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Report of the
Auditor-General
Financial Year
1975-1976

Report

167

Joint Committee of
Public Accounts

The Report of the Auditor-General—Financial Year 1975-76

Parliament of the Commonwealth of Australia

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND SIXTY-SEVENTH REPORT

THE REPORT OF THE AUDITOR-GENERAL -
FINANCIAL YEAR 1975-76

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

ELEVENTH COMMITTEE

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The House of Representatives appointed its members on 3 March 1976 and the Senate appointed its members on 4 March 1976.

- (1) Discharged 8.4.76
- (2) Appointed 8.4.76 elected Vice-Chairman 29.4.76
- (3) Elected Vice-Chairman 16.3.76 resigned as Vice-Chairman 29.4.76
- (4) Appointed (Ex-officio) 9.6.76, discharged 13.9.77
- (5) Discharged 31.3.77
- (6) Appointed 31.3.77
- (7) Appointed (Ex-officio) 14.9.77

DUTIES OF THE COMMITTEE

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

8. The duties of the Committee are -

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of 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.

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CHAPTER 1

INTRODUCTION

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

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

The second duty of the Committee is:

(b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed.

2. Each year since 1959 the Committee has conducted a separate series of enquiries related specifically to matters raised by the Auditor-General in his Reports transmitted to the Parliament.

3. The Auditor-General's report for 1975-76 was tabled in the Parliament on 15 September 1976. The Report followed the new format begun in 1973-74 with one section (Section 3 - Summaries of Audit Observations and Results of Audit Representations) containing reports of any unsatisfactory features as a result of Audit investigations. This revised method of presentation greatly assisted the Committee in its selection of items for examination.

4. The Eleventh Committee sought written submissions from thirteen departments in explanation of a number of items on which the Auditor-General had commented in his Report. After a selection of submissions had been made, the Committee examined six departments (in respect of the six items referred to in Chapters 2 to 7 of this report) at public inquiry.

5. The Public inquiry was held at Parliament House, Canberra on:

Tuesday, 29 March 1977
Tuesday, 19 April 1977
Tuesday, 26 April 1977
Tuesday, 3 May 1977
Tuesday, 24 May 1977
Wednesday, 1 June 1977
Thursday, 4 August 1977

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

Department of Administrative Services

Mr D.R. White	-	Assistant Secretary, (Finance and Services) Ministerial and Management Services Division
Mr N.M. Boyle	-	Assistant Secretary, (Personnel and Establishments)
Mr E.H. Crosby	-	Director, Management Services, Australian Government Publishing Service
Mr B.J. Robinson	-	Finance Officer, Australian Government Publishing Service
Mr J.S. Brogan	-	Executive Officer, Australian Government Stores and Tender Board

Department of Construction

Mr J.H. Gunn	-	Acting Assistant Secretary (Works) Central Office
Mr F. Wickham	-	Assistant Secretary, (Mechanical Engineering) Central Office
Mr N. Sneath	-	Acting First Assistant Secretary, (Engineering) Central Office
Mr G. Smith	-	Chairman, Commonwealth Fire Board

Department of Foreign Affairs

Mr R.H. Robertson	-	First Assistant Secretary, Management and Foreign Services Division
Mr D.C. Rutter	-	Acting Assistant Secretary, Administrative Services Branch
Mr R.E. Taylor	-	Director, Conditions of Service Section
Mr W.G. Miller	-	Assistant Secretary, Personnel Branch
Mr A.A. Hillier	-	Assistant Secretary, Overseas Operations Branch, Department of Administrative Services

Mr F.A. Power - Senior Property Officer,
Overseas Operations Branch,
Department of Administrative
Services

Department of the Northern Territory

Mr M. Lynagh	-	Acting First Assistant Secretary Management Services
Mr W.J.F. Hull	-	Acting Assistant Secretary, Finance Supply and Vehicles Branch
Mr I.A. McDonald	-	Director, Automatic Data Processing Section
Mr R.A. Thomas	-	Acting Assistant Secretary, Public Utilities Branch

Department of Productivity

Mr D.J. O'Connor	-	Controller-General (Management)
Mr K.D. Johnson	-	Acting Controller, Aircraft Guided Weapons and Electronics Supply Division
Mr A.G. Johnson	-	Director, Special Projects, Aircraft Guided Weapons and Electronics Supply Division
Mr R.A. Talbot	-	Acting Stores Superintendent Government Aircraft Factories

Department of Social Security

Mr D. Corrigan	-	First Assistant Director- General (Management)
Mr L. Ryan	-	Acting Assistant Director- General (Benefits Administra- tion)
Mr C. Calvert	-	Assistant Director-General (Finance)
Mr E.B. Kennedy	-	Acting Assistant Director- General (Operations Branch)
Mr P.G. Treloar	-	Acting Director, Management Consultancy

Mr W.B. Bartley	-	Assistant Director-General, (Establishments and Appeals)
Mr W.F. Sharpe	-	Director, Department of Employment and Industrial Relations
Mr C.J. Madden	-	Acting Assistant Secretary, Employment Operations and General Branch
Mr R.R. Clarke	-	Executive Officer Department of Employment and Industrial Relations

7. During the inquiry the Committee was assisted by the following Observers:

Mr E.J. Ablett	-	Auditor-General's Office
Mr P. Cooper	-	
Mr B. McNiven	-	
Mr B. McDonald	-	
Mr C. Campbell-Wilson	-	
Mr R.G. Rose	-	
Mr P. Hinchy	-	
Mr D. Crombie	-	
Mr V. Barall	-	
Mr P. Gourley	-	Public Service Board
Mr G.S. Whitley	-	
Mr D. Barratt-Eyles	-	
Mr A.M. Finch	-	Department of Finance
Mr C.T. Monaghan	-	
Mr J. MacGregor	-	
Mr M.J. Talberg	-	

CHAPTER 2

DEPARTMENT OF ADMINISTRATIVE SERVICES

8. In paragraph 3.2.7 of his Report for 1975-76 the Auditor-General referred to a number of unsatisfactory features of the accounting and control procedures carried out by the Australian Government Publishing Service in relation to the Commonwealth Stores Trust Account. The reference stated: (1)

Commonwealth Government Stores Trust Account

An audit examination of the storekeeping function carried out in the Australian Capital Territory by the Australian Government Publishing Service on behalf of the Australian Government Stores and Tender Board discloses serious defects in accounting records and control procedures. Recent Audit representations to the Department include references to;

- failure to reconcile subsidiary records with control accounts;
- undetected errors and omissions in stores records;
- incorrect charging of stores issues;
- failure to record all relevant transactions in Trust Account ledgers;
- defects in the preparation and control of posting media; and
- unreasonable delay in paying commission to the Government Printer Trust Account in respect of work carried out on behalf of the Tender Board.

In reply to Audit observations the Department acknowledges a serious breakdown in the accounting and recording aspects of the storekeeping function has occurred. The view is expressed by the Department that the position disclosed by Audit is primarily attributable to lack of expertise of available staff. The Department has initiated action to reconstruct the records and states that procedures will be revised to provide a more effective means of supervision and control. The position will be reviewed by my Office in 1976-77.

9. The Commonwealth Government Stores Trust Account is provided to the Australian Government Publishing Service (AGPS) of the Department of Administrative Services on behalf of the Australian Government Stores and Tender Board to enable the centralised purchasing of common user stores, stationery and other office requisites for sale to Commonwealth Government Departments in the Australian Capital Territory. This activity is operated on a commercial basis and all expenses related to the purchase of the stock are charged on the Trust Account and receipts from sales are paid into the Account.

10. The current trust account, opened on 7 June 1976 under Section 62A of the Audit Act, was a continuation of the Stores Suspense Account, first established in 1919 and until 1971 administered by the Department of the Treasury. In December 1975 it became the responsibility of the Department of Administrative Services after having rested with the then Departments of Environment, Aborigines and the Arts and the Media.

11. The Committee was given evidence that the Tender Board's Store is located in the Government Printing Office. For economic reasons, the staff responsible for purchasing of goods for the Printing Office, also bought equipment and common user stores for the Tender Board. Consequently, the administrative costs were charged in the first place to the Government Printer Trust Account which was recouped by periodic payments from the Stores Trust Account. This practice is followed in stores operated in the States for the Government Stores and Tender Board by the Telecommunications Commission.

12. With regard to the specific accounting records and control procedures referred to by the Auditor-General, the Committee was informed that financial transactions in respect of the A.C.T. Stores Trust Accounts are recorded in the Finance Section of the Australian Government Printing Service in the Stock Ledger, Debtors Ledger, Creditors Account, Cash Account and Commission Account. In addition, storekeeping records (quantities only) are maintained in the Tender Board Store.

13. The Department found that not all receipts and issues of stock had been recorded in the Stock Ledger. Individual stock financial cards had not been reconciled with separate control cards which record stock totals of receipts and issues. Average issue prices had not been calculated correctly in all cases. The Department reconstructed the Stock Ledger by reconciling the normal physical count of the stock on hand as at 30 June 1976 with the internal storekeeping records which had been correctly maintained. It was discovered that receipt documents had been raised for all goods received; all issues made were covered by the correct documents; all receipts and issue dockets were accounted for; and all issues had resulted in a claim for payment being made on the client departments. An average price as at 30 June 1976 was recalculated for each item by tracing back receipts and issues to 30 June 1975, the net variation being no more than \$3000 for the year in total sales of \$1 036 432.

14. The Debtors Ledger records sales on credit to customers, payments and balances owing. Although all issues made during the period concerned had resulted in a claim for payment being made on the client department and debts so incurred had been recorded in the Debtors Ledger, issue prices had not been calculated correctly in all cases resulting in a number of small under and over charges. The Department stated that in view of the small amount involved, (approximately \$3000), it was not considered that the extensive workload involved in checking back all issues made, adjusting charges and sending out supplementary bills would be justified. Consequently, the balances recorded in this ledger have been regarded as the correct balances at 30 June 1976, and approval had been sought from the Department of Finance to write off the amount involved in accordance with Finance Directions 32/4 to 32/6.

15. The Creditors Ledger provided for the maintenance of both a control account and a separate account for each creditor. All purchases had been correctly recorded in the control account but not all payments made to

creditors had been recorded. Furthermore, it was found that the individual creditors accounts were incomplete as not all purchases and payments had been recorded. The Committee was assured that there was no question of incorrect payments having been made as all claims were examined, certified and authorised in accordance with Department of Finance requirements.

16. Corrective action has involved the reconstruction of this ledger and procedures have been varied so that a control account recording the total of all receipts and payments is now maintained. The Department also proposes to maintain a record of all purchases on the Department of Finance computer system cancelling them as payments are effected. This will replace the separate manual account previously maintained for each creditor.

17. The Department informed the Committee that a Cash Account had been in use in the Tender Board Trust Account procedures. Because this account duplicated the central Department of Finance ledger, it had been considered unnecessary and had been eliminated. It was explained that all receipts to and expenditure from the Trust Fund are recorded in the central Department of Finance ledger and reconciled continuously.

18. Concerning the preparation and control of posting media, the Committee was informed that all receipt and issue vouchers are forwarded from the store to the Finance Section under cover of a schedule detailing each docket by number. As vouchers provide for more than one type of item, it is necessary to summarise like items before posting. A financial reconciliation of the total value of the dockets and the summaries are now made to ensure accuracy before machine postings are effected.

19. The Committee was informed that the Stock and Debtors Ledgers are now maintained on a Visual Record Computer with self reconciling control accounts. Average selling prices are calculated and invoices are extended and prepared by the Visual Record Computer systems. The Trust Account (Cash) is maintained in the central Department of Finance ledger computer system in which a creditors ledger will be maintained. Additional automation is planned to eliminate manual summarising of receipts and issues and to assist in identifying outstanding amounts owing, thereby providing better control.

20. Commission accruing to the Government Printer Trust Account for administrative services performed on behalf of the Stores Trust Account is recorded in a special account. With regard to the Auditor-General's criticism that there had been unreasonable delays in paying commission to the Government Printer Trust Account, the Department agreed that between July 1975 and June 1976 excessive delays had occurred, attributable to frequent changes of staff. Some further delays had occurred while the accounts were being reconstructed. The Department stated that action was being taken to ensure that in future payment was effected on a monthly basis.

21. The Department conceded that breakdowns in accounting and recording referred to in the Auditor-General's Report had occurred primarily because of a lack of expertise in the available staff. During the period concerned, the section responsible for the operation of the Trust Fund had a number of changes in its eight clerical positions. Between 1 October 1975 to June 1976, the posting of the machine ledger was taken over by a new machinist, a new Tender Board ledgerkeeper (Clerk Class 2/3) was appointed, and the sub-section-leader, (Clerk Class 6) changed three times. The officer appointed to Tender

Board Ledgerkeeper had no previous experience. He was given two weeks full time training in basic book-keeping to provide him with a working knowledge of ledger maintenance, compilation of trial balances and was given a complete set of the instructions relating to the maintenance of the Tender Board Ledger.

22. The sub-section leader had taken up duty only a short time previously (10 October) and did not provide the detailed supervision that should have been given. This was no doubt effected by the fact that the new ledgerkeeper quickly demonstrated an ability to produce apparently correct monthly balance sheets on time. The Committee was informed that the sub-section leader changed in late December 1975 and again in April 1976, further contributing to inadequate supervision. We were informed that the Ledgerkeeper has now been placed under the direct supervision of a Clerk Class 5 as a more effective means of supervision supported by a system of internal checks between subsidiary ledger and control accounts.

23. The Committee was informed that as a result of a fairly rapid expansion in trading, the section was considerably overworked and the officer in charge had little time to train staff. The Department had recognised a need for an improved instruction manual in the finance area and it had commenced the preparation of a new instruction manual for its finance section including the trading venture group.

Conclusions.

24. The Committee appreciates that there were difficulties associated with the staffing of the section concerned. Nevertheless, the Committee is not convinced by the evidence before it that the circumstances surrounding the staffing of this section in any way justified what must be considered a serious breakdown in the accounting and recording aspects of the storekeeping function of the section concerned.

25. The Committee was informed that at the beginning of the 1975-76 financial year the approved staff ceiling for the A.G.P.S. was lower than the actual number of staff employed. Consequently, vacancies were not filled until the number of staff employed fell below the staff ceiling. While the evidence is not clear whether vacancies were allowed to remain unfilled in the Finance Section to satisfy this requirement, it is apparent that the Department should make a critical appraisal of the functions and processes within the A.G.P.S. This appraisal should be aimed at eliminating unnecessary and out-of-date procedures for which valuable staff resources might be better employed elsewhere. The Committee will be maintaining an interest in this area.

26. Further, the Committee notes that the team leader failed to provide additional on-the-job training and sufficient supervision to his subordinates. This was borne out by evidence that he accepted incorrect work and the Committee can only surmise that the training of this officer was also deficient, not only in accounting skills, but also in supervisory techniques. The Committee regards training at all levels as important and considers that the provision of up-to-date instruction manuals is essential.

27. The Committee was assured that there was no question of incorrect payments having been made as all claims had been examined, certified and authorised in accordance with Department of Finance Directions. The Committee is only able to take this assurance at face value as it has been noted on numerous

occasions that unless the matching control procedures are adequate incorrect payments can occur..

28. The Committee notes that the Department has carried out a detailed reconstruction of records and has introduced procedures and controls to overcome the existing defects. While the Committee trusts that the revised control and supervision procedures will be kept under close review, we note that the Auditor-General in his Report for 1976-77 has stated that the position is still not entirely satisfactory. The Committee wishes to be informed of the Department's response to the Auditor-General's queries.

CHAPTER 3

DEPARTMENT OF CONSTRUCTION

Fire Protection of Government Owned or Occupied Property

29. In its One Hundred and Sixth Report, tabled in April 1969, the Committee reported on the operation of the Commonwealth Fire Board. In that Report the Committee made several recommendations which, it believed, would greatly improve the Board's effectiveness and suggested the Board be reconstituted "with clearly stated responsibilities". The Committee noted that the Fire Board:

'relied to a large extent upon the delegation of its work, particularly to the Department of Works which has a responsibility for the maintenance of Commonwealth property. In this capacity the Department arranges for its fire protection officers to make Adequacy and Effectiveness Surveys of Commonwealth property .

