. A166

3. The Treasurer's Statement of Receipts and Expenditure for the year ended 30 June 1973, Supplement to Table 6, page 92.

the biggest customer of its own Stores and Transport Branch. The witness explained that there are thirty separate accounting establishments within the Department. Each establishment is self-managing and pays its own accounts.

190. The Committee in its 133rd Report reported that on 4 April 1971 Branches of the Department of Supply owed the Stores and Transport Trust account at least \$530,000 for services rendered of which \$143,000 (26.9 per cent) was more than eight weeks outstanding. The Department in a supplementary submission informed the Committee that on 29 July 1973 outstanding claims to the Stores and Transport Trust Account by Branches of the Department totalled \$125,750 of which only \$6,177 (5 per cent) was outstanding in excess of eight weeks.

Qs. A162 and
A164

191. The following table shows percentages of Debtors Balances of the Transport Trust Account at the end of the financial year to annual turnover.

Committee
File 1972/4

1965-66	18.5%
1966-67	19.1%
1967-68	18.6%
1968-69	19.2%
1969-70	19.0%
1970-71	19.1%
1971-72	15.4%

The Australian Government Clothing Factory

192. The Australian Government Clothing Factory manufactures Service and other uniforms, clothing and accoutrements including Postmaster-General's Department requirements not undertaken by the private sector of the clothing industry. The operations of the Australian Government Clothing Factory are financed

Exhibit 151/A4
and Q. A106
and Department
of Supply
Annual Report
1974

through the Clothing Factory Trust Account which was established by the Treasurer under Section 62A of the Audit Act 1901-1969 for the purposes of payment for goods and services, salaries, wages and all other expenses incurred in connection with the operation of the factory.⁴

193. The accounting system for the factory follows normal commercial practices with a complete set of double entry accounts with reconciliations at the end of each accounting period of all subsidiary ledgers to a control account in a control ledger.

Qs. A167 and A168

194. The document which initiates invoices to Australian Government Departments is the Despatch Advice which is sent with the consignment of goods to customers. We were informed that the despatch advice now in use in the Clothing Factory was one of the results of a detailed study of deficiencies in documentation and procedures covering goods issued and associated accounting activities. An original and five copies of the despatch advice are produced and are distributed and used in the following manner:

Exhibit 151/A4 and Qs. A169 and A174

- a) the original and one copy go to the customer with the consignment. The original for his retention and the copy for return after signature for receipt of goods;
- b) one copy is kept in the Supply Section as a complete record in numerical sequence of all Despatch Advices issued; and

4. Treasurer's Statement of Receipts and Expenditures for the year ended 30 June 1973, Supplement to Table 6, page 89.

- c) two copies are forwarded to the Debtors Ledger Section for invoicing to the customer; and
- d) one copy remains in the book in the stores section that raises it.

195. The Australian Government Clothing Factory also makes use of the previously mentioned departmental accounting manual. We were informed that the upgrading of procedures may result from ideas emanating from the factory area or from the Accounting Policy and System group responsible for the accounting manual in use in the Department.

Q. A175

196. In the Debtors Ledger Section the two copies of Despatch Advices are priced from the current price list or from quotations where special prices may apply. One of the priced copies of the Despatch Advice is then attached to a Treasury Form 12 and is forwarded to the Australian Government Department concerned. The Australian Government Clothing Factory retains the other priced copy of the despatch advice as a factory copy.

Exhibit 151/A4
and Q. A169

197. Each invoice raised is given a number which is entered in a despatch advice register opposite the relevant despatch advice number. Despatch advices are recorded in sequential order and periodic checks are carried out to ensure that all advices have been correctly actioned and if not, to investigate missing entries and finalise action. The Department stated that it was constantly aware of the total amount owing by each customer by keeping Customers Control Accounts in the following manner:

Exhibit 151/A4
and Q. A189

- a) each customer is given an account number;

- b) all invoices are listed and summarised under their account number on a form "New Invoice Analysis". A total for the period for each account is taken and is added to the previous period control amount (reconciled with the previous statements of account);
- c) all receipts are listed and summarised under their account number on the Summary of Daily Receipts Form. A total for the period for each account is determined and is deducted from the amount arrived at under (b). The resulting amount is the outstanding liability of the customer; and
- d) the amount owing under each account number is totalled and reconciled to the balance in the debtors account in the Control Ledger.

