

JOINT COMMITTEE OF PUBLIC ACCOUNTS

\*NINTH COMMITTEE  
(as at 8 April, 1974)

Senator R.E. MCAULIFFE (Chairman)  
A.W. JARMAN, Esquire, M.P. (Vice-Chairman)

Senator J.F. FITZGERALD	F.W. COLLARD, Esquire, M.P.
Senator H.G.C. GUILFOYLE	M.J. MACKELLAR, Esquire, M.P.
	V.J. MARTIN, Esquire, M.P.
	L.J. REYNOLDS, Esquire, M.P.
	A.E. ADELMANN, Esquire, M.P.
	P.F. MORRIS, Esquire, M.P.

\* The Ninth Committee heard the evidence given at the public hearings held on 8 and 9 April, 1974.

\*\*TENTH COMMITTEE

Senator R.E. MCAULIFFE (Chairman)  
S.W. GRAHAM, Esquire, M.P. (Vice-Chairman)

Senator D.J. GRIMES	F.W. COLLARD, Esquire, M.P.
Senator H.G.C. GUILFOYLE	D.M. CONNOLLY, Esquire, M.P.
	S.A. LUSHER, Esquire, M.P.
	V.J. MARTIN, Esquire, M.P.
	P.F. MORRIS, Esquire, M.P.
	L.J. REYNOLDS, Esquire, M.P.

\*\* The Tenth Committee heard the evidence given at the public hearings held on 20, 21 and 22 August 1974, 12 and 13 September 1974, 1 November and 6 December 1974 and 18 March and 19 August 1975.

\*\*\*ELEVENTH COMMITTEE

D.M. CONNOLLY, Esquire, M.P. (Chairman)  $\neq$   
THE HON F. CREAM, M.P. (Vice-Chairman) (2)

Senator P.E. BAUME	J.L. ARMITAGE, Esquire, M.P. (3)
Senator M.A. COLSTON	THE HON. J.D.M. BOGIE, M.P.
Senator A.J. MESSNER	THE HON. R.V. GARLAND, M.P. (4)
	U.E. INNES, Esquire, M.P. (1)
	S.A. LUSHER, Esquire, M.P. $\neq$
	V.J. MARTIN, Esquire, M.P. $\neq$
	J.R. SHORT, Esquire, M.P.

- (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) 9.5.76

\*\*\* No evidence was heard by the Eleventh Committee. It will be noted that only three Members of this Committee (shown  $\neq$ ) heard evidence in relation to this inquiry.

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1954 reads as follows:

8. The duties of the Committee are -

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1) of section fifty-three of the Audit Act 1901-1950;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

ONE HUNDRED AND SIXTY-SECOND REPORT  
INQUIRY INTO THE FINANCIAL ADMINISTRATION  
OF THE DEPARTMENT OF ABORIGINAL AFFAIRS

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CHAPTER 1

INTRODUCTION

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1. 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 by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the Audit Act 1901-1950."

2. 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."

3. In paragraph 3 of the Auditor-General's Supplementary Report for 1972-73 reference was made to deficiencies in the financial and administrative control over the receipts and expenditure of public moneys by the Department of Aboriginal Affairs. Following consideration of the paragraph, the Ninth Committee resolved, in pursuance of section 8 of the Public Accounts Committee Act 1951, to conduct a public inquiry into the financial administration of the Department of Aboriginal Affairs.

4. On 5 March 1974 the Auditor-General tabled in the Parliament a special report upon the Department of Aboriginal Affairs<sup>1</sup>. After examination of the report on 7 March 1974 the Ninth Committee decided to proceed to public inquiry into the financial administration of the Department of Aboriginal Affairs as soon as possible.

5. The Ninth Committee decided that the inquiry would deal with all sections of the report and advised the Department that submissions would be

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1. See Appendix B

required on all matters raised by the Auditor-General in his report. Submissions were also requested from the Treasury, the Public Service Board and the Australian National University.

6. Two days of public hearings were completed (8 and 9 April 1974) before a double dissolution of the Parliament occurred on 10 April 1974 and the Ninth Committee went out of existence. The Tenth Committee, the members of which were appointed on 16 July 1974, resolved on 23 July 1974 that it would continue with the inquiry into the financial administration of the Department of Aboriginal Affairs which had been commenced by the Ninth Committee. A further nine days of public hearings were held prior to the double dissolution of the Parliament which occurred on Tuesday, 11 November 1975. The Eleventh Committee, the members of which were appointed on 3 and 4 March 1976, resolved on 16 March 1976 that it would continue with the inquiry and prepare and present a report relating to the inquiry. No public hearings were held by the Eleventh Committee but section 12 of the Public Accounts Committee Act 1951 states that:

"Where the Committee as constituted at any time, or a Sectional Committee of the Committee as constituted at any time, has taken evidence in relation to a matter, but the Committee as so constituted has ceased to exist before reporting on that matter, the Committee as next constituted may consider that evidence as if it had been given before it."

7. During the course of the inquiry submissions were requested from Captain S.J. Benson, C.B.E., Applied Ecology Pty Ltd and the Department of Transport. The Tenth Committee also requested a further submission from the Department of Aboriginal Affairs relating to statements made by the Queensland Premier, Mr J. Bjelke-Petersen alleging mismanagement and waste of public moneys by the Department in respect of the Torres Strait Islands. The Tenth Committee decided that it would not be necessary to hold a public hearing in relation to this submission.

8. On 4 December 1974, the former Minister, the Hon. G.M. Bryant, E.D., informed the Chairman by letter that he wished to appear before the Committee to present his evidence in relation to the inquiry in the form of a submission. Mr Bryant appeared before the Tenth Committee on 6 December 1974 and tendered a comprehensive submission based on the minutes of evidence and the submissions presented by the Department of Aboriginal Affairs to that date, which were made available to him by the Secretariat. He was invited to make a statement in relation to his submission and he did so. The minutes of evidence for that public hearing appear as Appendix C to this Report.

9. Due to the comprehensive and self-explanatory submission presented by Mr Bryant, the Tenth Committee considered that it was not necessary to examine him in relation to it.

10. Following the tendering of Mr Bryant's submission Mr Dexter, the Permanent Head of the Department, of his own volition, submitted a further statement on 24 December 1974, commenting on matters raised in Mr Bryant's submission.

11. On 26 August 1976, during the drafting stages of this Report, the Eleventh Committee decided that Mr Bryant should be given the opportunity to make written comment on Mr Dexter's statement of 24 December 1974. These written comments were received on 4 and 10 November 1976.

12. For the purposes of matters referred to in this Report a public inquiry was held at Parliament House, Canberra on:

Monday, 8 April 1974	Friday, 13 September 1974
Tuesday, 9 April 1974	Friday, 1 November 1974
Tuesday, 20 August 1974	Friday, 6 December 1974
Wednesday, 21 August 1974	Tuesday, 18 March 1975
Thursday, 22 August 1974	Tuesday, 19 August 1975
Thursday, 12 September 1974	

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

- Captain S.J. Benson, C.B.E. - Marine Consultant
- Professor W.E.H. Stanner, C.B.E., Ph.D. - Member of the Council of Aboriginal Affairs, Consultant to the Minister and to the Department

Department of Aboriginal Affairs

- Mr R.J. Angel - Executive Officer, Aboriginal Loans Commission Section, Management and Control Branch
- Mr B.G. Dexter - Secretary to the Department
- Mr H.M. Ford - Assistant Director, Planning and Project Branch Northern Territory Division
- Mr R. Huey - Director, Community Development Section No. 2, Community Development Branch
- Mr N.J.L. Janaz - Assistant Secretary Operations Management Branch
- Mr T.C. Lovegrove - Acting Director, Northern Territory Division
- Mr L.A.J. Malone - First Assistant Secretary Operations Division
- Mr K.C. Martin - Director, Policy Review Section

- Mr T.J. Milikine - Executive Officer, Town Services Sub-section, Programming and Projects Section
- Mr D.J. O'Rourke - Assistant Secretary, Programme Planning Division
- Mr C.M. Perkins - Assistant Secretary, Consultation Branch
- Mr B.J. Powell - Director, Resources Review Section
- Mr B.K. Thomas - Director, Enterprise Development Section Programme Planning Branch
- Mr F.C. Thorburn - Acting Assistant Director, Northern Territory Division

Australian National University

- Mr J.D. Brocklehurst - Staff Officer
- Mr D. Hardman - Laboratory Manager, Research School of Biological Sciences
- Mr R.A. Hohnen - Secretary to the University
- Mr N.G. MacDonald - Personal Assistant to the Deputy-Vice Chancellor formerly Internal Auditor
- Mr C.G. Plowman - Registrar, University of N.S.W. formerly Academic Registrar of the Australian National University

Applied Ecology Pty Ltd

Mr R.D. Cooper - Company Secretary

Office of the Public Service Board

Mr W.K. Oakes - Senior Inspector,  
Management Consultancy Division

Mr L.B. Woodward - Assistant Commissioner,  
Organisation Branch No. 2

Mr R.J. Young - Deputy Commissioner

Department of Transport

Captain R.R.F. Elliott - Chief Marine Surveyor

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

Mr C.A. Harrington - Auditor-General's Office.

Mr P.J. Hinchy

Mr W.H. Scott

Mr W.J. Harris - Public Service Board.

Mr D.G. Wheen

Mr G.S. Davidson - Department of the Treasury

Mr A.M. Finch

15. As part of the inquiry a five Member Sectional Committee of the Tenth Committee carried out the following inspections of Aboriginal Settlements in the Northern Territory:

Friday, 25 October 1974 - Bagot Aboriginal Reserve  
 Saturday, 26 October 1974 - Umbakumba Settlement at  
 Grote Eylandt, Ngukurr  
 (Roper River)  
 Sunday, 27 October 1974 - Aboriginal Settlements  
 near Katherine -  
 Banyili Settlement  
 Beawick Cattle Station  
 Beawick Aboriginal Settlement  
 Monday, 28 October 1974 - Bathurst Island Aboriginal  
 Reserve.

16. During the inspection tour Members of the Sectional Committee held discussions with members of Town, Village and Community Councils, Housing Associations, Progress and Development Associations and members of staff of settlements and other Departmental officers. It was observed that living conditions at some of the settlements visited left much to be desired and the inspection resulted in Members becoming much more aware of the real problems and difficulties facing the Department.

17. The Committee's approach to this inquiry has been to attempt to ascertain from the various witnesses and other sources of information the reasons why the financial and administrative control over the receipts and expenditure of public moneys by the Department had been unsatisfactory.

18. It was therefore not considered necessary for the Committee to obtain the complete details of all expenditure incurred on the Turtle Farming Project in order to make a judgment with regard to the Department's financial control of the project. Nor did the Committee consider that it need concern itself with the question of whether the project was economically viable or should have been embarked upon by the Department in the first place. In this regard the Committee was aware that the project had been examined by Mr L.P. Smart, F.C.S. who had presented a report in October 1973 relating to the Organisation,

Management and Market Prospects of the project; Dr F.A. Carr and Professor A.R. Main, who had presented a report also in October 1973 on the ecological implications of the project and the House of Representatives Standing Committee on Environment and Conservation who had presented a report in November 1973 which dealt with Turtle Farming in the Torres Strait Islands.

19. Similarly, in examining the evidence relating to the relationship between the former Minister for Aboriginal Affairs and the Permanent Head of the Department, the Committee was concerned only to establish how this relationship affected the financial administration of the Department.

20. The Report follows generally the order of presentation in the special report of the Auditor-General. To enable easy reference the special report of the Auditor-General has been included as Appendix B to this Report.