30. In the Treasury Minute on the One Hundred and Sixth Report, presented in the Committee's One Hundred and Thirty-sixth Report in April 1972, the Committee reported on the revised Objectives, Methods and Administrative Arrangements of the Board and was assured that fire protection of Commonwealth property was being kept under review by the Department of Works fire protection officers and through random inspections by the Fire Board.

31. In each report of the Auditor-General tabled since the Committee's One Hundred and Thirty-sixth Report, the Auditor-General has commented on the failure of the Department of Works, or its successors, the Department of Housing and Construction and the Department of Construction, to conduct adequacy and effectiveness surveys at the determined intervals and, on occasions, noted that "considerable arrears" were occurring in the performance of the surveys.

32. In paragraph 3.6.6 of his report for 1975-76 the Auditor-General commented:

Paragraph 3.9.9 of my 1974-75 Report refers to the acceptance by the Department of the recommendation of the Australian Fire Board for a 3-yearly cycle of adequacy and effectiveness surveys of fire protection in respect of Government owned or occupied properties.

Audit reviews during 1975-76 reveal considerable arrears in the inspection programs in New South Wales, Victoria, Western Australia, Tasmania, the Australian Capital Territory and the Northern Territory. My office sought the Department's comments and advice of action proposed.

In reply, the Department states it is aware of the position and shares the concern of my Office but, due to staffing constraints, an increase in the present level of surveys cannot be expected in the foreseeable future.

Responsibility for Fire Protection

33. During the course of the inquiry, the Committee sought information regarding the respective responsibilities of the Commonwealth Fire Board, the Department of Construction and occupying departments in relation to fire protection. The Fire Board, the Committee was told, is an advisory body which is responsible to the Minister for Administrative Services. Comprising representatives of the State Fire Brigades, Civil departments, the Experimental Building Station and the Departments of Defence and Construction, the Fire Board makes recommendations on a broad range of matters relating to the fire protection of Commonwealth Property. Board recommendations may arise out of self-initiated investigation or as a result of Departments seeking its advice.

34. The Department of Construction is responsible for fire safety as it affects the planning, execution and maintenance of Commonwealth works including the conduct of fire safety adequacy and effectiveness surveys. Departmental responsibilities in relation to adequacy and effectiveness surveys remained unaffected by the transfer of the responsibility for the Fire Board from the Department of Works (now Construction) to the Department of Services and Property (now Administrative Services) in 1972.

35. The Committee was told that Departments occupying Commonwealth property are responsible for measures to minimise the risk and harmful effects of fire and explosion. These measures include the training of employees in safety measures, evacuation procedures and first attack fire fighting. It was pointed out that the ultimate responsibility for fire safety in a department rested with the chief officer of that department; it was the occupying department which received the Department of Construction's adequacy and effectiveness survey reports and was responsible for taking any action required or suggested by those reports.

Adequacy and Effectiveness Surveys

36. The Committee was informed that adequacy and effectiveness surveys of fire safety were primarily directed towards fire protection provisions. Surveys examined both passive provisions such as construction, exit signs, escape routes and smoke and fire doors and active provisions such as fire detection and suppression systems and fire extinguishers. The surveys also involved examination of those aspects of usage of the property and fire prevention procedures adopted by the occupants to avoid the outbreak of fire and assist in minimising the results of fire which are relevant to the adequacy and effectiveness of the fire protection provisions.

37. It was explained that the adequacy and effectiveness surveys sought to ensure that Departments were not taking any unnecessary risks. Regular surveys of property enabled the Department to follow up recommendations arising out of previous surveys although the witness from the Department of Construction emphasised that it was not the Department's responsibility to follow up survey recommendations.

38. The witness representing the Fire Board stated that there had been occasions where a department had not agreed with a recommendation by the Department of Construction and had referred the matter to the Fire Board for adjudication. Although nominally attached to the Department of Administrative

Services, the Fire Board was seen as an independent body to which departments could turn for an opinion.

39. The major criticism levelled at the Department of Construction by the Auditor-General related to the department's inability to conduct adequacy and effectiveness surveys on the three-year cycle recommended by the Fire Board and to which the Department had agreed. The Committee was told that the three-year cycle for adequacy and effectiveness surveys was first recommended by the Fire Board in 1960 following an approach by the Department of Works for a recommendation. The three-year interval was set with the provisos that where there were major changes to buildings or the situation had changed as far as a building was concerned, surveys should occur more frequently. The Department of Works had accepted the three-year cycle in 1964.

40. The need for the three-year interval between surveys had been reviewed by the Fire Board in 1972. At that time the Department of Works suggested that the interval be increased from three to five years. The Board, in rejecting this submission, stated in its minutes in August 1972:

The Board's main concern is that lives and Commonwealth property are adequately and effectively protected against fire at all times. From observations during its inspection, the Board considers that there is considerable variation in the standards of fire protection afforded these premises.

Factors which contributed to the degradation of an adequate and effective level of fire protection were:

Changes in the type of occupancy without corresponding changes in the fire protection provisions.

Rearrangement of the occupancy and/or an increase in the number of persons accommodated which affected the accessibility of the escape routes.

Before a relaxation of the 3 year period between inspections could be considered, the Board would have to be convinced that deficiencies in fire protection are rectified expeditiously following receipt of the adequacy and effectiveness survey report.

41. In elaborating on the decision, the witness representing the Fire Board stated that the Board's experience, through its own inspections of Commonwealth property, was that there were many occasions on which departments had not taken action recommended in adequacy and effectiveness surveys within three years. He also stated that determination of the appropriate period between surveys was a matter of judgement and, in the Board's opinion, a three-year cycle was appropriate to the circumstances.

42. The witness representing the Department agreed that it was a matter of judgement as to what was an appropriate interval. However, it was the Department's view that a five-year interval would be sufficient. He stressed that there was no statistical basis for either the three or five-year interval and pointed out that the Department had sought the five-year interval because

it had insufficient staff to achieve a three year cycle of surveys. The departmental submission stated that in recommending the retention of a three year cycle of surveys in 1972, the Fire Board had recognised the Department's staffing difficulties but had recommended continuation of a three-year program as a standard even if circumstances prevented it being achieved. Notwithstanding the Department's past and present inability to perform the three-year cycle of surveys in all States, the Department accepted the Fire Board's recommendation and was endeavouring to meet it.

43. In relation to the Department's inability to meet the three-year cycle of surveys with the staff available, the departmental submission stated the Department had advised the Auditor-General in July 1975 that achievement of the three year cycle for surveys was dependent on the number of Fire Safety Officers that could be deployed. The Auditor-General was also informed that considerable increases to the staff establishment of Fire Safety Officers would be necessary and that these increases would have to take their place in Departmental considerations of priority in the context of staff constraints imposed by the Government.

44. It stated that an increase of at least 32 Fire Safety Officer positions would be necessary to achieve the three yearly cycle. Even if present circumstances did permit the establishment of these additional positions difficulty would be experienced in obtaining suitable occupants as the field of work was highly specialised and the knowledge and skills necessary could only be acquired by people working in the fire safety area, there being no appropriate courses run by educational institutions in this country. Suitably experienced people were not available in the numbers required from other areas within the Department or from outside.

45. The Committee was informed that staffing of Fire Safety Officer positions increased from 11 in 1971 to 17 in 1973. At the time of the inquiry the establishment for Fire Safety Officer positions was 18 and the staffing 16. It was stated that the Department had received approval to advertise a further 6 positions. The witness explained that if the Department was successful in filling these positions it hoped to have a further ten positions approved in each of 1978 and 1979 bringing the total Fire Safety Officer establishment to 44.

46. In a supplementary submission provided to the Committee the Department stated that it was required to inspect 58,518 buildings valued at approximately \$7952m. The Department's Fire Safety Officers conducted 5019 inspections in the period from July 1976 to April 1977. Statistically the interval between inspections varied from three years in Western and South Australia to fifty-six years (excluding houses) in the Australian Capital Territory. With the six additional positions the Department expected that the interval between inspections would vary from less than three years in Western Australia and the Northern Territory to eight or nine years in New South Wales. To achieve a three-year interval in all States and Territories, the Department estimated that it would require an establishment of 44 which it hoped would be achieved by 1979.

47. The Committee was told that the duties of Fire Safety Officers required a broad range of experience with building and fire safety practices. Departmental experience in recent years had been that the positions could not normally be filled by persons from outside the Department because they lacked

the necessary experience. However, at the hearing on 26 April, the Committee was informed that only one of fourteen applications for recently advertised Fire Safety Officer positions was from within the public service and the Department was optimistic of selecting suitable persons to fill the positions advertised.

48. In view of the department's alleged difficulty in obtaining suitably experienced officers for Fire Safety Officer positions and the comment made in the submission that there were no appropriate courses run by educational institutions to train personnel working in the fire safety area, the Committee explored the question of whether the Department, the Fire Board or the Public Service Board could provide appropriate courses.

49. The witness representing the Department, stated that although there was no formally recognised qualification for Fire Safety Officers, there was a distinct need for training the people employed in these positions. The Committee was told that Fire Safety Officers were employed on potential and trained in-service. In addition to on-the-job training, there were regular courses conducted about twice a year by an interdepartmental committee comprising the Departments of Transport, Construction, Defence and Productivity, the Australian Telecommunications Commission and the Fire Board. These courses were designed to keep officers already working in the fire safety areas of various departments and authorities, up to date with current developments.

50. Witnesses representing both the Department and the Fire Board agreed that the potential for formal Fire Safety qualifications would be too low to warrant courses being run by tertiary institutions. The departmental witness believed that it would be more appropriate for such courses to be run by the Fire Board in conjunction with the Department. It was stated that the interdepartmental committee referred to in the previous paragraph had approached the Public Service Board and suggested that it should be involved in training staff in fire safety. Although the Public Service Board had rejected the suggestion it was the intention of the interdepartmental committee to pursue the matter with the Public Service Board.

51. The Public Service Board Observer (Mr Gourley) explained that the Board normally preferred that training courses in specialised areas should be conducted by departments with responsibilities and expertise in the area. He believed fire safety courses fell into this category. The Board had offered to provide assistance in the form of training, methodology, techniques, facilities and so on.

52. The Fire Board representative reiterated the view expressed in the Committee's One Hundred and Thirty-sixth report that it would be unproductive for copies of all adequacy and effectiveness survey reports to be forwarded to the Fire Board. The Fire Board staff of five, which he believed was already overworked, would be unable to cope with the additional burden. He pointed out, however, that the Board sometimes requested copies of Department of Construction reports on particular buildings and kept in touch with officers responsible for fire protection in all departments. The Board was generally satisfied with the Department of Construction's work in the area of adequacy and effectiveness surveys.

53. During the course of the inquiry the Department of Finance Observer (Mr Macgregor) commented on the inclusion of matters relating to the protection of Commonwealth property against fire and reporting of fires to the Fire Board (Finance Directions 32/13, 32/14 and 33/11) in the Finance Directions. He stated that the Department of Finance was of the opinion that such directions may be more appropriately included in the Property Manual of the Department of Administrative Services and had sought that department's view. He suggested that persons responsible for fire safety would not normally have access to the Finance Directions.

Conclusions

54. The Committee appreciates that the Department of Construction faces difficulty in employing sufficient staff to perform the adequacy and effectiveness surveys of fire safety because of the broad background required by such staff and the absence of formal training in what is a specialised area. However, noting that the Department accepted the Fire Board's recommendation for a three-year cycle of surveys, as long ago as 1964, the Committee is not satisfied that the Department took sufficient action, in the years prior to the imposition of staffing restraints, to increase staffing to a level where it could meet the three-year cycle.

55. The Committee believes that the Department has been negligent in its responsibilities towards fire safety in the conduct of adequacy and effectiveness surveys to allow cycle times of up to 56 years for surveys to develop in the Australian Capital Territory. The Department should have placed greater priority on its staffing needs in the fire safety area in the past and hopes that departmental plans to increase establishment from 18 to 44 over the next three years are given priority.

56. The Committee wishes to be kept informed of any substantial progress in the development of formal courses designed to train Fire Safety officers for work in Commonwealth Departments and authorities. We also wish to be advised of the outcome of any negotiations between the Departments of Finance and Administrative Services to amend the Finance Directions in the areas canvassed during the inquiry.

CHAPTER 4

DEPARTMENT OF FOREIGN AFFAIRS

Unauthorised Payment of Settling-In Allowance - Dublin

57. In paragraph 3.11.1 of his Report for 1975-76, the Auditor-General referred to a case where an officer of the Department of Foreign Affairs, and his family, resided in an hotel in Dublin for more than a year while the purchase of a suitable residence was negotiated and arrangements made for renovation and furnishing. Settling-in allowances of approximately \$26 000 were paid. Of this amount \$13 687 were incurred without authority in the period 17 March 1975 to 25 September 1975.

• The Search for Permanent Accommodation

58. The Committee was informed that the Embassy in Dublin had experienced difficulty in obtaining leased accommodation for some years and, although the search for accommodation commenced in late 1973, no suitable residence, either for lease or purchase had been found before the post's new Counsellor arrived on 1 September 1974.

59. From the evidence, it appears to the Committee that the Embassy anticipated the need to obtain married accommodation for the First Secretary's replacement. The First Secretary, a single man, had occupied a flat which the Ambassador subsequently described as "quite unsuitable for a family, even for temporary accommodation." During the search for accommodation the Ambassador recommended, on 1 March 1974, the purchase of a property known as "Albert House". However, it was rejected by the Overseas Property Bureau on the grounds that it was too far above the standards applicable to an officer of Counsellor level, it was too expensive at £62 500¹, and it required a considerable amount of renovation.

60. The new Counsellor to the Embassy was appointed in June 1974. As he was to be accompanied by his wife and two children, the search for suitable premises was intensified. In the period August/September 1974, no fewer than 51 houses were inspected and rejected on various grounds. The Committee was told that the responsibility for undertaking preliminary assessment of accommodation proposals, and for the more detailed work involved in following up proposals worthy of further consideration, rested with the post's Senior Administrative Officer who would decide whether proposals should be brought to the attention of more senior officers. Property proposals actually recommended to Canberra required the endorsement of the Head of Mission.

61. Although neither the Department nor the Embassy appears to have made any firm decision to purchase instead of lease, the Embassy wrote to the Overseas Property Bureau (O.P.B.) in the following terms on 17 September 1974:

1. This amount and all subsequent amounts referring to pounds are Irish pounds. At 30 September 1974 £1.00 was approximately equal to \$A1.75.

Since our memorandum...of 9 September we have inspected every residence which we thought could possibly be suitable for the newly arrived counsellor. The lack of property to rent at this level, which we have reported on over the years, persists, and we thought only three (details attached) worthy of inspection.

Our search has therefore had to be concentrated on property being offered mainly in the range of £30 000 to £80 000...

In view of the financial restraints on Public Service expenditure it may be that the Bureau will not have funds even if we find a suitable property to purchase. If this is likely to be the case we would be grateful for brief cabled advice.

62. The witness representing the Overseas Operations Branch (formerly the O.P.B.) of the Department of Administrative Services stated in reply to the Embassy letter on 25 September 1974, that funds would be available should the post wish to purchase accommodation and suggested that the counsellor would probably have to occupy leased accommodation in the first instance. He stresses that at no stage was the search for accommodation limited to either lease or purchase proposals.

63. In October 1974 the Embassy put forward two purchase propositions for consideration. The O.P.B. and the post did not agree as to which was the better proposition, so a Bureau officer, who was visiting London at the time made an on-the-spot examination of the proposals. While in Dublin the Bureau officer located another property known as "Hatley House" and recommended that the Embassy submit a firm proposal to purchase it.