198. We were informed that within a week of each four-weekly accounting period, the Department prepares for each customer a statement of account, detailing all outstanding invoices. Invoices overdue for payment are clearly shown on the statement of account. Payments not received within two months are regarded as overdue.

Exhibit 151/A4 and Qs. A109, A110 and A194 to A199

199. The Committee was informed that if accounts remain in arrears for more than two or three months, pro-forma letters become progressively more demanding in requesting an early settlement. The letters also ask for the reasons for non-payment if payment is not made. All accounts that have been in arrears for over two months are referred to the accountant who specifies what further action is to be taken. The action then taken may be in the form of teleprinter message, telephone call, a memorandum prepared by the accountant or on occasions

Exhibit 151/A4 and Qs. A106, and A170 to A172

a personal visit. If a satisfactory response is not received from the department the procedures provide for the matter to be referred to the Treasury through the Department's Central Finance Branch.

200. A departmental statement of Australian Government debtors of the Australian Government Clothing Factory shows that at 31 March 1973 of the total amount of Australian Government claims outstanding (\$673,181), 56 per cent were more than a month old, 18 per cent were more than two months old and 3 per cent of the outstanding accounts were between nine months and two years old. An age analysis of debts supplied by the Department as part of a supplementary submission shows that at 27 July 1973 the total of outstanding accounts by Australian Government Departments was \$368,252 of which only 14 per cent were more than a month old and 4 per cent had been outstanding for more than two months.

Exhibit 151/A4
and Qs. A116
to A118, A195,
A196, A200 to
A202 and
Committee
File 1972/4

201. In elaborating on the Department's effort to reduce the amount of outstanding accounts of the Clothing Factory, the witness pointed out that following the 1971-72 report of the Auditor-General and this Committee's subsequent public inquiry, the Department mounted a special effort with a task force from different areas of the Department and re-organized the factory so that it became one of the Department's most efficient units. The witness further informed the Committee that he was of the opinion that the Clothing Factory would from now on be able to maintain the sundry debtors at about the present low figure.

Qs. A203,
A204, A209,
and A212 and
Committee
Report 146

202. The Observer from the Auditor-General's Office (Mr Parker) informed the Committee that a review carried out by his Office confirmed the view of the witness that there had been quite a material improvement in the outstanding debtors.

Q. A213

203. The Department in one part of its submission stated that it does request from Departments the reasons for non-payment of accounts. However, in the same submission the Department claimed that normally the reasons for delays in the payment of accounts are not known. When asked to reconcile these apparently conflicting statements, the witness replied that the debtors control section had been inadequately staffed before the re-organisation and that this deficiency had been rectified. The Committee was also informed that under the system previously used invoices were typed from packing notes which caused some delays in the rendition of accounts. The witness explained that at times the verification of delivery of goods tended to delay payments of accounts. In the past there had been delays in the issuing of price lists causing departments to query some of the prices charged. It had also been noted that some paying authorities had not allowed for higher prices introduced by the factory during 1971 and consequently some accounts were short-paid.

Exhibit
151/44 and
Qs. A204,
A205 and
A208

204. During the course of the Inquiry we were informed that there existed no debtor problems with commercial clients of the Department. At the same time it was pointed out that the work done for the private sector presented only a minor portion of the total work undertaken by the factory.

Qs. A180 to
A187

Conclusions

205. At the time of the inquiry it appeared to the Committee that the position with regard to outstanding accounts for the Department's transport services was improving and it was hoped that the improvement would continue. However, the Committee has noted from the Auditor-General's Report for 1973-74 that the

position has deteriorated and that at 30 June 1974 claims amounting to \$319,615 had been unpaid for periods in excess of eight weeks.

206. Apparently the Department has rendered claims promptly and has taken appropriate follow-up action, presumably in accordance with the procedures set out in the departmental accounting manual for the control of debtors, but the amount of claims unpaid has continued to rise.

207. The Committee considers the position to be most unsatisfactory and has noted that the Auditor-General's Office has referred the matter to the Treasury for comment and advice of any action proposed.