CHAPTER 2

THE AUDIT INVESTIGATION AND THE  
AUDITOR-GENERAL'S REPORT

21. When the inquiry opened there seemed to be a difference of opinion as to who took the initiative in persuading the Auditor-General that he should carry out an investigation into the financial administration of the Department. It was stated in the departmental submission that it was not the Department's understanding that the examination had resulted from a request by the then Minister as had been stated publicly (allegedly by Mr Bryant according to newspaper reports of 6 and 7 March 1974.) The submission went on to state that the initiative in having the intensive investigation carried out, leading to the presentation of the Auditor-General's Report, was taken by the Permanent Head (Mr Dexter). It was claimed in the submission that Mr Dexter had called on the Auditor-General on 7 September 1973 of his own volition and expressed his deep concern about the financial administration of the Department.

Exhibit  
162/1, and  
Q. 139

22. Because of this difference of opinion, the Committee sought information on this matter from the Observer from the Auditor-General's Office (Mr Scott) who told the Committee at the inquiry that the special investigation of the Department's accounting commenced in July 1973 on the basis of earlier inspections and indications that a number of areas of the Department's activities required special attention. He went on to say that plans to extend the special investigation were therefore receiving consideration prior to the Permanent Head's discussions with the Auditor-General. However, Mr Scott pointed out that the discussions between the Permanent Head and the Auditor-General certainly confirmed and even added emphasis to earlier views and caused the Auditor-General's Office to intensify the investigation somewhat sooner than otherwise might have been the case.

Q. 32

23. The Committee was also told that the files of the Auditor-General's Office had been very carefully searched and there was no record of any request by the former Minister for an audit

Q. 32 and  
Committee  
File 1974/4

investigation of his Department. However, a copy of the report from the House of Representatives Standing Committee on Environment and Conservation relating to turtle farming in the Torres Strait Islands had been referred to the Auditor-General by the Minister's Office which had enclosed a "with compliments" slip endorsed "referred by direction of the Minister". Also enclosed was a copy of a letter to the Minister from the Chairman of the House of Representatives Committee which indicated that that Committee believed that perhaps an inquiry into aspects of the turtle farming project should be carried out by the Auditor-General. The Committee was informed that these papers were received in the Auditor-General's Office on 25 September 1973.

24. In the Auditor-General's Report there were a number of references to actions and ministerial decisions of the then Minister (Mr Bryant) which the Department claimed had affected its financial administration. These references included:

P.P. 13  
of 1974

(a) On page 3 -

"In correspondence, the Secretary to the Department has agreed generally with the Audit findings. In certain cases the Department has sought to excuse its non-compliance with established procedures on the grounds that it became aware of ministerial decisions involving expenditures only when the accounts for the expenditures concerned were received within the Department or too late for it to follow the approved financial procedures."

(b) On pages 17 and 18 in relation to the establishment and election of the National Aboriginal Consultative Committee - "Advice was also received from the Department. . . ."

"(k) The main reasons for such shortcomings as occurred were the inexperience of officers concerned in compiling an electoral list coupled with the fact that no instructions were available; and the deadline for the actual enrolment, set by the then Minister, precluded any detailed procedures being implemented during the enrolment period; officers seconded from the Australian Electoral Office had recommended that the elections not be held until April or May 1974 instead of November 1973."

(c) On page 19 also in relation to the N.A.C.C. elections:

"The Department also stated that:

"Many of the decisions involving financial commitments were arrived at in personal discussions between the Minister and persons engaged in planning the project. Sometimes the results of these discussions were recorded in written approvals, though it was rarely that such approvals were preceded by reference to Finance Officers for an indication of funds availability and for recording in the commitments register. In many cases written approval had to be obtained ex post facto and, in the stress of trying to cope with work loads and deadlines, was sometimes forgotten."

(d) On page 20:

"The Department agreed there were deficiencies in the arrangements for the provision of vehicles for persons engaged on the N.A.C.C. enrolment project. The Department stated, however, that bearing in mind the target date set by the Minister; that the persons involved in the use of cars were ministerial consultants; and that the staff arranging the travel were, regrettably, unaware of the need to seek appropriate approval, the occurrence of the incidents was inevitable."

(e) On page 23 in relation to the expenditure on refitting and the movement of the ex-Taiwanese trawler Yung-Yuan 21:

"In reply the Department advised:

"...When confronted with the situation of making the trawler ready for sea in time to meet the then Minister's deadline, the officers concerned arranged for the funds to be made available to a designated officer to be expended as would a grant; the Department thought it probable that the officer did not even realise it was an advance."

(f) On page 24:

"In reply, the Department advised that the nursing sister was recruited on the then Minister's authority before the Department was given the opportunity to comment."



25. Included in Mr Bryant's submission to the Committee (pages 4 to 6 under the heading "Presentation of the Auditor-General's Report") were a number of statements relating to the critical comment included in the Auditor-General's Report which reflected on the actions of the then Minister. These included the following:

Exhibit  
162/25

- (i) "I can understand that nothing should deflect the Auditor-General from the performance of his statutory duties, and criticism of a department or of a Minister or of anyone ought not to be the subject of previous vetting by persons affected. In the present case, the facts that emerge from the Report are that there was correspondence between the Auditor-General and the Department in which reflections were made upon the activities of the Minister. These reflections, passing in letters to and fro between the Department and the Auditor-General, were concealed from me until I saw them articulated in the Auditor-General's Report."
- (ii) "The fact remains that until the Report was tabled in the Parliament no information was given to me of the criticisms made by the Department and repeated in the Report. Leaving aside entirely questions of loyalty and ordinary decency, it seems to me to be a matter of concern that the Auditor-General should have repeated statements, as he did, without according to the person most clearly affected by them, the ordinary fairness of seeking his opinion and/or response."
- (iii) "In the present circumstances, correspondence has plainly passed between the Department and the Auditor-General who has then arrived at a preliminary conclusion based upon the correspondence from the Department. The Minister, who is at the one time the most exposed and vulnerable, identifiable victim of this correspondence is given no opportunity of putting his case until after the report is tabled in the House."
- and
- (iv) "Without in any way suggesting a right to review or influence the Auditor-General's statutory function of reporting, I draw to the attention of the Committee the special unfairness of the present procedure and the desirability of change, at least to the extent of informing Members of the Parliament in advance who are affected by criticism so that they can be in a position fairly and, if necessary, in detail, to defend themselves. The present procedure appears to me to be quite unjust, even improper, with nothing to defend it."

26. In regard to (b) and (d) on pages 10 and 11 of this Report where reference was made to a target date for the N.A.C.C. election being set by the then Minister, the following comments were made by Mr Bryant in paragraphs 75 and 76 of his submission:

Exhibit  
162/25

"It is clear from the report of the Auditor-General, that the information passed to him by the Department was that I, as Minister, had fixed a specific deadline for the conduct of the N.A.C.C. election. The inference is invited that the Minister by fixing the date prematurely had inflicted upon the Department all sorts of difficulties in the financial control and administration of the election and associated procedures."

and

"The truth of the matter is that the date of the election was the subject of advice by the Steering Committee of the N.A.C.C. which met from 19-23 March 1973 in Canberra. A number of advisers were asked to attend and were said to have provided "invaluable advice". Amongst the advisers attending was the Permanent Head. Amongst the suggestions made was the suggestion that the election be held on 30 June 1973, a date well in advance of the date finally decided. Presumably, the Secretary took part in this suggestion."

27. As the statements made by the former Minister raised some very important matters of principle relating to the autonomy of the Auditor-General, his method of reporting and his relationship with departments, the Committee held a private meeting with the Auditor-General to discuss the matters raised by the former Minister. The main points made by the Auditor-General during the discussions were as follows:

Committee  
File 1974/4

- (a) He considered that the combined effect of Section 64 of the Constitution and section 25 of the Public Service Act was that a Department of State consisted of a Minister and a Permanent Head.

1. Further information on the N.A.C.C. elections is contained in Chapter 7 of this Report.

- (b) He was not obliged by law or convention to inform persons that they would be the subject of critical comment in the Auditor-General's Report.
- (c) It would be administratively impracticable for the Auditor-General to seek out and discuss the matter with persons who are to be the subject of critical comment in his Reports.
- (d) He had serious doubts about the propriety of informing persons that they would be featured in his Reports. He considered that he would then be open to the criticism that the person, even if the person was a Minister of State, had foreknowledge of what was to be in a report to the Parliament before that report was tabled.
- (e) It is the normal policy of the Auditor-General's Office to disclose in reports the whole, or part, or a summary of the departmental responses to critical Audit observations.
- (f) The Auditor-General has no acceptable alternative to addressing official communications concerning the audit of a Department to the Permanent Head.
- (g) He maintained that he is entitled to rely on the facts as presented by the Permanent Head unless he has good reason to doubt them in which case he would take up the matter with the Permanent Head. In the cases in question he had no reason to doubt the facts as presented by the Permanent Head.

- (h) He considers that he is entitled to assume that a Permanent Head will comply with section 25(2) of the Public Service Act, which states *inter alia* -

"The Permanent Head of a Department... shall advise the Minister in all matters relating to the Department."

In other words, he considered that the obligation in this case was on the Permanent Head to inform his Minister. It would then be a matter for the Minister to decide if the former Minister should be informed. He stated that he was not aware whether the Permanent Head did, in fact, inform his Minister<sup>2</sup>.

#### Conclusions

28. Although the Committee was not greatly concerned about the question of who was responsible for persuading the Auditor-General that he should carry out an investigation into the financial affairs of the Department, the matter was raised in the Department's submission and the Committee took evidence in relation to it. It seems clear to the Committee that plans to carry out an intensive audit of the Department's financial affairs were already in train within the Audit Office when Mr Dexter approached the Auditor-General and that this approach merely precipitated proposed audit action.

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2. The Committee made special inquiries and was completely satisfied that the Permanent Head had kept the then Minister (Senator Cavanagh) fully informed on all matters pertaining to the audit queries and had in fact shown the Minister all correspondence received from the Auditor-General's Office containing Audit criticisms and all replies sent from the Department in reply to those criticisms.

29. In relation to Mr Dexter's visit to the Auditor-General on 7 September 1973, the evidence does not show whether the proposal to visit the Auditor-General or the results of that visit were discussed by Mr Dexter with his then Minister (Mr Bryant). The Committee believes that if he had not done so he would have been remiss in carrying out one of the major functions of a Permanent Head, which is to keep the Minister informed of the more important questions relating to his Department.

30. After giving full consideration to Mr Bryant's criticism of the Auditor-General's method of reporting and the points made by the Auditor-General in reply, the Committee can see no reason why it should suggest or recommend any changes to the Auditor-General's present reporting procedures.

CHAPTER 3

THE DEPARTMENT OF ABORIGINAL AFFAIRS

Creation of the Department

31. The results of the referendum held in May 1967 greatly increased the Australian Government's responsibility for Aboriginal affairs and led ultimately to the creation of the Department of Aboriginal Affairs. In the referendum of 1967, over 90 per cent of the valid votes were in favour of two amendments to the Constitution, one of which gave the Australian Government the power to legislate for Aborigines in the States concurrently with the State Governments. The results of the referendum were incorporated in the Constitution Alteration (Aborigines) Act 1967.

P.P. 299  
of 1974

32. Following the result of the referendum the then Prime Minister, the Rt. Hon. Harold Holt, established a three-man Council for Aboriginal Affairs (Dr Coombe Chairman, Professor Stanner member, and Mr Dexter Executive Member) to advise the Government on policies in this new area of responsibility. The Council was to be assisted by a small Office of Aboriginal Affairs, within the Prime Minister's Department, headed by the Executive Member of the Council.