64. The Embassy submitted a proposal to the O.P.B. on 12 November 1974 to purchase "Hatley House" and included a timetable for occupation as follows:

- Late November - agree to purchase;
- Six weeks to complete legal formalities;
- Mid-January - exchange contracts, measure for carpets, curtains, order furniture;
- Mid-February - obtain possession, lay carpets, fix curtains, install furniture;
- Late February - occupy residence

65. A structural report by a locally engaged architect on "Hatley House" suggested that the property was "in very satisfactory condition" but also commented that it "could become a most attractive house with some modification and attention to the interior decor". On 29 November, the O.P.B. approved negotiation on purchase of the property with an opening offer of £45 000. On 4 December the Embassy advised that the owner would accept an offer of £50 000 and legal requirements were proceeding.

Extensions of Settling-in Allowance

66. The provisions relating to settling-in allowance are contained in section 3 of the Determinations Relating to Overseas Service (D.R.O.S.) Section 3/E/3 of D.R.O.S. states that settling-in provisions:

...apply from the date of arrival at the post and may continue for a period of up to six weeks in the case of a married officer accompanied by his family at Government expense...At posts located in countries other than Britain, the United States of America and Canada, the Head of Post may extend settling-in conditions for a further period of up to four weeks if the officer provides evidence which establishes a genuine need for the extension of the settling-in period.

The ten weeks allowable for the Counsellor at the Dublin Embassy expired on 10 November 1974, only two days before the post recommended purchase of "Hatley House".

67. The Committee was informed that the normal arrangements relating to settling-in allowances were that the costs of hotel accommodation were met by the Government and that a daily allowance was paid to cover the cost of meals and incidental expenses. Until August 1975 the daily allowance received by the Counsellor in Dublin was £5.70 per person for three people plus £4 for the youngest child. The rates applying from 25 August 1975 were £7.30 and £5.20 respectively. In addition to the daily allowances for meals and incidentals, hotel accommodation costs of £19.60 per day were paid. The Public Service Board Observer, Mr Whitley, explained that the officer was required to make a contribution towards these costs and that the amount paid was equivalent to the Regulation 97 contributions made by officers residing in temporary accommodation in Australia. Under this formula the Counsellor at Dublin paid \$A58.70 per week¹ in respect of himself, his wife and two children.

68. On 2 October 1974 the Embassy wrote to the Department saying that an extension of the Counsellor's settling-in period might be needed. On 22 October the Embassy asked the Department to obtain approval for an extension to cover the period until the Counsellor and his family could move into a house. The Department foreshadowed this possibility to the Public Service Board on 29 October.

69. The Committee was informed by the Public Service Board Observer that on 12 November 1974 the Department of Foreign Affairs sought an extension of settling-in conditions from 10 November 1974 to 13 December 1974. However, the Board did not approve the extension immediately, but queried the Department about the reasons for the extension and asked what other alternative approaches had been adopted to avoid the officer staying in a hotel for this

1. At the public inquiry on 29 March 1977 a figure of \$84 was mentioned. The figure of \$58.70 was subsequently provided by the Department of Foreign Affairs.

time. The Board told the Department that extension of settling-in allowance would not be approved until adequate information had been received. On 3 December after discussions with the Board the Department sent a telegram to the Embassy commencing:

Public Service Board has expressed reservations in approving extension of settling-in period.

Although the post continued its search for short-term accommodation it assumed from the telegram approval had been given for the extension. When the Board had not heard any further from the Department by 31 January 1975 it wrote to the Department seeking additional information which was provided on 28 February 1975. On 3 April 1975 the Department was advised that the extension of settling-in conditions from 10 November 1974 until 16 March 1975 had been approved.

70. In relation to the extension beyond 16 March 1975 the Department sought approval for an extension from 17 March to 31 July 1975 on 9 July 1975. Formal advice of the Board's refusal to approve an extension beyond 16 March was received by the Department of Foreign Affairs on 24 July 1975. According to the departmental witness the Department had failed to advise the post of the termination date of the Board's approval until 20 June when the Department sent a telegram to the post in the following terms:

The Board's inspector...has been briefed and will be looking closely at the situation during his inspection. We would anticipate considerable difficulty in obtaining an adjustment of settling-in conditions unless conclusive evidence is provided to demonstrate why efforts to obtain alternative accommodation have proved fruitless. In the meantime, your certification endorsed by the Ambassador on his return from leave, that no reasonable standard accommodation is available on short-term basis, is requested.

As soon as the post became aware that approval had not been received for an extension for the period beginning 17 March it ceased certifying accounts.

71. The Public Service Board Observer stated that it was the Board's judgement that it would be an inappropriate use of the Board's statutory powers to approve retrospectively settling-in conditions in what it believed were generally unsatisfactory circumstances. After rejecting the extension the Board called a conference with the Department of Foreign Affairs on 20 August 1975 at which the Board fully outlined the reasons for not approving the extension of settling-in conditions. It was stated that the Board had based its decision on three factors:

- that the approach to it for an extension had been retrospective;
- that the search for alternative short-term accommodation had been discontinued during the period 21 March to 27 June 1975; and
- its contention that the Ambassador's reason for rejecting accommodation examined for temporary living were unacceptable.

72. Both departmental witness and the Public Service Board Observer provided the Committee with details of the frequency with which extensions of settling-in conditions were requested and granted. The departmental witness stated that in the 12 month period ending 28 February 1977 a total of 307 officers, excluding Heads of Mission, proceeded overseas on long-term postings to a total of 64 posts. The average time spent in hotel accommodation for each officer prior to moving to permanent accommodation was sixteen days.

73. The Public Service Board Observer stated that the extension of settling-in allowance was not a very regular occurrence and in the 12 month period to 28 February 1977 the Board had approved 23 cases of extension of settling-in conditions over and above the 10 weeks period covered by devolved authority. Of those 23 cases 7 were associated with establishing a new post in Iraq where there was a very difficult property environment and the Department of Foreign Affairs had virtually no option but to extend the settling-in period. Of the remaining 16 cases the maximum period of extension was just under 10 weeks. He stated that these extensions arose out of approximately 450 movements overseas in the 12 months period. In the same period the Board rejected 7 requests for extensions of settling-in conditions. He stated that each case was looked at on its merits but in general the Board sought to ascertain whether or not genuine attempts were being made to find alternative accommodation. In relation to the cases rejected, the Board's Observer stated that the departments involved were either encouraged to take a lower standard of accommodation or permitted to increase the rent ceiling.

• Delays in Occupying "Hatley House"

74. As stated in paragraph 64 above, the Embassy anticipated that the Counsellor would be able to occupy "Hatley House" by late February 1975. However, because of unforeseen legal problems encountered in establishing clear title to "Hatley House", conveyance of title and vacant possession were not obtained until early April 1975 and it was not until detailed examination by the builder later that month that the evidence of wet-rot and wood worm infestation requiring extensive structural repair was discovered.

75. On 24 December 1974 the Embassy advised that there were problems arising from certain covenants which showed that at one stage the property had been transferred to a company which later went into liquidation. It was not until 25 February 1975 that the vendor's solicitor was able to produce evidence to show that the title was in order.

76. On 3 April 1975 the post informed the Department that a further unexpected legal problem had arisen. It was discovered that the Allied Irish Bank which signed the Agreement of Sale was not competent to do so as the house was mortgaged to the Royal Bank of Ireland. This bank had been amalgamated with several other banks to form Allied Irish Banks Limited but legal formalities transferring to the new identity the power to dispose of the property mortgages to the constituent banks had not then been completed. A Caretakers Agreement was finally entered into on 8 April 1975 which gave the Embassy possession of the premises and the right to effect repairs and renovations.

77. Although legal difficulties had been resolved, problems had been encountered in making arrangements for the anticipated re-styling of the interior. The Embassy had advised on 11 February 1975 that the owner of "Hatley House" would no longer allow access to the premises by builder or

decorator, thus no preparation could be made for the anticipated renovations until after the Embassy gained full possession of the premises in April 1975. On 23 April the Embassy advised that the builder had discovered severe woodworm and wet-rot infestation which would necessitate urgent treatment and replacement of some timbers. A series of delays resulting from this problem and other problems associated with re-decoration of the interior contributed to the delays which prevented the Counsellor and his family from occupying the first floor of the residence until 25 September 1975.

78. The discovery and resolution of the structural problems of "Hatley House" were the subject of investigation during the Committee's inquiry into the Overseas Property Bureau which will be reported on separately.

• The Search for Short-term Accommodation

79. According to the departmental submission the Embassy in Dublin was engaged in an extensive search for short-term accommodation for the Counsellor and his family during the period September 1974 to September 1975. However, as one of the Public Service Board's reasons for rejecting the request to extend settling-in conditions beyond 16 March 1975 was the belief that the post had failed to take sufficient steps to obtain suitable short-term accommodation the Committee took evidence on this search. In requesting the Board's approval for an extension of settling-in conditions the Department pointed out:

The search for temporary furnished accommodation is continuing, but there appears to be little or no possibility that it will become available. The short-term leasing position is even more difficult than the long-term. The shortage of (suitable) accommodation is acute, and landlords simply do not like short-term leasing, twelve months being regarded as the minimum period they would consider. In an attempt to reduce settling-in costs to a minimum, (the Counsellor) and his family are occupying hotel accommodation away from the centre of the city in a less expensive suburban area.

80. The departmental witness explained that the Embassy found it very difficult to find short-term accommodation. The difficulty was partly due to the uncertainties caused by the delays in occupying "Hatley House" and partly because of the reluctance of property owners in Dublin to accept short-term leasing arrangements. The Committee was informed that throughout the period the accommodation problem repeatedly seemed on the point of being solved but the various legal and structural problems at "Hatley House" came to notice successively leading to a series of what proved to be unfounded expectations of the occupancy date. Initially the Embassy was clearly preoccupied with processing the "Hatley House" purchase to the exclusion of consideration of possible alternative short-term leasing arrangements. There was also what the Department described as a "piece of bureaucratic confusion involved". This confusion is referred to in paragraph 69 above.

81. The concentration on the search for short-term accommodation (which until June 1975 the Embassy had interpreted as referring to a period of three months) began in early December 1974. The first reports relating to short-term accommodation were received from the post on 4 December and again on 6 December

82. The O.P.B. sought details of the post's search for short-term accommodation on 16 January 1975 and again on 10 March 1975. Replies received from the Embassy on 21 January and 11 March continued in the same pessimistic vein as previous correspondence. In a subsequent letter on 13 March outlining actions taken to secure a short-term lease, the Embassy commented:

We envisaged several months' delay in occupation even if the sale (of "Hatley House") goes through.

83. Subsequent correspondence from the Embassy on 18 March and 21 March listed various properties considered for short-term accommodation for the Counsellor but which had been rejected. Among those rejected were:

- A 4-bedroom house at £90 per month was rejected without inspection because it was 15 miles from the city and also "at this low rental, it would be obviously unsuitable".
- A fully furnished house at £80 per month was rejected without inspection because a lease of 6 months was required.
- A house on which the owners wanted a 12-month lease but were prepared to let for 3 months at £250 per month. This was £50 per month above the rent norm. The Embassy commented that the house was "the best we have been offered so far but is below standards".

84. There were no reports from the Embassy relating to the search for accommodation in the period 21 March to 27 June 1975. Departmental witnesses were not aware of the reason for this but suggested that it may have been simply that there was no short-term accommodation available. After the Embassy became aware that settling-in conditions had not been approved beyond 16 March it recommenced reporting on the short-term accommodation situation. However, after reporting on 22 July that 30 September was the probable date of occupying "Hatley House" no further reports are recorded.

85. In commenting on the post's failure to obtain short-term accommodation the departmental witness, while pointing out that the Embassy was operating in a tight accommodation market, expressed the view that there had been an inflexibility on the post's part in its quest for short-term accommodation. He added that there was evidence that the standards that were being applied by the post were too exacting. This view was supported by a supplementary submission by the Department which conceded that the Embassy had shown:

a lack of urgency and flexibility, particularly in restricting its search to three month leases when comparative costs were such that even a substantial period of dead rent would have represented significant saving to the Commonwealth.

The submission also admitted that the Department was at fault in not giving more positive direction to the post.

86. In a letter dated 12 September 1975 the Department in responding to correspondence from the Counsellor at the Embassy had stated:

Despite what you have said in your letter the Department feels that you did not make sufficient efforts to obtain temporary accommodation. You seemed to reject accommodation that was not completely up to standards whereas we would have expected a senior and responsible officer to be prepared to put forward any proposal that would have provided a reasonable standard of accommodation and at the same time saved the Department a very substantial amount of money on hotel costs. We still consider that it was your obligation to draw the Department's attention at a high level to the way the problem was developing and in particular that the period of hotel living was becoming an indefinite one.

• Unauthorised Payment of Settling-In Allowance

87. The Committee was informed that settling-in allowances for the period from 10 November 1974 (the end of the period covered by the Ambassador's discretionary powers) until 16 March 1975 were being paid from the Department of Foreign Affairs Salaries' Vote. According to the Department the allowances were authorised and certified at Dublin in accordance with the Audit Act by the Counsellor and were paid in the knowledge that a proposal for an extension of settling-in allowance was being pursued with the Public Service Board and in anticipation of that extension being approved. As stated earlier, approval for this period was received by the Department on 3 April 1975.

88. The Treasury Observer (Mr Finch) explained that the payments were being made by the Sub-Treasury in London on the basis of advice of an advance of \$2000 given to the Embassy in Dublin. The accounts were received as properly certified accounts under section 34 of the Audit Act and the Sub-Treasury paid them. He also stated that the advance was authorised by the Department of Foreign Affairs in Australia and certified in Dublin. However, he expressed the view that there was no legal entitlement to authorise the advance.

89. The payment of settling-in allowances by the post continued from 17 March until 23 June, shortly after the Embassy became aware that a further extension of settling-in conditions had not been approved. From 23 June hotel accounts began to build up until payments of more than \$7000 were authorised by the Department to meet two accounts to 30 September. Both advances were authorised by the Department after the formal rejection of extensions by the Public Service Board. It was stated that the payment of these accounts had been formally authorised at the level of Director following consultation with senior officers of the Department up to the level of Deputy Secretary.

90. In a letter to the Counsellor in Dublin on 12 September 1975 the Deputy Secretary of the Department had stated:

We were therefore left in a situation of either leaving you personally responsible for hotel accounts for accommodation and meals from that date or for the Department to meet the costs without authority. As you will have seen from our telegrams of 26 August and 4 September we have decided, not without some misgivings, on the latter course.

It was explained that the Department had reached the conclusion it had no option to pay the accounts even though the Board had formally rejected the request for extensions on 24 July and following the conference of 20 August.

91. The Committee asked the Audit representative whether consideration had been given to invoking surcharge provisions contained in section 43 of the Audit Act to recover the unauthorised payments. The Audit Observer stated that although consideration had been given, no determination had been made at the time of the Committee's inquiry. He pointed out that the question of surcharge provisions was included in the proposal currently before the Government to amend the Audit Act.

92. At paragraph 3.12.3 of the Auditor-General's Report for 1976-77 the Auditor-General reported:

The Department has taken action on a continuing basis to strengthen and monitor accounting control procedures governing payment of settling-in allowance and in May 1977 sought a legal advising from the Attorney-General's Department on the unauthorised payment. Advice of the outcome is awaited.

At the time of reporting, the advice had not been received by the Department.

• Remedial Action taken by the Department

93. At the conclusion of the public inquiry the departmental witness summed up what the Department believed were the errors committed by the post and by the Department. He conceded that the post had erred:

- in continuing to certify accounts for settling-in without written authority. This, he said was an elementary and serious error for an experienced and responsible officer;
- in poorly assessing at any given moment the likely delays with Hatley House being ready for occupation;
- in showing inflexibility and lack of urgency in seeking short term accommodation; and
- in failing to make senior officers aware of the developing situation.

He believed that the Department was at fault:

- in failing to give firm overall direction to the post;
- in persistently failing to monitor progress, leading to actions being constantly in arrears;
- in failing promptly to inform the post of the short term nature of the extensions that had been granted; and
- in giving the two authorisations of 25 July and 4 September, neither of which had regulatory backing.