208. The Committee suggests that when examining possible solutions to the problem the Treasury might consider the point raised by the Department during the inquiry that Treasury Direction 6/22A was not being used properly by all departments because it was believed that the provision in the Direction regarding the deduction of amounts under query from accounts and to pay the balance, is inoperable because of the provisions of section 34.-(3.) of the Audit Act. It was also stated during the inquiry that claims covered by the provisions of Treasury Direction 6/22A were not being treated as urgent by some departments.

CHAPTER 8

General Conclusions

209. In order to emphasise the seriousness with which the Committee views the unsatisfactory position relating to delays in the payment of accounts disclosed during this inquiry and by the most recent observations made by the Auditor-General, the Committee proposes to make some general observations which it hopes will result in departments taking positive steps to improve the situation.

210. It seems to the Committee that in the present situation charging departments are required to allocate a disproportionate amount of their staff resources to following up unpaid accounts which, if paying departments were to meet their financial obligations on time, could be greatly reduced.

211. The Committee endorses the view expressed by the Treasury during the inquiry that where charging departments operate through a Trust Account, it is not considered appropriate to increase the working capital advances to those Trust Accounts just because paying departments are slow in discharging their financial obligations.

212. The Committee considers therefore that a more responsible attitude should be adopted by departments towards their creditors both departmental and private. It seems clear from the evidence given in relation to the photocopying accounts that some departments were not even aware at the supervisory level that these accounts had been outstanding for such a long period. The Committee believes that it would be appropriate at this point to remind departments that delays in paying accounts received from private creditors could cause liquidity problems, particularly for those who are self-employed or small businesses that are largely dependent upon Australian Government contracts.

213. While the Committee appreciates that there is no quick and easy solution to the problem of preventing undue delays in the payment of accounts, the Committee believes that an immediate improvement in the situation would result if departments were to maintain a continuous oversight over their Register of Accounts, which if used properly, should disclose accounts which had been unpaid for any length of time.

214. The Committee would urge departments to make an effort to reduce the delays in the payment of accounts by reviewing their procedures and increasing the degree of supervision exercised in this area and to co-operate with the Treasury in any endeavour to have accounts paid promptly. The Committee intends to maintain a close watch on the position and to conduct further inquiries into this matter, if required.

For and on behalf of the Committee,



T. Devine
Secretary
Joint Committee of Public Accounts
CANBERRA

21 November 1974



R. E. McAuliffe
Chairman

TREASURY DIRECTION 6/22A

Payment of Transport Claims

"Accounts for transport services rendered shall be paid within 14 days of receipt. In addition to the records to be maintained and the management controls to be exercised in accordance with the Prime Minister's directions, accounts may be certified as correct:

- (i) without check as to their arithmetical accuracy, where prepared by computer;
- (ii) without a precise check of mileage travelled unless obvious errors in trip mileage are apparent;
- (iii) where mathematical errors do not exceed \$20 in the aggregate; such errors shall be ignored for all purposes; and
- (iv) without further check of entitlement to the use of official transport if the claims are checked with entries in a register of requests (to be completed when ordering transport from a transport authority e.g. the Department of Supply Registers of Requests for Passenger Cars and other types of transport which contain provision for line reference numbers), and an officer appointed by the Minister under Regulation 49 has endorsed his approval against the entries in the Register.

If arithmetical errors exceed \$20 in the aggregate or part of an account is in dispute for other reasons, the amount under query shall be deducted from the account and the balance paid immediately; the transport authority shall be advised of the deduction."

COLONIAL DEPARTMENTS
SUNDAY DEBTORS AS AT 28 FEBRUARY 1972
SHELFIE

	FOR INVOICES ISSUED ON OR PRIOR TO 30.6.69		FOR INVOICES ISSUED DURING 1970-71		FOR INVOICES ISSUED 1971-72		TOTAL AS AT 28.2.73	
	\$	\$	\$	\$	\$	\$	\$	\$
Australian Capital Territory								
New South Wales	29.37		2,373.72	2,931.44	114,613.58	179,805.51	177,065.66	476,787.91
Victoria	1,511.41		1,038.06	1,611.92	2,358.92	12,656.44	11,174.85	26,350.97
Queensland								
South Australia								
West Australia								
Tasmania								
Northern Territory	408.08		752.56	2,858.15	3,587.39	5,699.11	27,518.05	40,565.30
Terr. Papua/New Guinea								
	\$1,948.86	\$4,164.74	\$8,454.87	\$141,380.56	\$321,354.50	\$294,746.18	\$771,689.51	