P.P. 299  
of 1974  
and Q. 36

33. The Office of Aboriginal Affairs, created on an interim basis at the end of 1967 and formally in early 1968, formed part of the Prime Minister's Department until March 1971, when it became part of the short-lived Department of the Vice-President of the Executive Council and then, from May 1971 to December 1972, of the Department of the Environment, Aborigines and the Arts. In the Northern Territory, however, the Department of Territories and subsequently the Department of the Interior retained prime responsibility for Aboriginal welfare and advancement.

Exhibit  
162/1 and  
P.P. 299  
of 1974

34. The Committee was informed that the Office, under the guidance of the Council, was responsible for drafting policy papers for the Government's consideration, developing national programs and projects and securing Ministerial approval for them.

Exhibit  
162/1

35. When the Office of Aboriginal Affairs was established the functions of the Office were as stated by the then Prime Minister:

Exhibit  
162/27

"The prime function of the Commonwealth, in the light of these changes to the Constitution will be to carry out a policy co-ordinating role.

To achieve this objective, the Government proposes to establish an Office of Aboriginal Affairs in Canberra. Its task will be to co-ordinate policy and to provide the machinery necessary for joint consultations as the need arises with the States and with relevant Commonwealth Departments. The new Office will draw on the experience of the Department of Territories and have its assistance in any administrative support that may be needed."

36. The Department of Aboriginal Affairs was created in December 1972 to deal with enactments administered by the Minister for Aboriginal Affairs and other matters set out in the Administrative Arrangements Order of 19 December 1972. Mr Gordon Bryant became the first Minister for Aboriginal Affairs upon the creation of the Department on 19 December 1972. After a Cabinet reorganisation Senator J.L. Cavanagh became Minister on 9 October 1973.

P.P. 299  
of 1974

37. The formation of the Department was achieved by consolidating elements which had been concerned with Aboriginal Affairs for some years previously and which had been part of the former Department of the Environment, Aborigines and the Arts; the Welfare Division of the former Northern Territory Administration, Department of the Interior; and the Welfare and Social Services Branch of the Central Office of the former Department of the Interior. The Department is responsible for developing national policies in Aboriginal Affairs, in consultation with the Aboriginal people; and for the planning and co-ordination of programs for Aborigines and Torres Strait Islanders and deals directly with these people throughout Australia.

P.P. 299  
of 1974

38. The Department of Aboriginal Affairs is located in Canberra with State Offices and/or Regional Offices located in all States and the Northern Territory.

P.P. 299  
of 1974

#### Functions of the Department

39. The Administrative Arrangements Order, described by the Committee in its Third Report (1952-53) as 'the authoritative statement of the field of functions of each department', lists the principal matters dealt with by departments and the Acts administered by Ministers.

P.P. 201  
of 1951-52-  
53

40. The schedule to the Administrative Arrangements Order of 22 December 1975 specifies the matters dealt with by the Department of Aboriginal Affairs and enactments administered by the Minister for Aboriginal Affairs.

Australian  
Government  
Gazette  
No. S262  
22 December  
1975

41. The principal matters dealt with by the Department are:

- Matters related to the Aboriginal people of Australia.
- The development and administration of national policies for the advancement and welfare of the Aboriginal people, including the administration of welfare activities in the Territories.
- Special laws for the Aboriginal people.

42. The following enactments are administered by the Minister for Aboriginal Affairs:

- Aboriginal Affairs (Arrangements with the States) Act 1973
- Aboriginal and Torres Strait Islanders (Queensland Discriminatory Laws) Act 1975
- Aboriginal Land Fund Act 1974
- Aboriginal Loans Commission Act 1974
- Australian Institute of Aboriginal Studies Act 1964-1973
- Northern Territory (Administration) Act 1910-1974, Section 21
- States Grants (Aboriginal Advancement) Act 1972-1973
- States Grants (Aboriginal Assistance) Act 1974

Australian  
Government  
Gazette  
No. S262  
22 December  
1975

43. The functions of the Department are as follows:

Australian  
Government  
Directory  
1975

**Policy Division:** Responsible for the formulation and review of national policies and for planning and research in Aboriginal Affairs. Provision of secretarial services to various Councils and Committees.

**Operations Division:** Responsible for the investigation and development of economic development proposals operation of the Capital Fund for Aboriginal Enterprises and investigation of proposals for grants in respect of the Lands Fund. Responsible for the development and control of Commonwealth funded programs for Aborigines in the States and Territories and administer direct aid programs and grants-in-aid to Aboriginal and other organisations.

**Program Planning Division:** Responsible for the development of operational objectives in consultation with Aboriginal representatives, and for the achievement of approved objectives through program management and budget control.

**Management Services Branch:** Responsible for providing a range of advisory and executive management and financial services to the department.

**Functions of Regional and State Offices:**

Administer the responsibilities of the Department of Aboriginal Affairs within the State or Northern Territory as applicable and implement policies relating to the advancement of the Aboriginal people. Maintain communication with individual Aborigines and Aboriginal organisations and advise the Government on their needs and aspirations.

Staffing and Establishment

Office of Aboriginal Affairs

44. The witness for the Department said that the Office of Aboriginal Affairs throughout its five years was grossly understaffed, and that those five years can only be described as a grim period with constant frustration and heartburn in the administrative situation.

Q. 4

45. The Committee was informed that the Office of Aboriginal Affairs commenced with an establishment of seven positions in early 1968. By September 1968 five of these positions had been filled,

Q. 4

including a position of receptionist and a stenographer. In April 1969 the establishment had been increased to 31 positions. In February 1972, the Public Service Board approved an establishment of 51 positions.

46. The witness for the Department told the Committee that the Office of Aboriginal Affairs had experienced great difficulties in its relationships with its three parent departments. The Office was considered very much as an "outsider" by the parent departments. The Department further stated that the Office of Aboriginal Affairs had at no time responsibility for its own finance and accounting affairs or for its management services. No officer in the Office had any financial delegation until the latter part of 1971, when very limited delegations relating, for instance, to travel by officers, were granted. Such delegations did not cover the handling of accounts. The witness said that the Office was therefore unable to develop a capacity in the finance and management area.

Exhibit  
162/1 and  
Q. 4

47. In its submission the Department stated that the Office of Aboriginal Affairs had responsibility for drawing up programs and projects and generally securing Ministerial approval for them, but the issuing of cheques and handling of accounts were matters for the parent Department. The Committee was informed in evidence that the Office of Aboriginal Affairs would advise the organisation concerned that a specific project had been approved by the Minister, and that a payment was to be made and that such payment would require acquittance.

Exhibit  
162/1 and  
Q. 34

48. In the course of explaining the financial activities of the Office of Aboriginal Affairs the witness for the Department gave a number of examples of the difficulties and frustrations experienced with the parent departments. These included difficulties in obtaining information from parent departments, low priority treatment, and having to approach the Minister to have payments made and specifically frustrations in payments during the years 1971 and 1972 when there were lengthy unexplained delays in payments in respect of approved projects.

Qs. 4, 34,  
35 and 190

49. With regard to staffing proposals the Committee was informed that on 20 April 1970 the Office of Aboriginal Affairs submitted to its parent department (the then Prime Minister's Department) an organisation and establishment proposal. However, it was not until February 1972, 22 months later, that an establishment of 51 positions was approved. During this period of 22 months the Office of Aboriginal Affairs formed part of the Prime Minister's Department, the Department of the Vice-President of the Executive Council and the Department of the Environment, Aborigines and the Arts.

50. The Office of the Public Service Board pointed out that the Office of Aboriginal Affairs being attached to the various Departments necessarily involved consultation within the Departments concerned and an assessment on the part of the respective Permanent Heads of overall departmental needs. The Public Service Board advised the Committee that following considerable discussions with officers of the parent Department agreement was reached on 4 February 1972 on the Departmental establishment proposal relating to the Office of Aboriginal Affairs dated 19 May 1971 and a revised proposal dated 18 August 1971.

#### The Department

51. Under the proposals promulgated by the Public Service Board the Department created on 19 December 1972 was to have comprised all the positions formerly in the Office of Aboriginal Affairs of the Department of the Environment, Aborigines and the Arts; the Welfare Division, Northern Territory Administration, of the Department of the Interior; the Welfare and Social Services Branch, Northern Territory Government and Social Services Division of the head office of the Department of the Interior, and the Establishment and Finance Branch of the Department of the Environment, Aborigines and the Arts.

Qs. 4 and  
189

Q. 220  
and  
Committee  
File  
1974/4

Exhibit  
162/1

52. It was also proposed, as an interim arrangement, that the Establishment and Finance Branch of the Department of the Environment, Aborigines and the Arts should provide management services to the new Department of the Environment and Conservation. However, by the time the Permanent Head of the Department of Aboriginal Affairs was appointed on 9 January 1973, the Public Service Board had decided, on the recommendation of the Acting Permanent Head, (Sir Lenox Hewitt) who at that time was also Acting Permanent Head of the Department of the Environment and Conservation, that the Establishment and Finance Branch should go to the latter Department.

53. The Department in its submission stated that after the Permanent Head of the Department of Aboriginal Affairs was appointed on 9 January 1973 he sought, unsuccessfully, to have this decision reversed, since it meant that the Department had no direct control over its financial and accounting services even though its work formed the greater proportion of the unit's workload.

54. The Office of the Public Service Board informed the Committee that this establishment was created on an interim basis pending a review of requirements in the light of the Department's substantially expanded functions and revised objectives. The Public Service Board also stated that at the time of the establishment of the Department of Aboriginal Affairs, the Board agreed with the view of the then Acting Permanent Head of the Department of Aboriginal Affairs that the management services staff of the former Department of the Environment, Aborigines and the Arts should be located in the Department of the Environment and Conservation. It was further agreed that the latter department should provide the management service needs of both departments. Accounting services for the Department of Aboriginal Affairs continued to be provided by the Australian Government Publishing Service. The witness for the Public Service Board pointed out that it was not unusual at that time for new departments not to have their own management services unit. The decision was taken to ensure that departments commenced operating as

P.P. 299  
of 1974,  
Exhibit  
162/1 and  
Qs. 56,  
59, 72 and  
73

Exhibit  
162/1 and  
Q. 56

Exhibit  
162/21  
and Qs. 59,  
210 and  
213

quickly as possible and that these interim arrangements ensured the best possible use of the management services unit at a time when there was considerable pressure to finalise the top executive organisations for all newly established departments and when there was a severe shortage of experienced staff.

55. The witness for the office of the Public Service Board informed the Committee that when the new departments were created on 19 December 1972, the Board on that day advised the acting or appointed Permanent Heads of the decisions that had been taken, and also provided the departments concerned with a chart of the suggested form of their organisation on an interim basis. The witness explained that these suggestions were without prejudice to any subsequent submissions the departments might want to make. The Board further sought the co-operation of the Permanent Heads in obtaining reports under section 29 of the Public Service Act 1972. Q. 1799

56. The witness for the Board further informed the Committee that in an attachment to its letter of 19 December 1972 to the acting Permanent Head, the Board set out the units of other departments, which in the Board's view would be transferred to the new Department of Aboriginal Affairs including the former management services unit of the Department of the Environment, Aborigines and the Arts. However, as a result of a recommendation by the then Acting Permanent Head of the Department of Aboriginal Affairs, who was also the departmental Head of the Department of the Environment and Conservation, the management unit was transferred to the latter Department. Q. 1799

57. The Committee was informed that the acting Permanent Head of the two Departments gave the following reasons for his recommendation to the Public Service Board. Firstly, the Department of the Environment and Conservation would have no management services at all if the unit was transferred to the Department of Aboriginal Affairs. Secondly, the Office of Aboriginal Affairs, which Qs. 1800 to 1802

formed the nucleus of the new department, did have a degree of capability in the management and financial area. Thirdly, the staff of the unit concerned preferred to be transferred to the Department of the Environment and Conservation.