94. It was suggested that mitigating circumstances in the Department's favour were:

- The fact that at no stage during the whole sequence of events was it possible to clearly see what would be the likely outcome of events;
- The separation of the property function from the Department of Foreign Affairs, which would explain some of the inadequacy of communication between the files on settling-in and the file relating to the search for alternative accommodation and the progress on "Hatley House";
- The tightness of the short-term property market in Dublin; and
- The need to clear the Australian Government's indebtedness to the hotel in Dublin.

95. The Committee was told that as a result of its experience in Dublin the Department now closely monitored officers during a settling-in period to ensure that appropriate action was taken to find suitable accommodation. Although no new formal procedure had been introduced, the Department tabled extracts of Management Services Bulletins dated 15 September 1975 and 8 March 1976. These bulletins contained procedures relevant to normal settling-in conditions and to the extensions of settling-in conditions and contained amendments which had been included subsequent to the events in Dublin. The bulletin of 8 March 1976 clearly states:

In cases where it becomes necessary to extend settling in/out provisions (beyond HOM delegation) Posts are reminded that it is their responsibility to ensure that they have prior Public Service Board approval to do so. Although the Overseas Property Bureau liaises with the Department in cases where difficulty in obtaining or retaining long-term accommodation is involved, posts should not assume that extensions of settling in/out provisions have been automatically approved. Where any doubt exists, or if approval to an extension has not been received at least three working days prior to expiration of the approved period then Posts should cable the Department direct.

Conclusions.

96. From the evidence it is clear to the Committee that the Department acted without authority during three separate periods between the expiration of the Embassy's discretionary power to extend settling-in allowances on 10 November 1974 and the Counsellor's occupation of the upper floor of "Hatley House" on 25 September 1975. These three periods were:

- (i) From 10 November 1974 to 16 March 1975 when the Embassy continued to pay settling-in allowances although approval for the extension of settling-in conditions was not received by the Department until 3 April 1975.
- (ii) From 17 March 1975 to 23 June 1975 when settling-in allowances were paid without approval.
- (iii) From 24 June 1975 to 25 September 1975 when the Department authorised advances totalling more than \$7000 on 25 July and 4 September in the full knowledge that the Public Service Board had rejected the extension of settling-in allowances on 24 July.

97. The Committee believes that payments made during the first two of these periods arose partly as a result of the inflexibility of the post in its search for short-term accommodation and partly as a result of administrative mismanagement of the Department and at the post. The Department admitted these faults during the course of the public inquiry. In relation to the search for short-term accommodation the Committee has noted that on 13 March 1975 the Embassy commented that it still envisaged several months' delay in occupying "Hatley House" yet persisted in restricting its search for short-term accommodation to a search for premises requiring only three months' leases. On 18 March only five days after the above comment was made by the Embassy, the Embassy rejected a property without inspection on the grounds that six months' lease was required.

98. The Committee believes that the last of these three instances in paragraph 96 above, was the most serious and is deeply disturbed at the Department's action in authorising payments after 24 July without authority. Notwithstanding the circumstances the Committee believes that the Department's action was a deliberate defiance of the Public Service Board's rejection of an extension beyond 16 March. The Department's action on its own admission must stand condemned.

99. The evidence shows a difference of opinion regarding the authorisation and certification of accounts in the period from 10 November 1974 to 16 March 1975. On the one hand the Department stated that the accounts were authorised and certified by the Counsellor in Dublin while on the other hand the Finance Observer stated that the accounts were authorised by the Department of Foreign Affairs in Australia and certified in Dublin. Regardless of where the accounts were actually authorised the Committee is deeply disturbed that this action was taken prior to Public Service Board approval being obtained. The Committee would also register its surprise that the officer who received the payments was also the officer responsible for certifying the correctness of those payments. The Committee believes that such dual responsibility should be avoided whenever possible.

100. The Committee is of the opinion that had the Department obtained approval to extend settling-in conditions before the authorised extension date a suitable solution may have been reached. The absence of clear and full communication between the Department and the Embassy was significant in perpetuating the problems which ultimately led to the unauthorised payment of \$13 786 in settling-in allowances.

101. The Committee expects to be advised of whether it is intended to invoke surcharge provisions of the Audit Act as well as any other proposals for recovery. The Committee notes that the Department has sought a legal advising from the Attorney-General's Department in May on the unauthorised payment. The Committee is disturbed at the delay in providing this advice to the Department. The Committee still awaits advice of the outcome.

102. The Committee is also disturbed at the structural problems which became evident in "Hatley House" only after the Embassy had secured access to the property. The Committee has noted that these problems were not detected by the consultant architect who examined the property on behalf of the Embassy. However, this does not absolve the Embassy from its responsibility for maintaining a reasonable scrutiny of the property in which they would have had a continuing interest. The Committee will comment further on this aspect and on other matters relating to the present system of leasing and purchasing accommodation overseas in its report on the former Overseas Property Bureau which it expects to table shortly.

CHAPTER 5.

DEPARTMENT OF THE NORTHERN TERRITORY.

103. At paragraph 3.16.1 of his Report for 1975-76 the Auditor-General made the following statement:

My 1973-74 and 1974-75 Reports refer to a number of instances where sewerage charges had not been raised. Enquiries of departmental officers have not established that these charges have been raised during 1975-76.

Recent audit investigations into accounting and control aspects of electricity, water and sewerage services provided in the Darwin area have resulted in a number of unsatisfactory features being raised with the Department, including:-

- lack of effective action to establish the revenue due from electricity, water and sewerage services and to identify and render accounts to all users;
- inadequacies in accounting and administrative controls and departmental follow-up practices; and
- failure to take prompt and effective recovery action regarding outstanding debts. According to departmental records, outstanding debts at 30 June 1976 comprise:-

Electricity, \$2 763 496;
Water, \$627 554; and
Sewerage, \$178 769.

Of the electricity outstandings \$439 452 relate to pre-cyclone debts. Similar dissections are not available at present in relation to the water and sewerage debts.

In reply the Department on 9 and 10 August 1976 advises remedial action has been taken or is proposed including the reduction of electricity debts outstanding to \$1 523 530 at 26 July 1976.

The Division of Responsibilities.

104. Under the administrative arrangements, the Department of the Northern Territory has the overall responsibility for the provision of electricity, water and sewerage services throughout the Territory. This includes the management, financial arrangements (which includes the setting and collection of charges), policy and forward planning. However, the Legislative Assembly of the Northern Territory must authorise the levels of charges to be made for electricity supplied. Under long standing arrangements the Department of Construction, as agent for the Department of the Northern Territory, has been responsible for the provision of technical advice and operates the services throughout the Territory.

105. The Committee was informed that a change in the administrative arrangements had been proposed whereby the Legislative Assembly would acquire full responsibility for certain functions, including the utilities, from the Department of the Northern Territory early in 1977. However, after examination of the financial affairs of the Electricity Supply and Water and Sewerage Undertakings, the Legislative Assembly deferred the decision to accept responsibility for the utilities.

106. A report on an Inquiry into Public Electricity Supply, Northern Territory dated 24 June 1977 stated that:

The principal conclusion we have reached is that the arrangements for public electricity supply in the Northern Territory should be changed. We believe that this can best be achieved by the establishment of a statutory authority, which we refer to as an Electricity Commission, accountable to the electricity consumers of the Northern Territory through the Legislative Assembly.

The Cyclone and its aftermath.

107. On Christmas Eve, 24 December 1974, Cyclone Tracy laid waste the greater Darwin area and destroyed or severely damaged most dwellings. The Department was confronted with huge problems in re-establishing the utility services and subsequently attempting to account for them. These problems, which were the major contributors to the loss in revenue are summarised as follows:

- (a) There had been a massive evacuation of the population in the space of a few days following the cyclone. The First Annual Report of the Darwin Reconstruction Commission refers to 26,000 people evacuated by air in the first five days and 10,000 people who left by road. A population of approximately 11,000 remained in Darwin.
- (b) Restrictions were placed on re-entry into Darwin until 30 June 1975 when, as a result of public pressure, controls were lifted. There was an immediate and dramatic population growth. Because of the enormous damage to housing a large proportion of the people did not return to their previous address but found shelter in any place available.

Population figures provided by the Australian Bureau of Statistics are as follows:

June	1974	46906
Dec.	1974	47500 (Estimated)
Jan.	1975	11281
March	1975	26038
Sept.	1975	35313
June	1976	43344

In addition a substantial proportion of the people who moved into Darwin in the months following the lifting of entry control were consumers who had not previously resided in the area. This movement to temporary addresses together with the influx of new residents posed a considerable problem for the Department in identification.

- (c) There has been an exceptionally high rate of turn-over of consumers in the Darwin area since September 1975 by which time the population was substantially restored. Generally, most people were moving from a temporarily repaired wrecked house to a relocatable housing unit or caravan then on to a new or fully repaired house in the space of about eighteen months. Consequently, excessive strain was placed on the staff attempting to cope with the records.
- (d) There had been severe damage to the entire stock of dwellings in the Darwin area. More than 50% of the Government's houses had been destroyed and the remainder had suffered severe damage.
- (e) The major electrical transmission system was badly damaged and the associated reticulation system was totally destroyed. Almost all connections were destroyed and a large number of meters damaged or destroyed.

Some sewerage installation pumping stations suffered temporary flooding but damage was minimal and normal service resumed as soon as power and water became available.

Damage occurred to all water storage towers. However, as all piping etc. is underground, little damage to the rest of the system occurred. Many meters were destroyed either during the cyclone or in the subsequent clean-up. Some 500 meters were removed from totally destroyed houses and relocated on properties being occupied to replace a destroyed meter.

- (f) The Department of Construction gave priority, in the early months following the cyclone, to provide weather proof accommodation and power and water as quickly as possible with little regard given to associated records.
- (g) Severe disruption to the Department's staff occurred as a result of the cyclone and of those that remained many were utilised in work such as the provision of emergency accommodation, allocation of generators and supplies and storage of personal effects.
- (h) A temporary moratorium on electricity, water and sewerage charges was approved by the then Minister for the Northern Territory.

Electricity - Billing.

108. Early in 1975 it was decided to issue bills to all listed consumers for the period from the date of the last bill to 24 December 1974. These bills were based on past consumption and adjusted according to the period involved. Altogether about 11,000 accounts totalling \$202 000 were involved. The assistance of the Australian Post Office was sought to attempt delivery of the bills in respect of those consumers who had been evacuated from Darwin and had not returned.

109. Earlier reference was made to the priority given to the restoration of power as quickly as possible with little regard to the associated records. To assist in this task, crews were recruited in Southern States. Electricity connections were made on the spot and, in many cases, power was restored to premises using temporary poles without meters. Altogether a force of up to 260 men worked in Darwin on electricity connections, many of them as volunteers. A significant proportion of the original records of supply locations, which were out of cabinets in the course of action, were lost in the cyclone when the building in which they were housed was badly damaged and offices were flooded.

110. Following the lifting of the moratorium on electricity charges in May 1975, the Department attempted to identify all consumers. The Regulations provide that power may be supplied on receipt of an application from a consumer and require 48 hours notice of cessation. Every consumer was required to apply for supply and was invited to do so in newspaper advertisements and press articles. However, public response generally was poor, particularly from those persons who moved frequently from place to place.

111. It became apparent by April 1976 that the public generally were not concerned to notify their occupancy and departure from premises connected to the power supply. At this time, approximately 3500 of the 10,000 premises receiving power supply were recorded as vacant. Discussions were held with Department of Construction concerning the disconnection of premises where the consumer had not registered for supply for the purposes of forcing the consumer to notify details. The Department of Construction was unable to assist in this way due to a shortage of staff and because all available technicians were engaged on new house connections and restoring power to city areas.

112. The Department also commenced reading meters which could be located, followed by a second reading three months later. As a result of these readings the first post-cyclone billings commenced during the week ended 5 September 1975. During this period, there was also insufficient staff to handle an exceptionally high level of queries received from consumers who had received accounts contesting consumption and the periods for which they had been billed. By the end of April 1976 over 3000 items still required attention. This was largely caused by bills being issued to the last known consumer only to have them returned unclaimed or disputed because the previous consumer had departed without finalising the account.

113. With regard to the Auditor-General's comment that there was a "lack of effective action to establish revenue due from electricity services provided in the Darwin area and to identify and render accounts to all users", the Department conceded that there has been a failure to render accounts and this has involved the Government in a loss. In its defence the Department stated that in the exceptional circumstances which arose in Darwin in the 12 months following the re-introduction of billing it made every effort to rectify the situation and is continuing to do so. The Department claimed that the actions taken to establish the revenue due and render accounts to all accounts strained its staff resources to the very limit.

114. To assist the utilities section, a Special Assistance Group, initially with ten officers drawn from a wide cross section of the Department, was set up.

up in June 1976 with the following objectives:

- (i) to mount a field exercise to identify the unregistered consumers at approximately 3500 locations;
- (ii) concurrently with (i) obtain details of meters at approximately 2100 locations;
- (iii) reduce arrears of work which had accumulated in respect of queried accounts and requests for final accounts, (approximately 3500 items);
- (iv) issue bills wherever possible covering the preceding 12 months where the consumer could be identified.

115. In three months the Group had obtained consumer details at approximately 2500 locations and meter details at 1100 locations. Arrears of work on queried accounts had been reduced to approximately 2000 items. At the end of October 1976 the Group was reduced to 7 officers because of other commitments. However, it was noted that account queries were again accumulating and in November 1976 approval was obtained from the Public Service Inspector for six temporary positions of Clerk (Class 1) for a period of three months. At the end of November 1976 fifteen officers were working in the Special Assistance Group.

116. The Department explained that the difficulty in completing recovery action lay in locating the debtor. At the time of our inquiry, an exhaustive process of checking from the following sources was almost completed:

Current list of consumers,
Electoral roll,
Register of companies and trade names,
Government salaries records,
Government internal telephone directory,
Telecom telephone directory,
Housing loans register,
Government employee records,
Re-entry permit lists and
Water and Sewerage assessment records.

117. The Department stated that in April 1977 a further field survey of 3700 locations was made in the Greater Darwin area to check for unregistered users of electricity and for unmetered locations. Unregistered users of electricity were located and billed at 1340 premises, 200 services were disconnected and billing was commenced at 450 locations previously recorded as unmetered. 1144 locations were found to be actually vacant and 140 were duplications requiring file correction.

118. The Committee was informed that at 30 June 1976 all Darwin consumers using electricity up to 24 December 1974 had been billed for the pre-cyclone period and an amount of \$439 452 was then outstanding. These accounts had been reduced to \$262 000 at 14 July 1977 of which \$79 000 was owed by Government Departments and whilst recovery action was continuing, the Department expected that about \$168 000 of the non-Government debts will require to be written off. The balance of pre-cyclone debts represents approximately 10 per cent of the original debts totalling \$1.76 million.

119. The Auditor-General's comment on the Department's failure to take prompt and effective recovery action regarding outstanding debts, brought a concession from the Department that there had been a lack of positive action. The Department stated that the factors which had restricted recovery action were:

- (a) Insufficient staff in the recovery section to deal with returned mail, search for new addresses and initiate legal action.
- (b) Inability to trace debtors through police searches which are no longer made available.
- (c) Inability of Department of Construction to arrange disconnections.

120. The Committee was informed that billing increased from \$372 000 in January 1977 to \$1.026 m for June 1977 and revenue collections increased from \$286 m to \$1.636 m in the same period. Notwithstanding these increases, the level of post-cyclone debtors at 30 June 1977 was \$2.257 million compared with \$2.324 million at 30 June 1976. Current debt levels also reflect an increase of 50 per cent in electricity charges during the year.