Percentage of Total Amount
Outstanding

COMMONWEALTH DEPARTMENTS
SUNDAY DEBTORS AT 30 JUNE 1922
SUMMARY

	INVOICES ISSUED PRIOR TO 30.6.70.	INVOICES FOR JOBS COMPLETED DURING					TOTAL AM. 30.6.73
		1970-71	1971-72	1.7.72 to 31.12.72	1.7.73 to 28.2.73	1.5.73 to 15.6.73	
Australian Capital Territory	251.82	3	9,347.51	4,186.08	1,188.06	761,752.38	180,002.30
New South Wales	-	1,149.67	254.17	129.20	-	7,013.83	9,957.82
Victoria	330.28	-	2,143.72	5,604.64	13,045.32	134,653.21	17,835.04
Queensland	-	-	-	-	-	1,794.58	2,326.21
South Australia	-	-	-	-	-	405.56	4,120.79
Western Australia	-	-	-	383.78	-	1,634.45	4,234.65
Tasmania	-	-	-	-	-	391.38	942.90
Northern Territory	128.95	1,543.95	1,357.24	2,320.03	276.79	23,064.85	15,765.71
Territory Papua/New Guinea	-	590.93	-	-	31.43	104.41	77.71
	\$691.05	\$4,561.92	\$13,080.64	\$10,623.75	\$14,541.60	\$931,614.65	\$1,247,947.28

Percentage of Total Amount
Outstanding

1% 1% 1% 75% 22%

AUSTRALIAN GOVERNMENT DEPARTMENTS
TELEPHONE DEBTORS AS AT 31 AUGUST 1972

	1-11-1970 to 31-10-1971	1-11-1971 to 31-1-1972	1-2-1972 to 30-4-1972	1-5-1972 to 20-6-1972	1-7-1972 to 31-7-1972	Total as at 31-8-1972
New South Wales (includes A.C.T.)	32,365	32,653	11,142	44,739	324,535	445,434
Victoria	71	3,364	2,366	44,950	26,031	76,782
Queensland		218	25,744	857	27,564	54,383
South Australia	594	86,179	2,650	2,166	91,589	
Western Australia		159	2,310		2,469	
Tasmania		88		788	866	
TOTAL	32,436	36,829	125,978	95,506	381,974	671,523
	5%	5%	19%	14%	57%	

TREASURY DIRECTION 23/6

Telephone and Wireless Traffic (P.M.G., Overseas Telecommunications, etc.)

"Unless there is palpable evidence of incorrectness, these claims shall be paid without a detailed check, provided that adequate records are maintained to enable recovery action to be taken where necessary. Where recovery is necessary from personnel at outlying centres of a departmental organization, the responsibility for recovery action shall rest with appropriate officers at the outlying centres where the necessary records would normally be maintained."

COMMONWEALTH DEPARTMENTS
SUNDAY TRANSPORT DEBTORS AT 29 JULY 1972

State	Invoices Issued on or prior to 30-6-69	1969/70	1970/71	1971/72	3.7.72 to 6.5.73	7.5.73 to 3.6.73	4.6.73 to 1.7.73	2.7.73 to 29.7.73	Total at 29.7.73
New South Wales				127.15	14,969.61	7,951.53	54,849.04	295,001.91	372,899.24
Victoria	326.54	106.08	11,023.13		8,090.64	19,788.08	324,687.79		364,032.26
Queensland		17.22	2,695.88		5,724.25	13,749.09		107,249.59	129,437.03
South Australia			2,666.87		7,849.65	5,176.86		131,032.05	146,785.43
Western Australia			1,449.67		394.72	5,829.35		26,323.73	33,967.47
Tasmania		17.83	655.82		4,001.11	5,680.89		11,000.22	21,555.87
A.C.T.		102.19	3,470.24		1,120.68	1,080.50		15,932.32	21,706.13
Total	326.54	370.47	36,912.22		35,132.58	106,153.81		911,237.81	1,050,183.43

Percentage of total
outstanding at
29/7/1972

3% 3.2% 10% 84%

1974

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
FIFTY-SECOND REPORT

EXPENDITURE FROM THE ADVANCE
TO THE TREASURER
(APPROPRIATION ACTS 1973-74)