58. The witness for the Public Service Board said that initially the Board had made a judgement in relation to this matter without the benefit of the advice of the Permanent Head in its desire to provide departments with this capability as speedily as possible. This initial suggestion was later changed on the recommendation of the acting Permanent Head of the two Departments. Subsequently Mr Dexter made representations to have the unit placed with the Department of Aboriginal Affairs. The Board therefore suggested that the two Permanent Heads try to reach an agreement in relation to the allocation of that particular unit. However, the Permanent Heads advised the Board that they could not come to an agreement and the Board then took the decision that the unit should be located in the Department of the Environment and Conservation with the additional responsibility of providing personnel and management services capability to the Department of Aboriginal Affairs. The witness for the Board said that it would have been impracticable and undesirable to split the unit between the two Departments. Qs. 1802 to 1804

59. The Committee was informed that as at November 1972 the then Department of the Environment, Aborigines and the Arts comprised the following units: Committee File 1974/4

	<u>Unit</u>	<u>Staff</u>
A.	Central Office including the Arts and General Division and Office of the Environment Division	449
	Office of Aboriginal Affairs	
	Office of the Australian Council for the Arts	
	Office of the Interim Council for a National Film and Television Training School	
	Commonwealth Archives Office	

- B. Australian Government Publishing Service 918  
C. National Library 624

60. The National Library was at that time self-sufficient in terms of establishment, personnel, finance and other services. The Australian Government Publishing Service was similarly self-sufficient and, moreover, provided accounting and staff services (i.e. maintenance of basic staff records, handling pay variations etc.) to the units mentioned above.

Committee  
File  
1974/4.

61. An Establishments and Finance Branch of 26 positions provided the following services to the Department of the Environment, Aboriginals and the Arts -

Committee  
File  
1974/4.

- co-ordination of estimates preparation and associated reviews for the entire department (initial preparation being undertaken in each management unit).
- advice on establishments and personnel matters for the units set out in A above.
- property and office services (other than for the National Library and the Australian Government Publishing Service) to supplement office services (i.e. registry, typing, library, messengerial, duplicating etc.) provided in the following units:
  - Office of Aboriginal Affairs
  - Office of the Australian Council for the Arts
  - Office of the Interim Council for a National Film and Television School
  - Australian War Memorial
  - Commonwealth Archives Office

The composition of the Establishments and Finance Branch at 1 December 1972 is shown in Appendix D.

62. The Department of Aboriginal Affairs commenced operations with a total staff of 957, composed of 51 from the former Office of Aboriginal Affairs, 9 from the former Welfare and Social Service Branch, Department of the Interior, and the bulk of the staff (897) came from the former Welfare Division, Northern Territory Administration of the Department of the

Exhibit  
162/1

Interior. A chart of the administrative structure of the Department from 19 December 1972 is attached as Appendix E.

63. The Committee was informed that the Management Services Branch of the Department of the Northern Territory provided on an interim basis the management and financial services for the Department's Northern Territory Division. The Head Office of the Department until well into the latter half of 1973 was obliged to rely on the Management Services Branch of the Department of the Environment and Conservation for establishment, personnel, finance and estimates matters, whilst control of funds and payments of accounts and salaries were carried out by the Finance Branch of Australian Government Publishing Service of the Department of the Media. The latter was replaced by the Department's own Finance Section from 1 July 1973.

Exhibit  
162/1

64. The Department explained that following an indication by the Australian Government Publishing Service in May 1973 of its desire to be relieved of its financial responsibility for the Department as from 30 June 1973, the Department was obliged to establish rapidly a skeleton finance staff as from 1 July. The Department in its submission stated that although the necessary establishment had been approved some months before, given the general time-span inherent in recruiting staff to a new establishment, a Finance Officer did not commence duty until September and other accounting officers over a period from September to December 1973. The Department therefore considered it necessary at the time to use the three existing Internal Audit unit officers to set up and operate the Finance Section. In its submission the Department stated that with hindsight, it was evident that it was unwise to have attempted to run the Department's own financial services with its incomplete staff from 1 July 1973 though it was not clear that there was any alternative.

Exhibit  
162/1 and  
Qs. 223,  
224 and  
1833



65. The Department stated in its submission that there was no smooth and rapid flow of experienced persons and organisations into a new and operating Department in December 1972, but rather the bringing together of policy and operational elements bereft of any management and financial services of their own. The Department, having started well behind, was not able to make up the leeway quickly, particularly in view of the increasing momentum of financial provision and of programs.

Exhibit  
162/1

66. With regard to the general management services, recruitment of officers began in July 1973, though complete separation from the Department of Environment and Conservation did not occur until December 1973. The Committee was told that because the Assistant Secretary of the Management Services Section of the Department of Aboriginal Affairs was also the Director of Establishments and Finance in the Department of the Environment and Conservation at the time the new Departments were formed, he was made responsible for the Management Services Section of both Departments as an interim measure. The witness for the Department informed the Committee that although there was as much co-operation between the two Departments as could be expected the system did not work satisfactorily because there was a shortage of staff. The Management Services Section had only the staff provided under the establishment of the old Department of the Environment, Aborigines and the Arts and there were problems of trying to settle priorities between the two Departments.

Exhibit  
162/1 and  
Qs. 225 to  
232

67. The Committee was informed that during this period, the Northern Territory Division continued to be dependent for its management and financial services on the Department of the Northern Territory.

Exhibit  
162/1 and  
Q. 233

68. The witness for the Department stated that following the decision that Aboriginal health and education should be dealt with by the appropriate departments, the Northern Territory Division's health and education responsibilities and staff were transferred to the Departments of Health and Education on

P.P. 206 of  
1974, Exhib-  
it 162/1 and  
Qs. 234 to  
238 and  
Committee  
File 1974/4

1 January and 13 February 1973 respectively, reducing the total staff of the Department to 476. The witness explained that the functions transferred covered all citizens in the Northern Territory. By 30 June 1973 the Department had an approved total establishment of 606 positions with an actual staff of 488 officers. On 25 February 1974, as a result of a transfer of social welfare functions, 98 positions and 85 staff were transferred to the Department of the Northern Territory. The Department at 28 February had an establishment of 718 positions and 614 positions occupied. The Department in its submission pointed out that none of the above figures took account of 700 exempt staff in the Northern Territory. The majority of these were Aborigines who had formerly been employed under a training allowance scheme in the Northern Territory and who are now employed under the Public Service Act following the implementation of the Government's decision to introduce award wages for Aboriginal workers.

69. The Committee was informed that a significant proportion of the administrative effort in recruitment was absorbed in those parts of the organisation which were at a later stage transferred to other departments and therefore did not benefit the department in terms of executing its main functions.

Exhibit  
162/1 and  
Q. 235

70. The Department informed the Committee that partly due to organisation and staffing problems within the Department, it would take a minimum of nine months to recruit an officer from within the Service to a new position in respect of which the Public Service Board had informally indicated approval. The Department said that the process can sometimes be more rapid in respect of persons appointed from outside the Service, since the right of appeal against them does not exist; but there can be substantial delays here, too. The Public Service Board Observer (Mr Harris) told the Committee that the time between the lodgement and the hearing of an appeal varies from time to time and from State to State and that there are often appellants from different States. He went on to say that in his

Exhibit  
162/1 and  
Qs. 239  
to 252 and  
261

experience nine months could not be considered normal but nevertheless, if appeals were involved, it could take some months following the Board's approval for the position to be filled and the officer take up duty.

71. The Committee questioned Mr Harris on the time it normally takes to have establishment proposals considered by the Public Service Board and departments notified of the decision. Specific information regarding establishment proposals relating to the Department of Aboriginal Affairs was supplied by the Board. According to this information although there was considerable variation between the time taken for the Board to consider individual proposals, most of the proposals had been dealt with expeditiously. A brief outline of procedures for handling establishment proposals is set out in Appendix F.

72. The Department stated in its submission that while most Departments have to operate under strength because of the difficulty in obtaining adequate staff, the problem is felt more acutely in a new Department, where the need for more staff will be greater and procedures have not been fully developed. The understaffing problem was compounded because the senior officers responsible for recruitment or selection action were themselves, because of the very under-staffing, already grossly over-committed in their duties including the preparation and management of programs and projects of Aboriginal advancement.

73. During 1973, the Department worked in close consultation with the Public Service Board on the development of the Department's organisation and related aspects of its functional responsibilities. On 23 October 1973, the Permanent Head discussed with officers of the Public Service Board the possibility of conducting studies on certain aspects of the Department's operations and organisations. After further discussions and consultations the Public Service Board in December 1973 commenced an examination of the Department. The

Qs. 240 to  
247 and  
Committee  
File 1974/4

Exhibit  
162/1

P.P. 206  
of 1974,  
Exhibit  
162/27 and  
Qs. 1812  
and 1813

Board's investigators were given a wide-ranging charter to examine the Department's operations, systems, procedures and organisation, initially in the Central Office of the Department, and later in its regional organisation.

74. The witness for the Department stated in evidence that the need for re-organisation arose in part because the Department, towards the latter half of 1973, was in a financial and administrative morass.

75. The Public Service Board in its submission stated that it became apparent to the Board's officers at an early stage of their investigation that inadequacies in programming, control and documentation of projects stemmed in large part from the inherent complexity of rapid change in which the Department found itself. Significant factors in this complex situation included:

- the Permanent Head was confronted with problems of recruiting staff to fill the approved organisation at the time of severe competition from other Departments
- the need to attract and assimilate aboriginal staff into the Department's establishment
- negotiations regarding, and implementation arrangements for, the transfer of existing State aboriginal affairs organisations to the Australian Public Service
- establishment of the National Aboriginal Consultative Committee
- very large increases in the amount of funds made available, and the rapid and wide ranging development of projects for which assistance was to be given
- acceptance of responsibility for major areas of operations in the Northern Territory
- the determination of organisation requirements to meet the rapidly increasing workload

Q. 277

Exhibit  
162/27

Pervading all these problems and difficulties, was the impelling requirement to demonstrate early and substantial progress towards the achievement of the Government's policies for the advancement of the aboriginal people.

76. The Office of the Public Service Board informed the Committee in evidence that the examination of the Department had been concluded and that since the examination commenced in December 1973 considerable progress had been achieved.

Exhibit  
162/27 and  
Q. 1822

77. In the course of explaining the activities of the Public Service Board in the examination of the Department, the Board informed the Committee that the review was in the form of advice to the Permanent Head of the Department as to desired changes in procedures, systems, organisations and form of establishment, etc. The Public Service Board stated that assistance was provided in the development and implementation of a comprehensive project control system in the Department's Central Office. The Public Service Board explained that the system is designed to ensure coverage of policy and authorisation aspects of grants and loans administered by the Department, and strengthened management of funded activities. The main features of the new system were:

P.P. 268 of  
1975,  
Exhibit  
162/27 and  
Q. 1816

- policy guidelines to be specified as they relate to operational activities within the framework of government policies
- program development to be based on a prior and comprehensive assessment of needs, resources and feasible achievements
- consultation with Aborigines to be in the context of specific national, regional and district programs
- integrated community development based on agreed district programs to be co-ordinated by officers specialising in the district
- comprehensive before-approval examination to be made of all aspects of proposed projects, i.e. technical, financial, etc.
- administrative and financial control of on-going operations, grants and loans to be monitored by specialist sections
- policy and program effectiveness to be formally evaluated

78. During the inquiry a witness pointed out that the Department grew out of the Office of Aboriginal Affairs which was trying to deal with a very large problem with a very small staff. And that because of the many demands to help advance the cause of Aborigines the Office tended to be responding to all demands and in trying to deal with particular projects there was little time left for forward planning. The Department in attempting to respond to the many new Government policies and increased demands found itself getting more project orientated and because of this there was little or no opportunity to carry out any forward planning.