121. The debts in respect of post-cyclone consumption as at 30 June 1977 have been analysed as follows:

	\$
less than 30 days	1 061 602
30 to 90 days	517 317
90 to 180 days	291 635
Over 180 days	458 467
	<hr/>
	\$2 329 021
Less accounts in credit	72 041
	<hr/>
	\$2 256 980

122. The Department estimated that the normal acceptable debt level based on rates currently applying is about \$1 million, equivalent to one month's billings.

123. The debtors' accounts included 8867 domestic and 702 commercial consumers, categorised as follows:

- 2749 current consumers where accounts were outstanding less than 30 days.
- 611 consumers who had been recently warned about overdue accounts.
- 1565 consumers who had been listed for disconnection, amounting to about \$250 000.
- 3316 consumers who had left the address in respect of which the account was rendered. Accounts in this category amounted to \$444 270.
- 748 current consumers whose accounts were the subject of a current query with the Department. These amounted to an estimated \$247 000.
- 572 consumers who had been granted time to pay their accounts, necessary where accounts were issued for more than one

period at a time. The total amount outstanding in this category was \$291 000.

124. As at 31 July 1977 the Department had been able to carry out only limited numbers of disconnections with available technical staff of the Department of Construction. The Department stated that it had decided to appoint its own staff for disconnection purposes. Two electricians and clerical staff are being recruited solely for this purpose in connection with the maintenance of the electricity accounts system. In addition, it is proposed to arrange for disconnection of all services where no new consumer applies for the continuation of a finalised service within forty-eight hours.

Electricity - Computing.

125. Prior to Cyclone Tracy, the Department of the Northern Territory operated a billing system using an NCR 500 Computer purchased in 1971. The system produced bills, based on consumption manually calculated from meter readings, and at the same time updated the consumers' accounts. However, due to a number of factors, the major being a lack of capacity to cope with the workload, this computer was replaced shortly before the cyclone by an IBM 360.

126. Initially, the same processes that were being used on the NCR 500 were transferred to the IBM machine while new programs were being developed. This was nearly complete when the cyclone struck. In addition the damage done to the computer, the two Senior Programmers responsible for the implementation of the new system left Darwin and a Systems Analyst associated with the project transferred to another Department. It wasn't until June 1975 that these positions were permanently restaffed and the new system was put into operation.

127. In its submission, the Department stated that the updating of computer files with details of new consumers, new and changed meters and the correction of accounts had to be carried out by a laborious hand written coding procedure. Terminals for direct entry of data became partially available in July 1976 and progress was inhibited by an insufficient number and a slow response by the computer. By the first week in December 1976, by the use of a revised program, response time improved considerably, manual coding of transactions eliminated and provision made for checking the result of data input before it was released to update the file. Additional terminals have been provided in order to take advantage of temporary staff recruited to process arrears of work and account corrections.

128. The Department has experienced difficulties through the irregularity of the Darwin power supply which affected the computer operations. The Auditor-General, in his Report for 1976-77, stated that a recent review of the computer system for electricity accounting revealed a number of deficiencies in the manual procedures associated with the system.

Electricity - Charges

129. During the inquiry, the Committee was told that charges for electricity in the Northern Territory are based on recovering the full cost of providing the electricity. However, the following table shows that before the cyclone there had been a steady increase in the cost of operations which had not been matched by a corresponding increase in revenue.

Northern Territory Electricity Supply Undertaking
Income and Expenditure

	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Income	\$M 3.616	4.308	5.008	5.950	6.526	7.654
Expenditure	\$M 3.967	4.416	5.054	5.679	7.142	9.502
Profit	\$M -	-	-	.271	-	-
Loss	\$M .351	.108	.046	-	.616	1.848

130. A recent report of an Inquiry into Public Electricity Supply Northern Territory draws attention to the financial affairs of the electricity undertaking. The report indicates that, in the year 1975-76, the loss would have been about \$9.0 million out of a total expenditure of about \$17 million. This would be the situation if all electricity consumed was billed and interest at only 5 per cent p.a. on an outdated depreciated value of assets was charged. With increased tariffs applying from July 1976 the loss is expected to be about \$11.6 million out of a total expenditure of about \$22 million for 1976-77.

131. On the matter of billing total output a reconciliation between the estimated value of Darwin Power House output as delivered to premises since the moratorium was removed is as follows:

Total potential revenue possible from power house output - 1 July 1975 to 30 June 1977	\$14.09 million
Total value of bills issued	11.73 million
Value of unbilled consumption	\$ 2.36 million

132. In his report for 1976-77, the Auditor-General stated that:

A possible loss in excess of \$3 million at 30 June 1977 from unbilled electricity supplied since the moratorium against billing was removed in May 1975 and indicated the following reasons for this position:

- effects of the cyclone, in that many premises received power through temporary connections without meters or with damaged meters;
- unauthorised use of long leads to connect to unattended power sources;
- occupancy by unauthorised persons of vacant buildings connected to power; and
- loss of street lighting controls which led to lights burning for up to 24 hours per day in some areas.

Water and Sewerage

133. Liability for payment for both basic and excess water charges lies with the "occupier" who is required to apply for service. However, in the event of non-payment within three months billing, the owner becomes liable for payment of the basic charge. Liability for payment of sewerage rates lies with the owner.

134. The bulk of the 1974-75 sewerage and water billings were completed prior to the cyclone. The balance was not billed until May/June 1975. The 1975/76 billing was completed in April 1976 with the exception of the new suburbs of Anula and Wulagi where the majority of the lots are government-owned.

135. The following statement of debtor transactions for the financial year 1976-77 shows the state of unpaid accounts as at 30 June 1977.

	<u>Water</u>	<u>Sewerage</u>
	\$	\$
Outstanding 30 June 1976	627 554 (1)	178 769 (2)
Bills issued	<u>718 317 (3)</u>	<u>612 424</u>
	1 345 871	791 193
Less: Receipts	<u>782 316</u>	<u>608 950</u>
Balance outstanding		
(4) 30 June 1977	<u>563 555</u>	<u>182 243</u>

Notes: (1) This figure is largely the value of the 1975-76 billing which was not completed until late in the 1975-76 financial year. Some \$390 000 of this has been paid by 30 June 1977.

(2) Unlike the water billing, sewerage was billed much earlier and the level of recovery by June 1976 was substantial.

(3) As in the case of the billing for 1975-76, the billing for 1976-77 took place late in the year and has resulted in a significant balance of current debtors.

(4) The level of outstanding accounts at 30 June 1977 is affected by increases in charges up to 40 per cent.

136. The Department stated that checks of water billing records are being carried out and all premises capable of consuming water are being visited for the purpose of checking for unregistered consumption. As a result of an increase of staff, the Department is now in a position to actively pursue recovery of outstanding debts and to assess the feasibility of an early transfer of the billing activities to computer processing.

Staffing - General

137. Staffing has been a major problem in the Public Utilities area, especially in the immediate post-cyclone period. The main contributing factors have been

staff ceilings and high turnover of staff. The resources, at that stage, would only allow for follow-up action to the warning notice stage and fell far short of the ultimate disconnection of services and legal action for recovery.

138. Previous examples have been given of the difficulties the Department was experiencing in providing sufficient staff to overcome the workloads arising from the conditions imposed by the cyclone and the special measures implemented by the Department to overcome them. Details of staffing from November 1974 to January 1977 of the Public Utilities Section which was responsible for the operation of the electricity, water and sewerage services in the Territory and the collection of revenue therefrom are summarised below:

	Public Utilities Section	Recoveries Section	Special Assistance Group	Pre-cyclone Billing Cell	TOTAL
24 Dec. 1974	22	8	-	-	30
Jan. 1975	18	2	-	-	20
31 Mar. 1975	11	2	-	-	13
2 Sept. 1975	24	2	-	-	26
20 June 1976	28	8	-	-	36
July 1976	28	8	9	-	45
Aug. 1976	30	8	15	-	53
Sept. 1976	30	8	6	-	44
30 Nov. 1976	36	8	6	4	54
Jan 1977	36	8	5	5	54

(Note: Only months in which a variation occurred have been listed.)

139. In its submission the Department stated that it had operated with the minimum of staff available as a result of the ceiling constraints. Maximum use had been made of overtime within the limits of the allocation of funds. In 1975-76, 71 per cent and in 1976-77, 77 per cent of funds spent on overtime were attributable to the Public Utilities function.

140. On 27 June 1977 a review was completed of the staffing resources needed for billing and recovery of charges. Whilst the review was in progress, and before full additional staffing could be provided, the Department established work priorities and interim staffing arrangements which achieved an improved level of billing and revenue collection. Priority was given to those activities involving regular quarterly billing for current consumers. Staff were re-allocated from other areas of the Department and additional temporary personnel were recruited. Whilst electricity revenue collection had improved, the debtor levels reflect the inability of the Department to take full recovery action due to the work necessary to reduce debts for pre-cyclone consumption. The Department provided an example of the difficulties experienced in recruiting and maintaining suitable staff. The Committee was informed that the salary levels of some positions were not sufficient to attract persons seeking permanent employment.

141. The Public Service Board Observer (Mr Barratt-Eyles) disagreed and stated that when considering a reclassification, the Board considers whether or not a salary level is sufficient.

142. In a supplementary submission, the Department stated that it recognised that considerable attention needed to be paid to -

- implementing off-machine clerical control procedures compatible with the ADP system;
- continued vigilance for unregistered consumers;
- back billing;
- collection of revenue and recovery of outstanding debts;
- elimination of incorrect and unnecessary data stored in computer records and improvement of program controls;
- recruitment and maintenance of adequate staffing levels and staff training.

143. The Auditor-General, in his report for 1976-77, stated that recent Audit reviews had revealed the following inadequacies in revenue controls:

- absence of prompt follow-up action when rendered accounts become due for payment;
- non-production of an age analysis of outstanding debts;
- water being supplied without accounts being issued because the processing of applications for connections/transfers is over 12 months in arrears;
- continued failure to ensure that all sewered land has been gazetted according to Regulation 251 of the Northern Territory Sewerage Regulations. Some land sewered before 1968 had not yet been gazetted.

144. The Committee was informed that remedial action has been taken or proposed regarding the above matters.

Conclusions

145. The Committee recognises the difficulties and complexities which faced the Department after the cyclone and acknowledges the efforts made by it under the circumstances to provide public utility services. Nevertheless, the Committee is seriously concerned about the substantial delays in effective billing and the loss of revenue.

146. The Committee is critical of the division of responsibilities for both the electricity supply and the water and sewerage services. Whereas the Department of Construction spends a large proportion of the appropriations

for utility services in the Territory it has no responsibility for the collection of revenue. There appears to have been little co-ordination to assist in overcoming the difficulties being experienced by the Department of the Northern Territory, both in the collection of revenue and in setting adequate charges to recoup costs. The Committee believes that a major factor contributing to the non-collection of revenue was that the Department of the Northern Territory did not control staff to carry out disconnections. The reluctance on the part of both the Department of Construction and the Department of the Northern Territory to make staff available made effective recovery action difficult.

147. The Committee noted the conflict between the Department and the Public Service Board concerning an adequate salary classification for some positions. The Committee believes that the Public Service Board should give due consideration to the reality that special staffing difficulties exist in the Northern Territory and that the Department should investigate any technical advances which could assist in overcoming this continuing problem.

148. The Committee also noted that the Department was experiencing difficulties through the irregularity of the Darwin power supply and, as a consequence, lost work in process caused many hours of duplicated effort. The Committee is critical that the Department did not foresee that, in such a situation, the provision of a "no-break" auxiliary power supply would have been an elementary precaution.

149. The Committee was extremely dissatisfied with the financial results of the Northern Territory Electricity Supply Undertaking since 1971-72. The evidence demonstrated that the charges for power consumed are required to be based upon the recovery of the full costs. However, the financial results for those years clearly indicate that the increased costs of operations were not matched by corresponding increases in revenue. As a consequence more than \$23m of expenditure may not have been recovered.

150. The Committee agrees with the recommendation contained in the report into the Public Electricity Supply in the Northern Territory, presented to Parliament in June of this year, that a single authority be established with responsibility for public electricity supply in the Northern Territory. However, the Committee believes that this authority should be broadened to include responsibility for the other utilities. While the Committee recognises that the basic functions are dissimilar, it believes a duplicate administrative structure is potentially wasteful and expensive for consumers in an area where the population centres are relatively small. The Committee wishes to be informed of the future arrangements for the provision of utility services in the Northern Territory.

151. The Committee is concerned to note that a significant proportion of accounts outstanding prior to the cyclones were due by Government departments and authorities. Departments are reminded of the views expressed in the Committee's 151st report, that regular reviews of unpaid accounts should be made and proper use of registers of accounts should readily disclose accounts that have been unpaid for any length of time. The Committee reminds departments that financial obligations should be met promptly to assist in reducing the staff resources used to follow up unpaid accounts.

CHAPTER 6

DEPARTMENT OF PRODUCTIVITY¹

152. Paragraph 3.7.12 of the Auditor-General's Report for 1975-76 contained the following comment:

Previous Reports refer to the procurement of Mirage aircraft and to agreements with 3 French companies for the manufacture, service and repair of the aircraft.

An important feature of the financial and accounting control arrangements for the project required that invoices covering supplies by the French companies be reconciled with items recorded as received in Australia. Audit representations have been made since 1969 on the continuing failure to complete the reconciliation.

In a recent reply to my Office, the Department of Industry and Commerce¹ has advised acquittances have not been given in Australia for items valued at FF 205 175 009 (\$A34 104 888 at current exchange rates) and there is no prospect whatever of effecting a satisfactory reconciliation. The Department proposes to report fully the position to the Treasury and seek approval to dispense with any further attempts at acquitting the invoices.

153. Evidence showed that this matter had a long history. On 22 November 1960 Cabinet approved the selection of the Dassault Mirage 111 as the aircraft to replace the Avon Sabre which was then in service with the Royal Australian Air Force. Cabinet decided that these aircraft be substantially locally manufactured. The principal agreement with the French contractors for the provision of 30 aircraft was signed on 30 March 1961. Supplementary agreements followed on 30 September 1962 for 30 aircraft, on 30 September 1963 for 40 aircraft, on 30 November 1964 for 10 aircraft and on 1 January 1971 for 6 aircraft. These various procurement agreements became known as Phases 1 to 5 respectively.

154. With the exception of two aircraft in Phase 1 which were "lead-in aircraft in a flyaway state", the arrangements were for the Commonwealth Aircraft Corporation (CAC) to produce the engines and the Government Aircraft Factory (GAF) the airframes and final assembly of the aircraft. The equipment and materials necessary were delivered direct to the factories.

155. Special funding arrangements were written into the agreement with the three principal French contractors:

- Avions Marcel Dassault (AMD) for the airframe;
- Societe Nationale d'etude et de Construction de Moteurs d'Aviation (SNECMA) for the engine; and
- C.S.F. Compagnie Generale de Telegraphie Sans Fil (C.S.F.) for the fire control radar equipment

1. The Department of Productivity was created on 8 November 1976 assuming the function reported previously located in the Department of Industry and Commerce

Payments were to be made annually in accordance with a schedule included in the agreements which provided for stipulated payments to be made in advance. These payments were based on the estimated total value of orders to be placed and adjusted subsequently to the final value. Interest would be payable on the difference between entitlements and payments made under the funding arrangements. Australia House, London was to place all orders and control the special funding arrangements.

156. The Committee was informed that for the purpose of determining interest payments, amounts were deemed due to contractors in accordance with stipulated parameters. These were established by considering normal commercial transactions. For SNECMA and AMD these were:

SNECMA

- 30% of the contract price within one month of date of order
- a further 30% a year later
- the balance on delivery

AMD

- 1% of the contract price within 10 days of order
- 2% of the contract price within 3½ months of order
- 30% of the contract price within 15½ months of order
- the balance on delivery

157. Interest rates for each phase and the amount of interest due are detailed below. The interest shown due to AMD for Phase 5 includes FF 1 005 065, programmed for payment between 1977 and 1979.