Q. 278

79. The witness for the Department said that there are two main aspects of the re-organisation germane to a more satisfactory operational performance of the Department. Firstly, the creation of a third division to undertake program planning functions is expected to greatly increase the future performance of the Department. The division is concerned with a three year rolling program which has been developed to provide a framework for allocation of resources and to permit formulation of annual and three year forward budget estimates.

P.P. 268  
of 1975 and  
Q. 277

80. The second aspect concerns the establishment of the Operations Management Branch in the Operations Division. The primary task of this Branch is project control. The Branch is responsible for the necessary documentation, checks and balances before and after a project is implemented and the Branch must ensure that all legal implications have been considered and that approved programs are subject to effective control.

Q. 278

81. The Committee was informed that a revised organisation structure to reflect the new system has been agreed between the Board and the Permanent Head. The main features of the revised organisation are:

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1974,  
Exhibit  
162/27 and  
Q. 278 and  
Committee  
File 1974/4

- (a) allocation of the substantive work of the Department between 3 divisions, that is, creation of a new division to undertake program planning functions;
- (b) strengthening of the control function to ensure that all proposals involving departmental operations, loans and grants are comprehensively considered and documented before approvals are given and that once approved are subject to effective control;
- (c) revised organisation structures below the top level to accord with the requirements of the management system, including the provision of 16 new positions.

Departmental Staff Circular 74/183, Appendix G outlines the restructuring of the Department.

82. The Committee was informed in March 1975 that the Public Service Board had approved the establishments for the regional offices except for the Northern Territory. The witness for the Board stated that the skills required to develop programs for Aboriginal advancement particularly at the field level are quite considerable and much of the work is still to be undertaken.

Qs. 1822  
and 1823

83. With regard to training, the witness for the Public Service Board stated that training and development are essentially matters for the Department. The Board believed that the Department had now within the management services area the capacity to carry out the necessary training of people for specific work in the Department. The Board's normal continuing training program at management level is open to all departments. In addition, the Board would consider requests for any particular training courses which might be desirable to be conducted on a central level. The witness for the Board further stated that subject to the availability of resources the Board would provide such assistance as is requested.

Q. 1827

84. The witness for the Public Service Board told the Committee that the Board had not instituted a special system to monitor the efficacy of the new establishment of the Department of Aboriginal Affairs. But the Board will continue to provide such assistance on a consultancy basis as the Permanent Head of the Department considers appropriate. Q. 1826

85. In reply to a question the witness for the Board stated that he was not aware of any reluctance generally of officers within the Public Service to seek promotion to positions in the Department of Aboriginal Affairs. Q. 1828

86. It was the view of the Public Service Board that substantial progress had been made towards the implementation of a system which would enable the Department to operate efficiently, economically and quickly. Q. 1819

87. The Public Service Board in its Annual Report for 1974 stated that it had approved an increase in the Department's management services establishment to cope with a rapidly increasing workload. It was also stated that particular attention had been given to the functions of financial controls, internal audit, manpower planning, staff recruitment and development, establishments, and method improvement. Officers of the Public Service Board were at that time assisting Departmental officers in changing over to the new working arrangements and in formulating and documenting revised procedures, and would also assist in staff training and development. P.P. 206 of 1974

88. In relation to the capacity of the Department to carry out its financial and accounting functions, the Committee was informed that when the Department assumed responsibility for its own financial affairs on 1 July 1973 there was a large backlog of unpaid claims handed over by the Finance Section of the Australian Government Publishing Service and also a large number of unacquitted advances some of which were years old. The witness conceded that the Department under- P.P. 13 of 1974 Exhibit 162/27 and Qs. 222, 223, 1818 and 1845

estimated its capacity to cope with the volume of work. The Department in September 1973 approached Treasury for the services of an experienced Treasury officer to advise departmental officers on the development of accounting controls and provision of advice on financial matters. Such an officer was made available on a part-time basis. The Department again approached Treasury for a second Treasury Officer in October 1973 to be made available for a period of two or three months to assist the Department's finance officer in the accounting functions of the Department and in training staff in accounting procedures. This request was also met.

89. The Public Service Board informed the Committee that during the course of its examination of the Department it became apparent that there was a need for a senior and experienced accountant to review the financial administration of the Department and to develop all the accounting systems required including the preparation of an internal audit program. Such a position was provided and on 18 February 1974 a senior Treasury Officer was seconded to this position. After this Officer had completed a preliminary survey of requirements he requested and received further full-time assistance from the Treasury.

Exhibit  
162/27

90. Total staff of the Department, i.e. permanent, temporary and exempt staff rose from 641 in June 1973 to 1524 in June 1975, of which 275 were located in the A.C.T., 21 in N.S.W., 59 in Victoria, 35 in Queensland, 41 in South Australia, 84 in Western Australia, 5 in Tasmania and 1004 in the Northern Territory.

P.P. 268  
of 1975

#### Internal Audit

91. The Department in July 1973, obtained an internal audit establishment of 3 positions. In November 1973 the Section had not yet commenced to operate. The Auditor-General informed the Department that having regard to the various weaknesses and other matters raised by Audit, the delay in arranging for the commencement of internal auditing was a matter for concern.

P.P. 13 of  
1974 and  
Q. 1760

92. The Department, in November 1973, in an explanation to the Auditor-General stated that because of understaffing and unexpected pressure arising from the N.A.C.C. operation, it had no alternative at the time except to divert officers from the internal audit team to assist in processing accounts.

P.P. 13  
of 1974

93. The reply from the Department on 31 August 1973 to a query from the then Minister regarding what arrangements had been made by the Department to establish an 'Internal Audit' Section stated in part that:

Exhibit  
162/26

"At the moment, bearing in mind the very limited staff resources of the Department, the number of grants and the nature of many of them, we have found it difficult to comply adequately with the requirements of Treasury Direction 23/8 - e.g. the officers who should have been performing the internal audit function are running the Accounts Section. The filling of the Accounts Section positions is subject to the determination of appeals against provisional promotions."

94. The Committee was informed that the officers in the Internal Audit Section were, as from 2 January 1974, withdrawn from the Finance Section. On 1 November 1974, the witness for the department stated in evidence that the internal audit area was considered one of the priority areas, however, only the positions of Chief Internal Auditor and one assistant were filled at that time. The Section was now engaged in internal auditing and it was expected that the Section's activities would gradually expand with increases of staff, however, the witness was of the opinion that it was difficult to obtain and keep staff of the calibre necessary in the auditing area.

P.P. 13  
of 1974 and  
Q. 1760

95. The Public Service Board stated in its submission that during the review it became evident that the internal audit function needed strengthening and approval has been given to upgrade the function and to increase the staff employed in the unit from 3 to 5. Further increases would be required as regional organisations were developed.

Exhibit  
162/27

96. The Department on 19 August 1975 informed the Committee that out of a total of 19 approved positions in the Internal Audit Section 16 positions were filled. The Committee was also informed in a supplementary submission that on 25 July 1975 the Department had issued its first Internal Audit Manual with the following main objectives:

- (a) to provide a basis from which the audit program in each region is to be prepared by the Senior Internal Auditor
- (b) that the internal audit program will proceed on broadly uniform lines in all regions and will cover accounting, operational and policy fields; and
- (c) that members of the internal audit staff will approach their tasks with a clear perspective of the aims of the audit and the scope of the program.

97. The Permanent Head of the Department stated in a foreword to the Internal Audit Manual that he regarded the internal audit function as vital to the effectiveness of the Department.

#### Accommodation

98. The Department expressed the view to the Committee that its problems in Canberra were compounded by the fact that staff were not accommodated in the same building. At the time the Department was established its Head Office was occupying five separate offices in the Civic area of Canberra, apart from the fact that the Management Services Branch of the Department of the Environment and Conservation, and the Australian Government Publishing Service, which together provided management and financial services, were also located in separate buildings. In the latter part of 1975, the situation was further complicated when half of the Head Office moved to Woden. The Department was finally brought together in Woden in December 1973, although still housed in separate buildings.

Q. 2101  
and  
Committee  
File 1974/4

Committee  
File 1974/4

Exhibit  
162/1

99. The Department's office accommodation in Darwin and other regional offices in the Northern Territory was also mentioned in the departmental submission as being unsatisfactory. However, the departmental witness told the Committee at the hearing on 20 August 1974 that the Department of Services and Property had indicated that it could now provide satisfactory accommodation for the Department at Darwin and Alice Springs.

100. The Department pointed out in its submission that it was very difficult to achieve the proper flow of business when officers must generally communicate by written minutes instead of by direct discussion, and a sense of cohesion as a Department was difficult to generate in these circumstances.

#### Conclusions

101. The evidence shows that from its establishment in 1968 the Office of Aboriginal Affairs had experienced great difficulties with its parent departments in obtaining a reasonable priority in dealing with staff proposals and in obtaining necessary information relating to financial matters and arranging payments in respect of approved projects.

102. The Committee also notes from the evidence that the Office at no time had responsibility for its own finance and accounting affairs or for its management services. As a consequence it was unable to develop a capacity in those areas.

103. In these circumstances the Committee finds it difficult to understand why the Public Service Board was so easily persuaded to abandon the original, and in the Committee's view, the more logical proposal that the Establishment and Finance Branch of the former Department of the Environment, Aborigines and the Arts should form part of the new Department of Aboriginal Affairs, particularly as the

Exhibit  
162/1 and  
Q. 256

Exhibit  
162/1

work of the latter Department formed the greater part of that unit's workload.

104. The Committee realises, of course, that the Board was in a very difficult position in this matter because, at the time the decision to abandon the original proposal was made, the same person (Sir Lenox Hewitt) was the Permanent Head of the two Departments involved. Nevertheless, it should have been possible for the Board to refute the claim made by the Acting Permanent Head at that time, that the Office of Aboriginal Affairs had developed a capacity in the management and financial areas. The Committee also did not find the other reasons given for locating the unit in the new Department of the Environment and Conservation any more convincing. It has also occurred to the Committee that the Board could have waited the short time necessary for the Permanent Head of the Department of Aboriginal Affairs to be appointed to avoid the conflict of interests that occurred.

105. It appears to the Committee that the financial difficulties of the Department began with the decision that the Department would initially conduct its financial affairs through Branches of two other Departments. In the Committee's opinion the Department of Aboriginal Affairs should have been given an adequate Finance Branch from its inception.

106. The Committee notes that when the Department requested assistance from the Public Service Board and the Department of the Treasury the assistance was readily given. No doubt the Auditor-General's Office would also have given consultative advice if approached by the Department. It is the Committee's view that the magnitude and range of the problems that finally evolved should have been recognised by the Department at a much earlier stage in their development than was the case and the necessary assistance requested before they reached the proportions discovered by the Auditor-General.

107. The Committee also believes that the Department may not have underestimated its capacity to cope with the volume of work when it assumed responsibility for its own financial affairs on 1 July 1973, if prior discussions had been held with the Australian Government Publishing Service. These discussions, if they had been held, may also have been instrumental in the Department seeking assistance from the Department of the Treasury before it did.

108. In relation to internal audit, the Committee is pleased to note that the Internal Audit Section within the Department has been strengthened and an Internal Audit Manual issued. The Committee would be interested to know the present position of internal audit within the Department including details of the number of internal audit positions actually occupied in relation to establishment and the stage reached in the implementation of internal audit programs.

## CHAPTER 4

THE ABORIGINAL ADVANCEMENT TRUST ACCOUNT -  
CONTROL OVER GRANTS

Background

109. The Aboriginal Advancement Trust Account was established in 1968 under section 62A of the Audit Act 1901 for the purpose of "...meeting expenditure on and in connection with programs for the welfare and advancement of people of the Aboriginal race (particularly in fields of housing, education and health) that are approved by the Minister responsible for Aboriginal Affairs and the Treasurer". Receipts and expenditure of the Trust Account between 1968 and January 1974 are shown at Appendix B, page 273.<sup>1</sup>

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of 1974

110. In a submission to the Committee the Treasury explained that it was decided to establish the Trust Account as a temporary measure because details of the program to be financed from a special provision of \$10m. in the 1968-69 Budget for Aboriginal Advancement had not been determined when the Budget was introduced. It was not practicable in the circumstances to seek appropriation of the amount on the normal Division and Item basis.

Committee  
File 1974/4

111. The Committee was informed that an amount of \$73.5m. was available for expenditure from the Trust Account in 1973-74. In addition a further \$44m. was provided for other programs of support for Aborigines under normal Division and Item appropriations.<sup>2</sup>

Committee  
File 1974/4

1. Actual Expenditure from the Trust Account in 1973-74 was shown at page 17 of the Treasurer's Statement of Receipts and Expenditure for the year ended 30 June 1974 and amounted to \$67,515,000.

2. Examples of programs financed by Division and Item included Support of Aborigines at Government Settlements in the Northern Territory (under Department of Aboriginal Affairs) Aboriginal Study Grants (Education) and Employment Training Scheme for Aborigines (the then Department of Labour).

. Continuation of the Trust Account

112. In the General Summary to his report upon the Department of Aboriginal Affairs the Auditor-General questioned<sup>3</sup> the procedure by which large amounts of money were provided by a "one line" appropriation to the Trust Account. While conceding that the flexibility provided by this method may have been necessary in the earlier years of providing finance for Aboriginal Advancement the Auditor-General suggested that funds could now be provided in the same way as for many other Departments, by Division and Item. This would ensure that "expenditures by the Department were more effectively controlled by the Parliament." His report pointed out that flexibility could be maintained by using Additional Estimates and "Advence to the Treasurer" to fund new programs approved during the course of a financial year.

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113. In its submission to the Committee the Department disagreed with the suggestion that lack of control had been occasioned by the existence of the Trust Account and commented that -

Exhibit  
162/1 and  
Qs. 435,  
438, 440  
and 441

"...the provisions of the Audit Act relating to authorisation and certification of expenditure apply equally to trust accounts as to appropriations, and that the basic differences are that the warrant authority procedure does not apply, once appropriations have been paid into the trust account, and unspent funds do not lapse at 30 June."

The departmental submission stated that the "ability to vary the emphasis between the various programs and to fund new initiatives" was an advantage of the Trust Account which may still be required for some time, and pointed out that flexibility in the Trust Account had only been exercised by the Minister. The Department had, with only minor exceptions sought Ministerial approval for each grant from the Trust Account and claimed that, if anything, it had acted in an over-meticulous manner with regard to the authorisation of such payments.

3. Under Section 54 of the Audit Act which states:

"The Auditor-General may in a report under section fifty-one of this Act or in any special report which he may at any time think fit to make recommend any plans and suggestions for the better collection and payment of the public moneys, and any improvement in the mode of keeping the public accounts and generally report upon all matters relating to the public accounts public moneys and stores, and such plans and suggestions shall be considered and dealt with by the Treasurer".



114. In evidence, the Committee was told that retention of the flexibility of the Trust Account was necessary because it enabled the Department to respond to aboriginal requirements more quickly and it allowed funds to be provided through aboriginal groups, thus taking account of the aborigines' readiness to act on their own behalf.

Qs. 436  
and 437

115. The department claimed that there was even greater control of the Trust Account than there was in the normal appropriations because it was required to submit a monthly statement of actual expenditure from the Trust Account including details of the purpose of each payment to the Minister and the Treasurer. It was pointed out that expenditure within the approved program was approved by the Minister in the normal way but the Treasurer's approval was sought for any grants outside the program.

Exhibit  
162/1 and  
Qs. 435,  
438, 440,  
and 441

116. In response to questions relating to the exceptions referred to in paragraph 113, the Committee was told that one related to payments to pastoralists for the care of aboriginals on their properties and the other related to the program of making initial payments to aboriginal groups wishing to leave central communities and perhaps live a more traditional type of life. Because the rules for issuing money were quite well defined in each case, the Department had exercised a delegation to approve payments from the Trust Account. Other cases where the Department had exercised a delegation to approve payments from the Trust Account were in special works projects and in relation to grants recommended to the Minister by the National Aboriginal Sports Foundation. It was explained that the Department would seek delegation to approve grants where it could "determine some operational guidelines which would indicate how such a grant ought to be given against certain criteria".

Qs. 409,  
410, 430  
and 431

117. The Audit Observer (Mr Scott) stated that section 54 of the Audit Act required that suggestions made by the Auditor-General be considered by the Treasurer and that determination of what action, if any, should be taken on the suggestion should be made by the Treasurer. The Treasurer had not commented at the time of the

Qs. 442,  
443 and  
450

inquiry. However, the departmental witness explained that the Department would have no objection, in principle, to moving items out of the Trust Account as they became clear enough. The Committee was told that as the Department gained more experience more projects could be moved out of the Trust Account and the Trust Account would become a less important feature of the Department.

118. The Treasury Observer (Mr Davidson) told the Committee that discussions were being held on which items could be removed from the Trust Account. In a submission to the Committee, the Treasury stated that the need to continue the Trust Account had been reviewed on three occasions. The Committee's attention was also drawn to the fact that a large proportion of the total expenditures on Aboriginal Affairs was being appropriated in the normal way and that the Parliament was given a comprehensive statement of all expenditure on Aboriginal Affairs in a table attached to the Ministerial Statement presented to Parliament after the Annual Budget.

Qs. 447  
and 448 and  
Committee  
File 1974/4

119. Commenting on the general question of the flexibility provided by the Trust Account it was conceded that this was an important factor in the decision to establish the Trust Account in 1968 but this reflected a special situation. The development of continuing and well-established programs in the period since 1968 gave rise to the present situation where sufficient flexibility could be achieved through the normal appropriation mechanisms. Mr Davidson stated that flexibility could be achieved in an appropriation item which contained almost the same wording as for Trust Account purposes. The main difference then would be that it would lapse at the end of the year. He agreed that the Warrant Authority procedure, as such, did not apply to the Trust Account but pointed out that a similar procedure applies whereby the Authorizing Officer has to establish that money is available in the Trust Account to meet the expenditure being authorized.

Q. 443 and  
Committee  
File 1974/4

120. Finally, the Committee was told by the Treasury that from an accounting viewpoint there was no reason why the Aboriginal Advancement Trust Account could not be abolished and the necessary funds provided by way of appropriation under Divisions and Items.

Treasury Direction 23/8

121. At page 5 of his report (see Appendix B page 273) the Auditor-General commented that a large number of grants had been made and outlined the Department's responsibilities in respect of these grants in the following terms:

"It is the Department's responsibility to investigate fully all requests for grants to ensure they fall within approved purposes and the applicants have the capacity to control properly the expenditure of the moneys. After a grant has been approved and paid the Department has the responsibility of satisfying itself that the moneys have in fact been applied for the approved purposes."

122. Departmental responsibilities in respect of grants are contained in Treasury Direction 23/8<sup>4</sup> which at the time of the Auditor-General's inquiry into the Department of Aboriginal Affairs read as follows:

"8. Grants to quasi-governmental and public organisations shall, wherever possible, be made for a fixed period and for specific purposes. Authenticated statements of the year's activities shall be supplied, and if the grant is for a particular purpose, the organisation shall also certify that the purposes and conditions of the grant have been complied with. The annual financial statement of any State organisation shall be accompanied by an audit certificate from the State Auditor-General. For other statements, the certificate shall be that of a qualified public accountant or, if the annual grant by the Commonwealth is small, e.g. does not exceed \$200, that of a person who has had some practical audit experience and who is not an officer or employee of the organisation. Any difficulties encountered by Departments in this matter should be referred to the Treasury."

4. Treasury Direction 23/8 was amended on 6 May 1974 and the full text of the amended Direction is reproduced in Appendix H. The Treasury Observer (Mr Davidson) pointed out to the Committee that the original Treasury Direction 23/8 had been drafted in response to the Committee's Seventeenth Report. It had not been designed to deal with the types of grants being made by the Department of Aboriginal Affairs.

Committee  
File 1974/4

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Treasury  
Direction  
23/8

Qs. 385  
and 454

123. In its first submission to the Committee the Department argued that the majority of grants made from the Trust Account were for work performed on behalf of the Australian Government and were not grants in the philanthropic sense. The departmental witness pointed out that the Department, through the Trust Account funded housing associations, legal aid services and various other voluntary or incorporated associations to perform functions which in other circumstances might have been performed by State Governments. It was suggested that the requirements of Treasury Direction 23/8 (prior to amendment) for the control of grants to non-government organisations were more stringent than grants to State Authorities to perform work on behalf of the Australian Government.

Exhibit  
162/1 and  
Qs. 284  
to 287

124. As a further general comment in relation to the Treasury Direction 23/8 requirement to follow-up grants, the Department pointed to the large volume of activities for which the Department was responsible and for which follow-up action was required. Grants paid by the Department in 1972-73 amounted to \$11,194,949 out of a total of \$61,438,000 direct Australian Government expenditure on Aboriginal advancement in that year. Although representing less than 20 per cent of the total program in monetary terms the grants, ranging in amount from \$25 to \$746,100 were 421 in number and were paid to 332 organisations.

Exhibit  
162/1

125. The departmental submission explained that the organisational structure of the Office of Aboriginal Affairs and of the Department, in the period immediately after its establishment, was such that a single section or branch had the function of developing, executing and evaluating the effectiveness of programs and projects. Evaluation of programs was based on socio-economic considerations and the aspect of accountability, required under Treasury Direction 23/8, was not given adequate attention by the officers available to the Department. It was pointed out that neither Office of Aboriginal Affairs, nor the Department, possessed management or financial services until the second half of 1973. The Department believed that it would be too much to expect that all officers in operational areas could be thoroughly familiar with the Audit Act, and the Treasury Regulations and Directions.

Exhibit  
162/1

It was suggested that such officers would normally be entitled to rely on a specialised management and financial services area to provide advice on these matters and to institute appropriate procedures which would ensure compliance with the provisions of the financial legislation.

Grants paid prematurely or in excess of requirements

126. In his report, the Auditor-General commented that:

"Grants for substantial amounts had been paid to various Aboriginal organisations although it appeared that the amounts were either paid prematurely or were materially in excess of the requirements of the organisations at the time the payments were made."

The Auditor-General reported that the Department had admitted that such criticism might be valid for the period prior to 1 July 1973 when the Office and Department of Aboriginal Affairs had not been responsible for the management of its own financial affairs. The Department had explained that because of the difficulties experienced in obtaining valid information on financial matters there had been a tendency to prefer payment of the full grant when approved.

127. The departmental witnesses explained that difficulties occurred not only because the Office/Department was organisationally separated from its financial services but was also physically separated. This "outsider" status generally resulted in the requirements of the Office/Department receiving inadequate priority in financial matters. It was also pointed out that in some cases the full amount of a grant was paid to show good faith in the ability of Aboriginal organisations to manage their own affairs.

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Qe. 44, 45  
and 472

128. In response to Audit criticism that:

"...any difficulty experienced in obtaining valid information on finance matters from the parent Department should have been mutually resolved; and any such difficulty would not justify the payment of moneys before they were actually required by the recipient;"

the departmental witness agreed that the situation should have been remedied but commented that:

"Where non-communication exists or where a degree of non-communication exists, it is very difficult to create communication".