Interest due to Mirage Contractors (as at 19/5/77)

Phase	Rate (P.A.)	AMD (FF)	SNECMA (FF)	CSF (FF)
1 (30 aircraft)	4.5%	17 063 574	4 942 761	3 236 721
2 (30 aircraft)	5%	14 838 032	3 597 285	3 917 903
3 (40 aircraft)	5%	16 364 005	5 820 971	4 522 380
4 (10 aircraft)	5%	10 695 948	NIL	NIL
5 (6 aircraft)	6.5%	8 046 098	NIL	NIL
TOTAL (116 aircraft)		67 007 657	24 361 017	11 677 004

158. Supplies were assembled at the contractors' factories in France under the surveillance of the representatives of the (then) Department of Supply who were also responsible for checking, packing and despatch details in accordance with the orders from Australia House. They were also responsible for authorising the suppliers' entitlements. The Office of the Air Attaché, Paris, handled the CSF element for the fire control and radar equipment.

159. It was stated that during 1961 and early 1962, before supplies were received in Australia, a working party established by the Department of Supply devised a special procedure for cost control and reporting of the Mirage project in accordance with the requirements laid down by the Board of Business Administration of the Department of Defence. Under these procedures

the Australian contractors were required only to physically record the movement of the French components from receipt into the factory until incorporation into an aircraft or issue as spares. There was no requirement for invoices received in Australia to be acquitted against receipt of the supplies.

160. Orders for the detailed Australian requirements valued at approximately \$189m were compiled by the Australian contractors from precisely quantified production plans, aimed at ensuring the receipt in Australia of all components required to produce the aircraft. Materials and components produced against individual orders were progressively despatched to the Australian contractors and were supported by packing notes and other documents including inspection release notes, and customs invoices. Prior to despatch, consignments were formally "accepted" by representatives of the Department of Supply resident at the supplier's premises in France. The acceptance of deliveries were certified to the Chief Purchasing Officer, London, and on that basis the Certifying Officer, Australia House, accepted the claims for entitlement to payment. The Administrative procedures used in controlling the Mirage Project are outlined in Appendix 'A'.

161. In 1964, the Department of Air required that it should be provided with evidence that all payments made under the funding arrangements were supported by deliveries of materials and components into contractor's stores in Australia. Under the amended procedures the Department of Supply was required to obtain acquittances by Australian contractors on the originals of priced invoices and to certify and forward them to the Department of Air.

162. The Department stated that it accepted the responsibility for providing the Department of Air (now Defence) with acquitted invoices. Nevertheless, after a great deal of investigation and effort it had been found impossible to effect a complete reconciliation. Invoices totalling approximately \$34.0m in an overseas procurement program of the order of \$180.0m for which the Department was directly responsible remain unacquitted as proof, in accordance with the procedures, that the goods were received in Australia for production of the Mirage aircraft. The Department maintained that the goods, valued at \$34.0m had been received.

163. The Committee was informed that the failure to achieve the reconciliation was largely attributable to the delayed submission of many invoices by the French contractors and to the difficulties encountered in relating invoices to specific deliveries. The Department stated that a great deal of effort was applied, endeavouring to persuade them to present their invoices more promptly. The principal offender appeared to be SNECMA whose invoicing by the end of the project was some 5 years in arrears. Extracts (shown at Appendix 8) from a memorandum dated 14 June 1972 from the Australian High Commission in London to the Department outline the actions taken.

164. In retrospect the Department was of the view that the requirement for a complete reconciliation of invoices submitted by French contractors with actual items received in Australia was ill-conceived. The Department believed that if it had been able to receive acquittances from Australian contractors covering individual shipments, the reconciliation this would have provided against the "funding" orders would have satisfied the Department of Air requirement under Treasury Directions.

165. The Department argued that the reconciliation of invoices was not necessary. Adjusting payments to the advance funding provided to the French contractors was effected through the High Commissioner's Office London on the basis of certificates provided by the Department of Supply representatives in France that all goods had been correctly despatched to Australia. The essential check was assurance that all goods despatched were received in Australia. The Department stated that a requirement for copies of Invoices rather than despatch notes to be acquitted was quite impossible in a situation where the invoices themselves were not referenced to the despatch notes and their distribution for checking fell seriously into arrears at the point of issue in France.

166. To support its view that the reconciliation of invoices was not necessary, the Department pointed out the nature of the controls employed:

- Advance copies of despatch notes (including a signed copy) were forwarded by the French contractors to Australia. This operated to check that cases despatched by the French contractors were received in Australia.
- In the case of GAF when the advance copies of despatch notes were received one copy was passed to the factory Overseas Procurement Section and another to the factory Stores Inward Section.
- The Stores Inwards Section at GAF raised Goods Received Notes from their copy of the Despatch Note in advance of the cases of goods arriving. The Goods Received Notes became the physical control document for stores handling and were matched for accuracy with the Despatch Notes accompanying the case. The case content was checked against the Despatch Notes and Goods Received Notes, which were numbered and logged in a register.
- The Overseas Procurement Section at GAF transcribed details of goods listed on their copy of the Despatch Note to pre-printed parts lists or Bills of Material supplied by the French companies. This section also received copies of discrepancy reports and the process provided a check that materials required for production were flowing into the factory in the right quantity at the right time.
- The 116 aircraft ordered by the RAAF were manufactured and handed over. This could not have occurred if there had been significant shortages of materials and there is no evidence whatsoever that large quantities of materials were purchased to offset any losses.

167. The Department stated that in the course of all of its investigations there is evidence that:

- all items paid for were received
- all items received were incorporated into manufactured aircraft or spares stock holdings
- there was no fraudulent practice or theft, either overseas or in Australia
- reasonable controls consistent with the magnitude and volume of materials handled were properly exercised

168. The Department stated in its submission that in discussions with the Department of Defence and the Auditor-General's Office it was agreed that if it was able to demonstrate by reference to despatch advice notes and other documents, for example, computer listings of items ordered, that all supplies ordered and paid for had been received and accepted in Australia, this would be a satisfactory alternative means of meeting the requirements of the Department of Defence and Treasury Directions. However, as the numeric series of Despatch Notes was broken and the register of Despatch Notes is no longer available, this could not be done. The witness for the Department stated that with present staff restraints it would not be possible to reconcile the invoices and if it were insisted upon the ultimate cost would be very high. Consequently, the Department in April 1977 approached the Department of Finance for approval to cease further activities in attempting to complete a reconciliation.

169. The Auditor-General, in his Report for 1976-77, stated that in August 1977 the Department of Finance advised the Department of Productivity as follows:

- The situation was seen as brought about primarily because there was no arrangement for sequentially numbered packing notes, and also because the requirement to obtain acquittances by Australian contractors on the originals of priced invoices was not included in the special procedures for cost control of the Mirage project until 1964.
- It was accepted that given the time elapsed the reconstruction of checking teams or the institution of alternative measures in an attempt to achieve some further degree of reconciliation would not be cost-effective, and in view of the Department of Productivity's assurance that all items paid for were received there was no objection to the ceasing of any attempt at further reconciliation.
- Concern was expressed, however, that the magnitude of the problem was not brought to Department of Finance notice when it first became apparent.

Conclusions

170. The evidence shows that in 1964, in response to a request from the then Department of Air, new procedures were devised under which the Department was required to obtain acquittances by Australian contractors on the originals of priced invoices and to certify and forward them to the Department of Air. The previous procedures had been devised by a working party established by the

Department when the project commenced in 1961. Under these procedures there was no requirement that invoices received in Australia had to be acquitted against receipt of supplies, although Australian contractors were required to maintain physical control of all material and components supplied by the foreign contractors. The Committee is disturbed by the evidence that after three years, new procedures were introduced creating a large amount of work which the Department now regards as not having been effective.

171. In the interest of effective financial control over major projects such as this, the Committee regards it as essential that the procedures and financial responsibilities of the various parties are clearly defined at the outset and that careful consideration is given to any amendments to procedures. Further, we would regard early and continuing consultation with the Department of Finance and the Auditor-General's Office to settle such procedures as absolutely essential. As defence procurement is likely to be from overseas for the foreseeable future, the Committee wishes to be advised of the existence of any guidelines for overseas procurements and whether the lessons learnt from this experience have been incorporated.

172. The Committee acknowledges that in the circumstances explained by the Department a satisfactory system of control was by no means easily obtainable. On the evidence placed before the Committee it appears that the foreign contractors failed in a normal commercial transaction to supply the necessary documentation to enable the Department to effect a complete reconciliation. However, we are disturbed to note that a sequential series of Despatch Notes was not maintained and that the register of notes is no longer available to enable the alternative reconciliation to be carried out. The Committee is most concerned that these elementary practices were not instituted and maintained.

173. In view of the fact that the evidence presented to the Committee did not suggest that all goods sent from France had not been received the Committee agrees that a further attempt to achieve a reconciliation would not be worth the cost involved.

CHAPTER 7

DEPARTMENT OF SOCIAL SECURITY

174. The Auditor-General in paragraph 3.20.1 of his Report for 1975-76 stated:

During 1975-76 the Department detected and reported 7 cases where departmental officers had obtained monies fraudulently, mainly in respect of unemployment and sickness benefits. In providing details of these cases the Department has advised a general review of unemployment and sickness benefit payment procedures is in progress and the circumstances of these frauds have been included in the review. An examination is also being made of the quality control aspects of the unemployment and sickness benefit procedures with particular emphasis on the prevention of fraud.

My Office also carried out an examination of departmental records in connection with frauds perpetrated by beneficiaries. These were predominantly in relation to unemployment benefit and although there was, according to departmental records, a large increase in the number of frauds disclosed during the year, a significant number of detections resulted from visits to beneficiaries by Departmental officers. The large-scale increase in these visits and the revised procedures in relation to unemployment benefit, introduced by the Department, are referred to in paragraph 2.30.5. of this Report. The Department expects these measures will lead to a marked reduction in external frauds.

Where warranted the Department has instituted appropriate legal action.

Internal Frauds

175. Details of the seven internal fraud cases were supplied to the Committee. Of these, six were perpetrated by employees who were of a relatively junior status and who had only been employed for a short period of time. The frauds involved the forging and theft of benefit cheques, fictitious beneficiaries and reactivation of closed cases. The Department informed the Committee that in each case a review of procedures had been carried out and controls amended and strengthened to prevent recurrence.

External Frauds

176. The Department stated that each year there are a number of prosecutions for alleged offences against the Social Services Act. Details are as summarised in the table below. It was explained that the records exclude prosecutions initiated by the Commonwealth or State Police. Details of these prosecutions were not available from the Attorney-General's Department as the records were not maintained in a suitable form.

Prosecutions under the Social Services Act

<u>Year</u>	<u>Convictions</u>	<u>Dismissed</u>	<u>Dismissed</u>	<u>Total Prosecutions</u>
		<u>- Charge proved</u>		
1971-1972	335	42	4	401
1972-1973	331	23	4	358
1973-1974	60	8	2	70
1974-1975	124	18	-	142
1975-1976	177	15	-	192

177. The Committee was informed that all cases of misrepresentation had been considered for prosecution. However, in recent years greater emphasis had been placed upon reviewing the circumstances of each particular case before a decision was taken whether or not prosecution was warranted. Socio-economic status, i.e. age, health and dependants, are among factors taken into consideration. Consequently, the number of prosecutions before the court is not a precise indication of the extent to which frauds are attempted.

178. The extent of overpayments is a more reliable indicator than prosecutions of the extent to which the Social Services Act is breached. Appendix C shows totals of overpayments raised compared with the adjusted expenditure for those pensions and benefits which contribute significantly to the total of overpayment for the years 1971-72 to 1975-76. Detected overpayments of benefits and pensions rose from \$2.0 million in 1971-72 to \$11.6 million in 1975-76 (See Appendix C)

179. The Committee notes that whilst the position has improved in respect of age, invalid and widows' pensions, a disproportionate and increasing share of total overpayments is reflected in supporting mothers', unemployment and sickness benefits. The Department stated that as this trend became evident, resources were concentrated upon those high risk benefits.

180. In its submission the Department stated that of the overpayments raised, only a minor proportion would be attributed to "fraud" if this term be defined as meaning deliberate misrepresentation. The most common breach of the Social Services Act is the failure of pensioners or beneficiaries to notify changes in circumstances within the times specified in or under the Act for such notifications. Notwithstanding that there may be no intention to defraud the Commonwealth, when a breach of the Act is detected, it is the practice to pursue recovery.

181. In March 1976 the large increase in numbers of beneficiaries during 1975 had made it a very difficult task to avoid errors which caused delays in maintaining a weekly processing cycle. In conjunction with officers from the Department of Finance a fortnightly payment was introduced in March 1976 as an experiment. Approval has now been given for its permanent adoption.

182. The Auditor-General in his report for 1976-77 referred to apparent inadequacies in departmental procedures which made no provision for raising or recovery of overpayments occurring by payment of unemployment benefits fortnightly in advance, where the benefits were terminated due to non-receipt of income statements for the previous fortnight. Based on a random sample review the Auditor-General's office estimated that the potential overpayments in this category could be of the order of \$40 million per annum. The Committee notes that the Government has decided to change the payment of

unemployment benefits to fortnightly in arrears. The Committee has requested a submission from the Department on the matter of overpayments of benefits and pensions.

183. The Department informed the Committee that during 1975-76 particular attention was given to procedures for the examination, assessment and payment of unemployment and sickness benefits. Some of the actions taken to strengthen controls include:

- Introduction of additional checks on the identity of claimants.
- More stringent application of the work test (see Appendix D).
- Strengthening of procedures for verification of claims for dependent children.
- Issue of employer's report forms as an aid to proof of identity and verification of the claimant's bona-fides as an unemployed person, a resumption of the normal practice.
- Re-commencement of the maximum practicable rate of field officer visits (these were reduced between November 1975 and March 1976 as a result of financial constraints.)
- Extension throughout Australia of the A.D.P. based system for payment of unemployment and sickness benefits.

184. The Department of Social Security is responsible for the administration and payment of unemployment benefits. The Department of Employment and Industrial Relations, through the Commonwealth Employment Service, acts as its agent for the necessary contact with applicants and the administration of the various criteria as prescribed, including the "work test" (See Appendix D). The witnesses for both departments agreed that good relations and co-operation existed between them but it was pointed out that because of dual responsibility, some administrative problems did exist. It was generally recognised by the Departments that their functions were complementary rather than parallel.

Identification of Claimants

185. The Department explained, that each person applying for unemployment benefits must produce some form of identity. This may take the form of a passport, birth certificate, driving licence, electoral roll, or other document that will establish to the satisfaction of the Commonwealth Employment Service, that the applicant is the person he purports to be. The identification check is followed up by a questionnaire to the last employer. In doubtful cases a field officer will verify the details by visit. The Department conceded that the identification methods used were not satisfactory and were open to abuse. A witness for the Department of Employment and Industrial Relations stated that although his Department required proof of identity it is very difficult to determine whether the person making an application is in fact a bona-fide applicant. However, under the current arrangements for authenticating identity, the Department has no alternative but to accept that the person is who he or she claims to be. He added that there are reasons to suspect that there are a number of people who defraud the system and his Department could not accept any responsibility for authenticity of the identification of every applicant.

186. The Committee inquired into the possibility of the introduction of an identity card system. The departmental witness stated that there were a number of advantages if an Australia-wide system was introduced, not only for

Social Security purposes but also for a much wider application in areas such as health, immigration and credit facilities. However, if such a system was only for the use of Social Security benefits it would be relatively easy for a person to obtain and use several identity cards. This view was supported by the Department of Employment and Industrial Relations.

187. The Committee was informed that the Department of Social Security had carried out some research of identification systems in use in other countries and estimated that the cost of the initial issue of an elementary form of identity card would be at least \$1 million. Should a more comprehensive type of card be issued, using perhaps a photo identity system, the initial cost would be as high as \$7 million and would involve an annual expenditure of at least \$1 million. The Department of Employment and Industrial Relations stated that the use of an identity card system would obviously minimise the number of frauds but the Department was not able to determine whether it would minimise frauds to such an extent as to make it worthwhile on a cost basis. The Department of Social Security stated in evidence that as far as the Department was concerned, on a cost benefit basis it would prefer the existing system of identity checks supported by follow-up by field officer investigations.