The Committee was told that during the five years that the Office of Aboriginal Affairs had experienced difficulty with its parent Department, some attempts had been made at ministerial level to resolve the problem but these attempts had been only partially successful.

129. At the inquiry the Audit Observer (Mr Hinchy) reiterated the view that payments should not have been made to organisations in advance of a clearly demonstrated need for the funds.

Ngukurr (Roper River) Village Council

130. The Committee was informed that in July 1973, the Minister had approved a grant of \$465,000 to the Ngukurr Village Council in the Northern Territory to enable the community to install a sewerage system. The full amount of the grant had been paid to the Village Council in July 1973. The Auditor-General commented in his report that the payment had been made "although it was evident that moneys to the extent provided were not required at the time of the payment".

131. It was stated that the cheque for the full amount of the grant had been issued by the Department of the Treasury on the authority of the Department of Aboriginal Affairs and forwarded, unaccompanied by any instructions, to the Northern Territory

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of 1974 and  
Qe. 384, 394  
and 395

Q. 46

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1974 and  
Q. 597

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of 1974  
and Qe. 597,  
598, 603  
and 606

Division of the Department. In the absence of any instructions, the Northern Territory Division had forwarded the full amount to the Village Council which banked the cheque within a fortnight of receipt. The Department admitted that a mistake had been made but pointed out that, although the money was properly held by the community, it had been recovered and repaid to the Trust Account on 5 November 1973 and payments were being made on the basis of actual performance and requirements of the Council.

Hunter Region Aboriginal Co-operative Limited

132. In his report (see Appendix B, page 305) the Auditor-General commented that the payment of a grant of \$60,000 on 12 May 1972, to a co-operative<sup>5</sup> formed to establish a hostel for Aboriginal girls at Newcastle, New South Wales, had been made "well in advance of the time when it was needed".

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of 1974

133. The Committee learnt that the Hunter Region Aboriginal Co-operative was formed after the New South Wales Department of Lands had made available a block of Crown land for use as an Aboriginal girls hostel. The Co-operative had presented a feasibility study relating to the project (The Durungaling Girls' Training College) to the Office of Aboriginal Affairs in March 1972. The Government was asked to contribute \$60,000 and it was expected that the total cost (including furniture and fittings) could reach \$92,000.

Committee  
File 1974/4

134. The Minister for the Environment, Aborigines and the Arts approved the grant on 12 May 1972. Third year students at the School of Architecture, University of Newcastle, prepared designs for the building, under supervision of their Architect-lecturers. It was hoped that this would save money but the resultant delay meant that tenders did not close until 22 June 1973 at which time tendered prices ranging from \$133,848 to \$169,533 were received.

Committee  
File 1974/4

5. Although the Auditor-General referred to a "company" it was revealed during the inquiry that the organisation involved was the Hunter Region Aboriginal Co-operative Limited.

Qs. 474  
and  
Committee  
File 1974/4

On 6 August 1973 the Minister for Aboriginal Affairs approved an additional grant of \$81,000 (which was not paid until December 1974) on the condition that ownership of the College would be vested in Aboriginal Hostels Limited. The Hunter Region Aboriginal Co-operative indicated agreement with this condition on 18 December 1974. It was also agreed between Aboriginal Hostels Ltd and the Co-operative that:

- (i) the initiatives for enrolment and types of training at the College would remain with the College's Board of Directors;
- (ii) the College would be operated by the Co-operative's Board of Directors, which would be responsible for all operating costs;
- (iii) the College would be leased to the Co-operative by Aboriginal Hostels Ltd; and
- (iv) Aboriginal Hostels Ltd would also accept responsibility for the cost of all equipment and furniture.

135. At the inquiry, departmental witnesses reaffirmed their view that, at the time the grant was paid to the Co-operative, it appeared to the Department that there was adequate justification for the payments and pointed out that the grant had been used for the purpose for which it had been approved. The departmental witness stated that although he thought that the Audit view that funds should not be paid out prematurely was valid he commented that, to his knowledge, there was no requirement in the financial legislation that the full amount of a grant should not be paid in advance. He also stated that the Department had:

Qs. 460,  
461 and 470

"worked on the basis that we must demonstrate to Aboriginal organisations that we trust them and that one means of trusting them is to make funds available to them at the outset."

136. The Audit Observers (Mr Hinchy and Mr Scott) repeated that in the view of the Auditor-General's Office, the payment had been made prematurely and Mr Scott commented that:

"... as a matter of prudence, we considered that the Department should have waited until the money was needed and then made it available in reasonable amounts as the organisation required it."

• Cummeragunga Pty Ltd

137. In the Auditor-General's Report on the Department of Aboriginal Affairs, the following comment was made;

"The whole of an approved grant of \$130,000 was paid to a company on 7 June 1973 to assist it to acquire certain property on behalf of an Aboriginal community whereas the company had requested a cheque for \$13,000 only."

138. The Committee was told that the Cummeragunga Aboriginal Community had set up a company as early as 1964 or 1965 and had obtained loan assistance totalling \$68,000 for the development of the 1500 acres of their reserve in a period when this was the only type of assistance the Government would provide for Aboriginal Communities. In the instance referred to in the Auditor-General's Report, the community had sought the \$130,000 to purchase two properties adjoining the reserve area and totalling 963 acres.

139. A departmental witness who was involved in the negotiations to purchase the properties explained that complications had arisen when one of the three brothers who owned the properties died in February 1973<sup>6</sup>. The Committee was informed that by May the witness had

6. He explained that information given to the Auditor-General's Office that the third brother had died "after the funds were paid to the disbursing agent" had been incorrect and he had, in fact, died before negotiations had been completed.

Q. 469  
and 473

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of 1974

Q. 607

Exhibit  
162/8 and  
Qs. 611 to  
613, 616  
and 619

Q. 610

become concerned that the remaining two vendors would not wish to proceed with the sale partly because they had no authority to commit the deceased brother's interest and partly because the vendors "found it almost impossible to believe that the Government would actually buy the property". The full amount had been paid on the recommendation of the witness as a token of good faith to show that the Government was really prepared to buy the property. It was explained that the contract had been signed in May 1973 and, although settlement did not take place until 9 April 1974, the community had been given access to the property to start their development program on the basis of the money being available. In the period between payment of the grant in June 1973 and settlement in April 1974, the funds were held in complete security in the company's special account and could only be released upon signatures of the Department's Farm Consultant and the Company Secretary (a local Public Accountant).

• Northern Territory Housing Associations

140. On page 6 of the Auditor-General's Report (See Appendix B page 274) reference was made to payments of substantial amounts which had apparently been made prematurely to a number of housing associations in the Northern Territory. In a submission to the Committee the Department commented on this aspect as follows:

"from the Department's point of view, payment was not substantially premature. On the other hand, it does appear that some of the housing associations may not have moved as quickly as had been hoped to make use of the funds available."

As an example, the departmental submission provided details of a grant totalling \$858,000 to the Meningrida Housing Association of which only \$640,500 had been paid in 1973-74.

141. By way of background, the Committee was advised that the housing association scheme was devised in the Northern Territory to enable aboriginal communities to provide their accommodation requirements through their own efforts. The Committee was informed that there were

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of 1974 and  
Exhibit  
162/1

Exhibit  
162/1 and  
Qs. 479,  
480 and  
483

46 housing associations in the Northern Territory. Prerequisites for assistance from the Government included incorporation of the association and the employment of consultants in technical and accounting aspects. Technical consultants (architects) were responsible for the physical aspects of the building program, and for the preparation of cash flow statements and for reporting progress to the Department; the accounting consultants were required to report monthly to the Department on progress in spending the money and be generally responsible for the administration of the grant. It was on the basis of information provided by the consultants that the Department determined the amount of money to be advanced to the association.

142. The departmental witness pointed out to the Committee that the Auditor-General had not criticised the housing association projects as such but had commented on the apparently premature payments. Consequently the Department had amended its approach to the payment of grants. Q. 494

143. Prior to the Auditor-General's criticism, the Department's Northern Territory Division had worked on the basis of providing operational requirements for six months in advance and capital requirements in full where the association indicated that funds could be expended within six months from the payment of the grant. It was explained that one reason for providing the full capital requirement in advance was seasonal factors in the Northern Territory which meant that all capital requirements needed to be delivered during the dry season if there was to be any continuation of building during the wet season. A witness agreed that in hindsight some of the payments made had been excessive.

144. The Audit Observer (Mr Hinchy) pointed out that the approval by the Minister for the allocation of \$10.75m. to housing associations in the Northern Territory was given on the basis that funds should be made available to each housing association in quarterly instalments based on actual requirements. The departmental witness agreed that the Department had varied from the precise terms of the Minister's approval and admitted that the Department should have sought the Minister's approval to vary the rate of payment. He stressed that, while varying the method of payment, the Department was still operating within the funds approved by the Minister.

Exhibit  
182/1 and  
Q. 481

Qs. 502,  
505 and  
506

145. In relation to the payment of \$640,500 to the Maningrida Housing Association in October 1973, Mr Hinchy advised the Committee that, in a Memorandum of 6 November, the Consultant had estimated expenditure over the three months from November 1973 to January 1974 to be \$290,500 and that at 18 January 1974, about the time the audit took place, the association had an unexpended balance of \$571,044. The departmental witness agreed that the Department had "paid out too much too early" although in a supplementary submission forwarded to the Committee it was indicated that, in discussions between the Department and the Maningrida Housing Association Consultants, in the period between submission of the program on 28 June and approval of the program on 3 October 1973, the capital component of the program (valued at \$405,000) was expected to be available and paid for within three months.

Qs. 503  
and 504  
and  
Committee  
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146. In its submission the Department reported that "in the light of the Audit enquiries, funds are now being provided for a three month period ...". At the inquiry it was stated that there had been a further variation and advances were being made solely on a needs basis and before any advance could exceed \$100,000 it was necessary for the technical consultants to justify the amount. The Audit Observer commented that the Audit Office was satisfied that the Department was now limiting payments in accordance with proper procedures.

Qs. 495,  
497 and  
519

Expenditure incurred without prior approval of the Treasurer

147. On page 6 of his report the Auditor-General made the following comment:

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1974

"Although the approved purposes of the Trust Account provide for the meeting of expenditure on and in connection with programmes that are approved by the Minister and the Treasurer, instances were noted where expenditure had been incurred without the prior approval of the Treasurer."

148. In response to the Auditor-General's request for comment regarding three examples where amounts totalling \$421,000 had been expended in August 1973 prior to receipt of the Treasurer's approval, the Department had advised that it had been the practice, in that part of the financial year before the level of funds to be provided in the Budget for the Trust Account was known, to continue to make payments within the headings and at the same rate as for the previous financial year. The Treasury had supported the Department's view when in response to Audit inquiries it had advised the Auditor-General's Office that the amounts the Treasury had agreed to include each year in the Supply Bill for payment to the Aboriginal Advancement Trust Account were determined with a view to ensuring that the amounts available for expenditure from the Trust Account during the Supply period were the minimum required to enable continuity in the Government's Aboriginal advancement programs. The Treasury also pointed out that the inclusion of particular amounts in the Supply Bills had been on the understanding that expenditure would be confined (at least until the Treasurer's concurrence to an annual expenditure program had been obtained) to types of programs previously endorsed by the Treasurer. Treasury also made the point that many of the Aboriginal advancement programs were of a continuing nature and that it did not regard the authority for them as lapsing at the end of the financial year.