Staffing and Extension of the Computing System

188. It was stated that a major factor leading to the incidence of fraud was the heavy increase in workloads, particularly in the unemployment and sickness benefit areas. Between July 1974 and January 1975 workloads increased to levels 5 or 6 times above the June 1974 figures. However, staff growth was limited by recruitment and training problems to about 2½ times the earlier level. Despite endeavours from August 1974, the Department was not able to secure approval for a revision of its staff ceiling until December 1974. Consequently, the average depth of experience of operative staff diminished and the burden upon the more experienced staff, especially at supervisory levels, increased.

189. The Department believed that despite continuing high workloads and high staff turnover the overall position is seen as one of improvement. Supervisors promoted recently are better equipped to discharge their responsibilities and sufficient staff at lower levels are remaining to provide a greater reservoir of skills. In addition, supervisory skills and staff motivation have been enhanced by the extension of the "cell" system which gives full responsibility for the welfare of a specified number of beneficiaries and pensioners to a particular group of officers. It is being extended to all States as approval is given for the necessary re-organisation.

190. In its submission the Department informed the Committee that during 1975, it was faced with grave problems of coping with substantial increases in unemployment benefit workloads following the imposition of staff ceiling limits. To cope with processing difficulties being experienced in all State offices, it became necessary to carry out reviews of operational systems and major changes were introduced.

191. It was explained that the continuation of high workloads into 1976 plus the imposition of lower staff ceilings made it necessary to begin further procedural reviews. During 1975, a computer system for the payment of unemployment, sickness and special benefit had been introduced into all Queensland offices and was found to be operating successfully. While it was also operating in most of the capital city offices and some metropolitan district offices in the other states, it had not been extended to all. It was decided to

extend the computer system to every office in each State and this was completed by the end of July 1975.

192. The Department stated that the use of computers has facilitated the detection of fraudulent practices by using the computer to produce lists of possible duplicate payments to beneficiaries who may be receiving different benefits without proper entitlement. Other major advantages which have flowed from the centralisation of unemployment and sickness benefit payments on computer files at each State headquarters include:

- Enhanced capacity for cross-checking against other benefit files to identify claimants for mutually exclusive benefits or between files for geographic areas.
- Facilitated selection of cases for review to stratify and select those with higher risk characteristics and to provide working papers with minimal clerical effort.
- Improved liaison with the Department of Employment and Industrial Relations due to increased capability to supply comprehensive or selective listings and data for the Commonwealth Employment Service.
- More economical and accurate statistical collections.
- More timely and reliable management information.

193. A witness stated that although the Department was satisfied with the computer operated system to the extent that it improves the Department's capability of handling high volume, it is not satisfied that the system provides sufficient information to the staff engaged in the area of payment of benefits. The system is currently being reviewed.

194. The Department stated that it is clear that mis-representation and other breaches of the Social Services Act cannot be wholly eliminated or countered. The Department considered it essential to maintain balance between protection from fraud and error and the cost of control systems. The Department went on to say that over-elaborate arrangements, besides being expensive in terms of resource use, create delays in payment which cause hardship to genuine beneficiaries and may well lead to further delays whilst inquiries and complaints are processed.

Conclusions

195. The evidence presented to the Committee on the seven cases where departmental officers had obtained money fraudulently, mainly in respect of unemployment and sickness benefits, revealed that some of the financial procedures of the Department were not satisfactory. The evidence also shows that these deficiencies were revealed in a time of increasing and continuing high workloads. In spite of the increased number of defalcations, the Committee notes that the losses since the establishment of the Department have been negligible when compared to the turnover. The Committee is pleased to note that the Department continues to be vigilant in taking positive action to review its procedures when internal fraudulent actions are detected. The Committee expects that the Department will maintain proper supervision of all staff who are placed in a position of temptation.

196. The Committee recognises that during recent years the Department has experienced a rapid expansion of commitments in relation to its resources and that staff growth has been limited by the imposed staff ceiling. The Committee notes that the Department has implemented a number of initiatives for administrative improvement such as the introduction and extension of the "cell" system, increases in data processing and the introduction of fortnightly instead of weekly payment cycles. The evidence shows that major problems still exist in the areas of recruiting and training of competent staff.

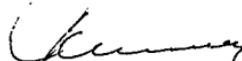
197. In relation to external frauds, the Committee notes that during the year there was a large increase in disclosures and that a significant number of detections resulted from visits to beneficiaries by field officers of the Department. The evidence presented to the Committee shows that during the year the Department has taken specific action to improve and strengthen controls, particularly in relation to unemployment benefits.

198. The Auditor-General stated in his Report for 1976-77 that overpayments of benefits and pensions could be of the order of \$58m per annum. The amounts involved are significant and the Committee is deeply concerned that the trend is rising. The detected overpayments in the five years up to and including 1975-76 totalled \$23m, \$11.6m being overpaid in 1976-77 alone.

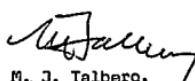
199. The Committee was disturbed to learn from the evidence presented that a number of weaknesses existed in the system used to identify persons applying for benefits. It was suggested that the introduction of an Australia-wide system of identification cards could have a number of advantages. The evidence indicated that the introduction of an identity system could cost as much as \$7m and it was regarded by departments as not being worthwhile on a cost - benefit basis. However, as mentioned above, the Auditor-General in his Report for 1976-77 states that overpayments of benefits and pensions to the extent of \$58m may have occurred in that year. While the Committee has not examined the question in great detail it would appear that there is an argument for the introduction of such a national system. The Committee recommends a detailed examination of the question and does not believe that the argument against the introduction of such a system on a cost-benefit basis is tenable. The Committee believes that the cost of introducing such a system must be measured against the indicated large losses.

200. The Committee heard evidence relating to the responsibilities of the two Departments in the unemployment benefits area. As an example the Committee received evidence from the Department of Social Security that short periods of casual employment notified through the Commonwealth Employment Service to persons seeking work were being refused by them on the grounds that acceptance of such work amounted to a penalty. This was due to the regulations, as applied, which penalised the beneficiary by a greater amount than could be earned in casual employment. In addition, job seekers could be disadvantaged should a permanent position be offered while on temporary employment. The Department of Employment and Industrial Relations accepts this disadvantage argument and allows such casual employment to be refused without loss of benefit. The Committee is concerned at this apparent breakdown resulting from two Departments sharing administrative responsibilities for the implementation of Government policy. The Committee understands that this matter was canvassed in a report by Dr. D. M. Myers in an inquiry into unemployment benefit policy and administration. While beyond the scope of our inquiry the Committee wishes to be informed of any action taken or proposed to resolve the matter.

201. For and on behalf of the Committee,



David M. Connolly,
Chairman



M. J. Talberg,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
CANBERRA.



2 November 1977.

MIRAGE PROJECT - ADMINISTRATIVE PROCEDURES

PROCEDURE IN FRANCE (PARIS)

The indent raised by Department of Supply on the Chief Purchasing Officer, London, authorised the Purchasing Officer to place orders on the relevant French contractor.

On the basis of those orders emanating from London, the Department of Supply Representative at the Australian Embassy, Paris, oversaw the flow of goods and authorised the French suppliers entitlements. The Office of the Air Attaché, Paris, handled the CSF element for the fire control and radar equipment.

The French contractors and sub-contractors delivered the goods to grouping areas and the goods were packed and shipped. The Department of Supply Representative in Paris received notification by signed despatch notes from the supplier and copies of Bills of Lading to verify the cases had been shipped to Australia.

Advance copies of despatch notes detailing the case numbers were received in Australia and this operated to check that cases despatched by the French contractors were in fact received in Australia.

PROCEDURE IN AUSTRALIA (GAF & CAC)

The system operating at CAC as advised by that company was the same as the GAF procedure except for prefix identifications and numbering of Despatch Notes/Goods Received Notes.

Upon receipt of the cases the case despatch notes were matched with the copies of the despatch notes received in advance and from which Goods Received Notes had been prepared awaiting arrival of the cases. The contents of the cases were then physically checked against the Goods Received Notes.

A separate advance copy of the Despatch Note was also used by the Procurement Section to check goods received against Bills of Material to ensure goods flowing into the factories were matching production requirements.

Inspection of Quality Assurance then physically received the parts with a copy of the Despatch Note/Goods Received Note and Release Note from the stores personnel. When the parts were cleared as to quality and correctness the part was marked with a number as the quality assurance permanent reference number and this number was recorded on the quality assurance copy of the Despatch and Release Note.

The quality assurance reference number enabled the history of the part to be traced back to source of manufacture, establish how long the part had been in store and the date received. This number is the key element in possible aircraft accident investigations and the inspection documents i.e. despatch and release notes bearing this reference must be held while the aircraft remains in service. This documentation is still held by GAF and CAC.

Unfortunately the GRN numbering series used for all goods arriving at the factories was not a series unique to the Mirage Project. However, there was a prefix of "CD" added to all numbers allocated to Mirage parts. A similar system is used to distinguish other major projects. For example, Hacchi Project GRN numbers were prefixed with "F".

DISCREPANCIES IN AUSTRALIA

In the event of a discrepancy arising due to a wrong part number, over supply, under supply or poor quality the Despatch Note was annotated with a discrepancy report number instead of the GRN reference.

The GAF discrepancy reports were maintained in a series which is still in use today and the adjustment of discrepancies followed up very closely by an officer specially attached to the Supply Manager GAF. The GAF register was kept under scrutiny by Commonwealth Audit and the Supply Manager at GAF can clearly recall the finalisation of Mirage discrepancies. The GAC discrepancy Procedures were similar to those of GAF.

PROCEDURE IN UNITED KINGDOM (LONDON)

for each phase, of each agreement, for each month, the Chief Purchasing Officer London raised a ledger sheet to record amounts due to the contractor each month under the funding arrangement.

As invoices were received they were checked for price and also to ensure that certification of receipt had been given by the Senior Representative, Department of Supply, Paris. The invoices were then posted to the appropriate month's ledger sheet.

Although no cash was payable because of the special funding arrangement, the invoices were certified and transmitted through Treasury, London, to the authorizing officer, Department of Supply as London Vouchers. Two copies of each invoice were sent by air to the Department of Supply with the intention that they be correlated to the receipt of the goods in Australia.

The invoices were also posted to the following record as appropriate:

1. Record of deliveries and payments for each purchase order
2. Record of packing and escalation costs
3. Inspection fee account

As cash payments were made in accordance with the funding arrangement they were credited to an interest payable account while the monthly total liability was transferred to the debit of this account from the accounts mentioned above.

If the total liability exceeded the total cash paid to date in any month, interest became due and was calculated and entered in the interest account.

The contractors maintained a parallel set of records and submitted monthly statements of supplies and services rendered and interest earned which were checked against the London records and any discrepancies were resolved between CPO and the French.

When the three consecutive months' interest figures were agreed, a quarterly cash payment was due. The contracts provided that the interest so calculated should be paid quarterly, but because of delays in raising invoices for supplies and services, it was not possible to finalise the liabilities until some time later. It usually happened that provisional payments were claimed by the contractors from time to time and suitable payments were made after checking. The prior approval of the Department of Air and/or the London Contract Board was obtained to these provisional payments which were always for a lesser sum than was known to be due.

At the end of each phase the final overall liability as shown in the London records was agreed with each contractor together with the final amounts due prior to final payments being arranged.

EXTRACT FROM MEMORANDUM OF 14 JUNE, 1972 -
AUSTRALIAN HIGH COMMISSION, LONDON TO DEPARTMENT OF SUPPLY, AUSTRALIA
OUTLINING ACTIONS TAKEN TO ACCELERATE SUBMISSION OF INVOICES BY SNECMA

1. Problems in preparing invoices

- a) SNECMA's invoicing performance against the Funded Agreements has been most unsatisfactory since the beginning of the Mirage Project, and has consistently compared unfavourable with CSF and AMD. We have gone to unprecedented lengths to assist them to submit invoices and to persuade them to speed up their presentation. We have protested at all levels at the delays and the continually broken promises, and quite frankly, we cannot think of any further ways in which this office can influence the problem. Mr Suzor (Chief Purchasing Officer) was kept well aware of the situation and personally signed several letters and telexes without avail.
- b) The problem is simple - to obtain accurate invoices supported by signed despatch notes and escalation calculations, and monthly financial statements showing interest details. The efforts made by this office over the years to persuade SNECMA to meet this requirement, however, have been considerable. They include:
 - i) Regular hastening action in writing, and verbally at meetings in London and Paris, at high level and low.
 - ii) Meetings "to discuss and resolve remaining difficulties" whenever SNECMA have requested them.
 - iii) The provision in 1968 of extra clerks to deal with a promised delivery of all outstanding invoices - which did not arrive.
 - iv) In April, 1969 SNECMA stated that to speed up invoicing they proposed to prepare the remaining Phase 2 and all Phase 3 invoices by computer. But we would first be required to check huge computer printouts to ensure that the information regarding quantities, price, contractual delivery dates etc. read into their computer was correct. The theory was that having done this (which was an enormous task and not in any commercial sense the customer's responsibility) the production of accurate invoices by the computer would be a matter of only a few days. In the event, we spent four months checking these tabulations (which were made available progressively from December, 1969) and found so many mistakes that the whole process had to be repeated. The second printouts arrived in July, 1970. Then it was found that in spite of the absolute assurances to the contrary given by SNECMA at the outset, they had in fact been making changes in the computer without our knowledge after running the original printout we had so laboriously checked, and many new errors were found in the second printout.

- v) In August 1971, after further pressure from us to obtain replies to queries on the printouts, SNECMA sought and obtained an urgent meeting in London, where they virtually informed us that regardless of our queries, they intended to proceed with invoicing forthwith as they were changing their computer at the end of the month. We had little alternative but to agree to this procedure, provided SNECMA would incorporate any necessary corrections manually in the invoices before submission.
- vi) We at last felt confident that submission was imminent, but when in January, 1972 nothing further had been heard from SNECMA we resumed hastening action. Our letter was ignored.

We wrote again in February, and failing a reply arranged for the Air Attaché, Paris to seek an interview with SNECMA at the highest possible level to express the Commonwealth's extreme dissatisfaction and insist on obtaining some action and an honest appraisal of when invoices would be issued. The information given was to the effect that SNECMA had recently dismissed their computer bureau as they had experienced serious problems with quality of output and time of production and the bureau was virtually bankrupt. This was later confirmed by SNECMA in writing on 8 March 1972, with a promise of completion of invoicing in six months from their new Bureau... At the same time we protested strongly to SNECMA and followed up on 11.5.72 when we wrote to SNECMA requesting an up-to-date report on progress. No reply has been forthcoming so far.
- vii) The work done by this office has been far in excess of what would have been necessary to produce the invoices ourselves, but to start again now would involve us in months of work which is the contractors' responsibility, and place the onus for correct invoicing on this office so that our normal function of checking would still have to be performed.

6. Any suggestions to Improve Invoicing Rate or Substitute Documentation to Eliminate Need for Invoicing

We regret that no further action not already tried, occurs to us. You will of course appreciate that this office is only attempting to administer these agreements on your behalf, and perhaps we should have appealed to you earlier, as the contracting party to bring pressure to bear on SNECMA. But we have had from them a succession of promises which have been dishonoured one by one, so that at any one time we were expecting to have the invoices within a limited time ahead. Even now we are hoping that the latest promise (September next) will be met.

DEPARTMENT OF SOCIAL SECURITY

OVERPAYMENTS RAISED COMPARED WITH EXPENDITURE ON
PENSIONS AND BENEFITS FOR THE YEARS 1971-72 TO 1975-76

YEAR	1971-72			1972-73			1973-74			1974-75			1975-76		
TYPE OF PENSION OR BENEFIT	Expend- iture \$'000	Over- payment \$'000	% over- payment												
Age Pensions	680 322	834	.12	887 750	694	.08	1 146 387	588	.05	1 612 468	740	.05	2 129 366	930	.04
Invalid Pensions	138 195	442	.32	184 699	370	.20	226 022	270	.12	306 478	424	.14	407 056	537	.13
Widows Pensions	104 627	510	.48	140 505	476	.34	180 957	397	.22	241 392	584	.24	325 260	872	.27
Supporting Mothers Benefits	-	-	-	-	-	-	40 586	57	.14	76 092	252	.33	127 230	575	.45
Unemployment and Sickness Benefits	44 754	313	.70	77 531	561	.72	106 637	1 031	.97	325 565	2 456	.75	614,115	8 712	1.42
	967 898	2 099	.22	1 290 485	2 101	.16	1 700 589	2 343	.14	2 561 995	4 456	.17	3 603 027	11 626	.32

THE WORK TEST¹

It is normal procedure for the work test report to be accepted at face value. Should benefit be refused or terminated the client is advised of the reason. The Department, however, has discretion to pay unemployment benefit even though the Commonwealth Employment Service has notified on a form SU44 (Work Test Report - copy attached) that person has failed the work test. Benefit is authorised in a small percentage of cases as further information available to the Department of Social Security indicates that the person concerned made genuine efforts to obtain work.

An extract from the relevant departmental instructions is as follows:

1. A person will not be refused benefit if he:
 - refuses to accept employment which is not covered by any industrial agreement, award, etc. unless it is employment carrying remuneration at least equivalent to the recognised or ruling rate for the employment;
 - refuses to accept employment involving living away from home in any case where -
 - .. the conditions and amenities attaching to that employment do not reach the standards usually applicable to the type of employment;
 - .. he is under the age of 18 years;
 - .. he is residing with dependent children; or
 - .. he is a married person, unless the couple are being treated as separate entities.
2. The general principle involved in the case of married persons is that the work test will be applied in such a way as to guarantee that no person able to obtain suitable employment within reasonable proximity to his normal place of residence should be allowed to refuse employment.
3. In further explanation of the instructions relating to married persons the following guidelines have been devised:
 - it will not be reasonable to expect such a person to accept a position if no public or private transport is available or if excessive time would be spent in travelling, e.g. under conditions which involve him in leaving home early in the morning and returning home late at night or where travelling costs are excessive in relation to wages received; and

1. Qs. 819, 832 to 842, 958 to 960 and 1215 and 1216
end Committee File 1976/4

- a person with his own means of travel must be expected to use it to travel to work if no other transport is available.

4. Similarly, a claimant who -

- leaves one job to start another one which falls through;
- is dismissed because of absence from work and there was good reason for that absence, e.g. sickness, looking after a sick wife or near relative and attendance at Court;
- leaves his job because of bad working conditions or because of difficulties over conditions and pay, such as refusal of employer to pay the agreed rate of pay;
- leaves or refuses a job because he cannot manage it, e.g. unable to work at heights or unable to lift heavy weights; or
- leaves or refuses a job because of misrepresentation by the employer concerning pay and working conditions;

will be regarded as having just cause for becoming unemployed.

5. Unless a claimant also fails to satisfy the work test he will not be refused unemployment benefit.

WORK TEST REPORT



To Registrar DSS

From Manager CES

Claimant

Beneficiary.....

Surname

Christian or Given Names

DOB

Address.....

A COMMENCED FULL-TIME EMPLOYMENT ON.....B FAILED THE WORK TEST ON/...../..... BECAUSE HE/SHE

letter

- Was requested by telegram on/...../..... to attend this office concerning a specific position phone
- Was requested to report direct to an employer for an employment interview
- Was offered referral to a position considered suitable by the CES

AND

- Did not contact the CES
- Accepted the referral on/...../....., contacted the employer but declined the job
- Accepted the referral on/...../..... but failed to attend for interview
- Declined the referral on/...../.....

1. Details of work offered (if applicable)

Employer.....

Address.....

Occupation..... Salary.....

2. Reasons why work was considered suitable by CES (Relate to applicant's qualification and abilities)

.....

.....

3. Was Foras Assistance offered to the applicant? YES/NO/NOT ELIGIBLE

.....

.....

4. Reasons given by applicant for rejecting referral, employment or for not contacting the CES, etc.

.....

.....

C DOES NOT SATISFY THE WORK TEST FOR OTHER REASONS.....

.....

.....

D GENERAL COMMENT (including comment of employer, if applicable).....

.....

.....

The applicant was informed of the requirements of the Work Test and that his breach of the Work Test as set out above could jeopardise his eligibility for Unemployment Benefit

Signed..... Date...../...../.....

E.O.M./Asst. E.O.M.

TO BE DETACHED BY DSS AND RETURNED TO MANAGER CES

E.O.M.

The following action has been taken in respect of

M..... Surname..... Christian or Given Names..... DOB.....

.....

.....

Registrar DSS..... Date...../...../.....

SU44 Mar 78

NUMBER OF APPEALS FINALISED, BY TYPE OF PENSION OR BENEFIT: AUSTRALIA

Year Ended 30 June 1976

<u>Type of Pension or Benefit</u>	<u>Upheld By Department</u>	<u>Upheld By Tribunals</u>	<u>Disallowed</u>	<u>Withdrawn</u>	<u>Total</u>	<u>% Upheld By Tribunals</u>
Age Pension	242	60	365	50	717	14
Invalid Pension	141	25	241	63	470	9.4
Widows Pension	134	53	166	24	377	24.2
Supporting mothers benefit	90	18	127	17	252	12.4
Unemployment Benefit	9 239	633	4 122	759	14 753	13.3
Sickness Benefit	257	28	122	34	441	18.6
Special Benefit	72	28	160	21	281	14.9
Rehabilitation	-	-	1	-	1	-
Maternity Allowance	1	-	1	-	2	-
Child Endowment	25	2	40	7	74	4.8
Funeral Benefit	1	-	4	-	5	-
Other	20	1	20	12	53	4.8
TOTAL	10 222	848	5 369	987	17 426	13.6

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9 Months Ended 31 March 1977

<u>Type of Pension or Benefit</u>	<u>Upheld By Department</u>	<u>Upheld By Tribunals</u>	<u>Disallowed</u>	<u>Withdrawn</u>	<u>Total</u>	<u>% Upheld By Tribunals</u>
Age Pension	138	27	192	37	394	10.5
Invalid Pension	70	17	128	41	256	9.1
Widows Pension	87	24	120	24	255	14.3
Supporting mothers benefit	71	30	142	35	278	14.5
Unemployment Benefit	6 234	752	4 572	741	12 299	12.4
Sickness Benefit	197	43	141	37	418	19.5
Special Benefit	87	18	151	29	285	9.1
Rehabilitation	-	-	-	-	-	-
Maternity Allowance	-	-	-	-	-	-
Child Endowment	22	5	34	4	65	11.6
Funeral Benefit	-	-	1	-	1	-
Other	5	1	18	8	32	3.7
TOTAL	6 911	917	5 499	956	14 283	12.4

CHAPTER 2.

<u>Paragraph No.</u>	<u>Reference</u>
8	P.P. 225/1976.
9	Exhibit 167/4 and Qs. 415 to 417.
10	Qs. 415 to 417.
11	Exhibit 167/4 and Qs. 428 and 429.
12	Exhibit 167/4.
13	Exhibit 167/4 and Qs. 633 to 645.
14	Exhibit 167/4 and Qs. 646 to 656 and 661 and Committee File 1976/4.
15	Exhibit 167/4 and Qs. 657 to 660.
16	Exhibit 167/4.
17	Exhibit 167/4 and Qs. 672 to 676 and 678.
18	Exhibit 167/4 and Q. 681.
19	Exhibit 167/4 and Qs. 698 to 702.
20	Exhibit 167/4 and Q. 682
21	Exhibit 167/4 and Qs. 437 to 445 and 625.
22	Exhibit 167/4 and Q. 426.
23	Qs. 684 to 688.

Chapter 3.

<u>Paragraph No.</u>	<u>Reference</u>
29	P.P. 22 of 1969.
30	P.P. 76 of 1972.
31	Auditor-General's Reports 1971-72 to 1974-75.
32	P.P. 225 of 1976.
33	Qs. 451 to 453 and 509. Committee File 1976/4.
34	Qs. 325 and 448. Committee File 1976/4.
35	Qs. 24, 455 and 478. Committee File 1976/4.
36	Exhibit 167/1 and Q. 455.
37	Qs. 24 and 456.
38	Qs. 474 to 476 and 513.
39	P.P. 225 of 1976 and Qs. 458 and 463.
40	Q. 490.
41	Qs. 459 to 462 and 488 to 490.
42	Exhibit 167/1 and Qs. 7 to 12, 23, 463 and 466.
43	Exhibit 167/1.
44	Exhibit 167/1.
45	Qs. 6, 28, 29 and 72. Committee File 1976/4.
46	Committee File 1976/4.
47	Qs. 30, 31, 34, 503 and 504.
48	Exhibit 167/1.
49	Qs. 38, 46, 49, 75, 78, 109 and 492 to 497.
50	Qs. 73, 491 and 509.
51	Qs. 61 to 64 and 516.
52	Qs. 470, 471, 510 to 512 and 514.
53	Q. 513.

Chapter 4.

<u>Paragraph No.</u>	<u>Reference</u>
57	P.P. 225 of 1976.
58	Exhibit 167/2 and Committee File 1976/4.
59	Qs. 220, 224, 541 to 546 and Committee File 1976/4.
60	Exhibit 167/2 Qs. 130 to 132, 140, 200 to 204, 221 and 222 and Committee File 1976/4.
61	Committee File 1976/4 and Q. 570.
62	Qs. 519, 567 to 571.
63	Exhibit 167/2 and Committee File 1976/4.
64	Exhibit 167/2.
65	Exhibit 167/2 and Committee File 1976/4.
66	Exhibit 167/2 and D.R.O.S.
67	Qs. 148 to 150, 157, 160 and 168 to 170, Committee File 1976/4.
68	Committee File 1976/4.
69	Qs. 232 to 234, 238, 239 and 520 and Committee File 1976/4.
70	Qs. 521, 532, 533, 536 and 599.
71	Exhibit 167/2 and Qs. 604 to 606.
72	Q. 546.
73	Qs. 574 to 576 and 579 to 581.
74	Exhibit 167/2.
75	Committee File 1976/4.
76	Committee File 1976/4.
77	Exhibit 167/2 and Committee File 1976/4.
78	Report not yet prepared.
79	Exhibit 167/2.
80	Qs. 115, 125, 134 to 136, 195 and 228 and Committee File 1976/4.
81	Exhibit 167/2 and Committee File 1976/4.
82	Committee File 1976/4.
83	Committee File 1976/4.
84	Exhibit 167/2. Qs. 583 to 586 and 592 and Committee File 1976/4.
85	Qs. 523 and 569 and Committee File 1976/4.

Chapter 4

<u>Paragraph No.</u>	<u>Reference</u>
86	Committee File 1976/4.
87	Qs. 235 to 240, 528 and 529.
88	Qs. 241 to 244.
89	Qs. 536, 549 to 554, 556 and 558 to 560.
90	Qs. 552, 553 and 609 to 612 and Committee File 1976/4.
91	Qs. 613 to 617.
92	P.P. 133 of 1977.
93	Q. 618.
94	Q. 618.
95	Exhibit 167/5. Qs. 245 to 251, 518 and 587.

CHAPTER 5

<u>Paragraph Number</u>	<u>Reference</u>
103	P.P.225 of 1976.
104	Exhibit 167/10 and P.P.180 of 1977.
105	P.P.180 of 1977.
106	P.P.180 of 1977.
107	Exhibit 167/10.
108	Exhibit 167/10.
109	Exhibit 167/10.
110	Exhibit 167/10.
111	Exhibit 167/10.
112	Exhibit 167/10.
113	Exhibit 167/10 and Qs. 1353, 1424 and 1425.
114	Exhibit 167/10 and Qs. 1305, 1306 and 1360 to 1364.
115	Exhibit 167/10 and Q. 1360.
116	Exhibit 167/10.
117	Exhibit 167/11.
118	Exhibits 167/10 and 167/11 and Qs. 1446 and 1474.
119	Exhibit 167/10 and Q. 1442.
120	Exhibit 167/11.
121	Exhibit 167/11.
122	Exhibit 167/11.
123	Exhibit 167/11.
124	Exhibit 167/11 and Q. 1290.
125	Exhibit 167/10 and Qs. 1245 to 1265.
126	Exhibit 167/10 and Qs. 1266 to 1271.
127	Exhibit 167/10.
128	Exhibit 167/10, PP. 133 of 1977 and Qs. 1348 and 1349.
129	P.P.180 of 1977 and Q. 1246.
130	P.P.180 of 1977.
131	Exhibit 167/11.
132	P.P.133 of 1977.
133	Exhibit 167/10 and Q. 1479.
134	Exhibit 167/10.
135	Exhibit 167/11.

CHAPTER 5 (continued)

<u>Paragraph Number</u>	<u>Reference</u>
136	Exhibit 167/11.
137	Exhibits 167/10 and 167/11.
138	Exhibit 167/10, Q. 1322 and Committee File 1976/4.
139	Exhibit 167/10.
140	Exhibit 167/11.
141	Q. 1331 to 1345.
142	Exhibit 167/11.
143	P.P. 133 of 1977.
144	P.P. 133 of 1977.

Chapter 6

<u>Paragraph No.</u>	<u>Reference</u>
152	P.P. 225 of 1976
153	Exhibit 167/3, Qs. 276 and 295 and Committee File 1976/4
154	Committee File 1976/4
155	Exhibit 167/3, Qs. 262, 268 to 273 and 345 to 347
156	Exhibit 167/3, Qs. 345 to 347 and Committee File 1976/4
157	Exhibit 167/3, Qs. 268 to 273 and Committee File 1976/4
158	Exhibit 167/3, Qs. 276, 281 and 325 to 328 and Committee File 1976/4
159	Exhibit 167/3 and Qs. 303 to 325
160	Exhibit 167/3, Qs. 263, 303 to 320, 329 and 333 and Committee File 1976/4
161	Exhibit 167/3 and Q. 361
162	Exhibit 167/3, Q. 276 and 386 and Committee File 1976/4
163	Exhibit 167/3, Qs. 263, 274, 352, 354 and 355 and Committee File 1976/4
164	Exhibit 167/3 and Committee File 1976/4
165	Exhibit 167/3, Q. 263 and Committee File 1976/4
166	Exhibit 167/3, Qs. 303 to 305, 313 to 319 and 329 to 333, and Committee File 1976/4
167	Qs. 276 and 350 and Committee File 1976/4
168	Exhibit 167/3, Qs. 340, 369, 373, 388 and 393 and Committee File 1976/4
169	P.P. 133 of 1977

CHAPTER 7

<u>Paragraph No.</u>	<u>Reference</u>
174	P.P. 225 of 1976
175	Exhibits 167/6 and 167/7, Qs. 741 to 750, 752 to 758, 852 to 881, 1053 to 1058 and Committee File 1976/4
176	Exhibit 167/6 and Qs. 798, 1105, 1114 to 1123
177	Exhibit 167/6 and Qs. 1092 and 1104
178	Exhibit 167/6, Qs. 1152, 1176 to 1182 Committee File 1976/4 and P.P. 133 of 1977
179	Qs. 1183 to 1194
180	Exhibit 167/6
181	Exhibit 167/6
182	P.P. 133 of 1977
183	Exhibit 167/6
184	Qs. 887 to 893
185	Qs. 705 to 708 and 1035 to 1039
186	Qs. 1032 to 1035
187	Qs. 1032 to 1035 and 1051
188	Exhibit 167/6 and Qs. 896 to 899, 1060 and 1066 to 1070
189	Exhibit 167/6, Qs. 1074 to 1076, 1150 and 1151
190	Exhibit 167/6 and Qs. 933 to 935
191	Exhibit 167/6 and Qs. 107 to 108
192	Exhibit 167/6 and Qs. 1138 to 1145
193	Q. 1077
194	Exhibit 167/6