149. The Department, in its submission, and during the public inquiry, reaffirmed the view that it had acted correctly in continuing approved programs of expenditure from the Trust Account during the Supply period. The departmental witness commented that the procedures being followed at the time Audit first queried them late in 1973, had been followed since the beginning of the Trust Account, but once Audit had questioned the procedure, the matter had been taken up with the Treasury. In response to questions relating to the three examples referred to the Department by the Auditor-General's Office, the Committee was assured that expenditure on these programs would have

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of 1974 and  
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Exhibit  
162/1 and  
Qs. 49 and  
52 to 54

been within the approval of the Treasurer from the previous year<sup>7</sup>. A departmental witness pointed out that there were two sources of funds for the Trust Account during the Supply period - funds remaining from the previous year which did not lapse because of the nature of the Trust Account appropriation; and funds voted for the Supply period - and any expenditure during the Supply period could have been funded from either of these sources.

150. The Audit Observer (Mr Hinchy) stated that the question of the approval of expenditure from the Aboriginal Advancement Trust Account during the Supply period had now been resolved satisfactorily. He confirmed that the new procedure for approving expenditure during the Supply period would be as outlined at page 7 of the Auditor-General's Report. He explained that at the beginning of each financial year the Minister would submit an interim program, for amounts expected to be expended in the Supply period, for the Treasurer's approval. This procedure would apply to any payment made from the Trust Account, including expenditure of the unexpended balance carried forward from the previous year<sup>8</sup>.

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of 1974  
and Qs. 47,  
48 and 53

151. In response to a Committee request for information regarding the role of the Treasury in the examination of proposals for expenditure by the Department of Aboriginal Affairs we were told that Departmental expenditures were subject to the normal scrutiny by the Treasury in the Budget context. Treasury, in examining draft estimates sought to establish that proper authority existed for the inclusion of each item and that, on the basis of all available information, the amount sought for each item was reasonable.

Committee  
File 1974/4

7. The witness referred to departmental action taken in relation to the purchase of the trawlers as an example of expenditure in the Supply period which the Department felt "did not come within the previous existing approval of the Treasurer", and so a submission seeking the Treasurer's approval for the expenditure had been prepared.

Q. 53

8. Mr Hinchy pointed out that the terms of approval given by the Treasurer in previous years had referred, for example, "to expenditure from the Aboriginal Advancement Trust Account in 1972-73" and stated that "there was considerable doubt as to whether his approval was sufficiently wide to flow over into the following year if the funds had not been expended within that year."

Q. 53

Proposed increases of expenditure on items where authority already existed were given careful attention. Where no authority existed or where agreement could not be reached between officers of the Treasury and the Department, the matter was brought to the attention of Ministers.

152. The Treasury informed the Committee that prior to December 1970 the Minister-in-charge of Aboriginal Affairs had been required to seek in advance the approval of Cabinet or the Treasurer for all programs of expenditure from the Aboriginal Advancement Trust Account. In addition, the Minister-in-charge of Aboriginal Affairs sought the Treasurer's approval to each individual payment from within the general provision in the Trust Account for grants-in-aid. However, substantial increases in requests for approval by the Minister resulted in the Treasurer, in December 1970, agreeing to a proposal that the Minister be authorised each year to approve individual grants up to totals agreed between the Treasurer and the Minister. The latitude granted to the Minister was conditional upon the Department providing a monthly statement of grants approved from the Trust Account. These arrangements have continued to apply until the recent addition whereby the Treasurer's approval is sought, before the beginning of each financial year, to an interim program of expenditure covering all funds available for expenditure from the Trust Account during the Supply period.

Audited financial statements of expenditure from grants

153. In his report, the Auditor-General stated that on 13 August 1973 he had addressed a memorandum to the Department on its apparent failure to take adequate action to ensure the submission of audited financial statements covering expenditure from grants previously made. Various steps were suggested to rectify the deficiencies, including the issue of written instructions covering the application for, registration, processing, payment and follow-up of grants. Reference was also made to the need for consideration to be given to the Government retaining some form of control over equipment should it cease to be used for the purpose

Qs. 47 and  
50 and  
Committee  
File 1974/4

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of 1974

for which the grant was made. By 31 January 1974, the Department had not, in the Auditor-General's view, taken adequate remedial action. In the memorandum dated that day, further deficiencies relating to the failure to follow-up grants were referred to the Department. These were:

- (i) Further grants had been made to organisations although they had not complied with obligations arising out of earlier grants.
- (ii) Requests for submission of financial statements were often not specific on the nature of the statements to be submitted or on the time of their submission; follow-up of their submission was inadequate.
- (iii) Some financial statements submitted contained insufficient information.
- (iv) There were inadequacies or delays in departmental examination of financial statements submitted by organisations.
- (v) Action taken by the Department to ensure that satisfactory accounting and financial and administrative controls were operating within organisations receiving (or to receive) grants was inadequate or unduly delayed.

154. The Auditor-General reported that the Department had advised him on 31 January 1974 that an officer had been seconded to the specific task of following up grants and "all grants made in 1972-73 and certain earlier grants had been listed for follow-up action; organisations had been written to seeking audited financial statements". In its submission the Department provided the Committee with details of follow-up action taken to 25 March 1974. This involved requesting the submission of audited financial statements from 226 of the 332 organisations which received grants in 1972-73 and, where applicable, requesting statements for previous years, and also reminding the organisations of their obligations to produce financial statements relating to current grants. It was stated in the submission that 90 financial statements had been received by the Department, 24 of

P.P. 13  
of 1974 and  
Exhibit  
162/1



which had been audited, and the remainder had been the subject of further correspondence with the organisations concerned. The Committee was also told that twenty-five letters had been returned unclaimed and that an examination of these cases was proceeding.

155. In its response to the Auditor-General's queries, the Department had expressed the opinion that it would be impracticable and unrealistic to attempt a thorough follow-up of all grants and although appropriate action would be taken as time and staff permitted, it could be necessary to obtain a Treasury dispensation from complying with the relevant Treasury Direction.

P.P. 13  
of 1974

156. In its submission to the Committee, the Department explained that it had always been the intention of the Department to follow-up grants and refuse further funds to organisations which, without reasonable explanation, failed to supply appropriate financial statements. However, the Department conceded that with the great increase in the number of grants, "there could have been occasions when grants were made to organisations which had failed to supply audited statements to earlier grants". The Department also pointed out that the varied circumstances applying to the numerous grants had prevented the early development of procedures to standardize follow-up action and that any procedures developed would necessarily be of an interim nature pending the reorganisation of the Department.

Exhibit  
162/1

157. The Department explained that it had sought Treasury advice on the application of Treasury Direction 23/8<sup>9</sup>, to small single purpose payments where the submission of professionally audited financial statements would appear to be inappropriate. The Treasury Observer (Mr Davidson) told the Committee that the previous Treasury Direction 23/8 had not been drafted with the type of grant being made by the Department in mind. He explained that under the revised Direction recipients of grants for specific purposes should be required to certify that the purpose and conditions of the grant have been complied with and to produce statements of expenditure on those purposes. Any unaudited statements should be supported by vouchers or verified by an independent public accountant. A statement of expenditure

Exhibit  
162/1 and  
Qs. 385,  
386 and  
453

supported by vouchers was sufficient for the very small grants. The departmental witness explained that the revised Direction came much closer to meeting the Department's requirements.

158. In response to questions regarding the follow-up action taken by the Office of Aboriginal Affairs, the departmental witness conceded that although the Office had not had any financial and administrative capacity and had relied on its parent department for these services, one of its functions was to follow up audited statements from organisations in receipt of grants. It was stated that audited statements "were regularly looked for" by the Office but the emphasis placed on the actual projects resulted in the follow-up suffering badly.

Qs. 381  
and 383

159. Mr Scott, the Audit Observer, told the Committee that the Office of Aboriginal Affairs had, in November 1971, sought the Auditor-General's advice regarding the need to obtain audited financial statements. The Audit Office had replied in December 1971, advising that it would be appropriate for the Department to adhere to the instructions laid down in Treasury Direction 23/8 and also suggested that the conditions of the grants should include provision for financial statements certified by a qualified public accountant where this was possible. Mr Scott stated that the Audit Office later found that:

Q. 385

"there was the failure as a general rule to ensure that there was the follow-up in the Department of the receipt of certified financial statements."

160. In relation to the questions of control over equipment purchased by organisations with grants, the Department explained that in cases where the success of a project was in any doubt, provision had been made for the retention of some form of control. In the case of grants towards the purchase of properties, the Department generally ensured that a community's memorandum and articles of association required an approach to the Minister before all or part of the land could be disposed of. The Department agreed that in cases where

Exhibit  
162/1 and  
Q. 531

9. Prior to its amendment

costly equipment was purchased or where pioneering or experimental projects were undertaken, there could be need for a specific provision to ensure retention of Government control. The Treasury Observer believed that the question of control was one of policy and should be decided by the Minister. Treasury Direction 23/8A, which was promulgated by the Treasury during the course of the inquiry, provides:

"Where a grant is to be made for the purpose of purchasing equipment or other assets, the question of ownership of the assets should be determined before the grant is made."

161. Reference was made in the Auditor-General's Report to preparation of procedures relating to processing and follow-up of grants. In its submission to the Committee the Department explained procedural instructions had been revised for the "registration, processing and payment" of grants but the variety of circumstances encountered in practice had prevented the use of a standard form of application, although guidelines were being drawn up where appropriate.

P.P. 13  
of 1974  
and Exhibit  
162/1

162. At the time of the inquiry the Department was in the process of re-organisation. As part of this re-organisation an Operations Management Branch was being established in the Operations Division. The Committee was told that the primary task of this Branch would be project control and the Department believed this would overcome the bulk of the problems which had been encountered.

Q. 277

163. A departmental witness explained in detail the role of the Operations Management Branch and the Committee was provided with a supplementary submission which gave a detailed outline of the Department's new project control system. This information is contained in Appendix G. It was pointed out that the system had been developed with the assistance of a team of officers from the Public Service Board who specialised in systems procedure and control.

Q. 278

164. The new project control system included a very basic application form to be filled out by every organisation seeking funds. The witness expressed the opinion that no Aboriginal organisation should experience any difficulty in filling in this form. Also included was a basic set of financial rules for the guidance of Aboriginal organisations and a form of letter which was designed to advise recipients of funds of all conditions associated with the grant. Also included in the system were procedures to ensure that progress reports were received as required and that various branches in the Department were aware of the rules and their responsibilities in relation to applications.

Qs. 279  
and 281

165. The witness expected that the project control system would prevent premature release of funds in the future. The Department had also implemented a system of quarterly payments based on quarterly statements of expenditure provided by recipient organisations as a supplement to the audited annual statement required by Treasury Direction 23/8. It would assist the Department both in preventing the premature payment of funds and in ensuring control over expenditure of funds previously given. Unless Ministerial approval had been obtained to make quarterly payments, the Department would normally seek his approval each quarter to a further grant based on the previous quarter's performance. Under the new project control system, the Operations Management Branch would make the judgement as to whether the organisation had complied with the conditions of the grant or not.

Qs. 279,  
337 to  
359, 422  
and 423

166. The project control system as outlined to the Committee during the inquiry was introduced in the Department's Central Office in the period October/November 1974. At that time the control encompassed all operations in relation to grants made by the Department Australia-wide. The procedures were introduced progressively into the Regional Offices of the Department as these were established.

Q. 278 and  
Committee  
File  
1974/4

167. The Committee also learned that the Grants Review Committee referred to in the Auditor-General's Report (See Appendix B page 276) comprised all Canberra based Second Division Officers and usually numbered about six or eight officers. The Grants Review Committee

Exhibit  
162/1  
and Qs.  
427 to 429

had been in operation since November 1973 and considered draft submissions for grants. Its purpose was to ensure that all interested areas in the Department were involved in decisions relating to the making of grants and were able to make appropriate contributions.<sup>10</sup>

168. The Audit Observer (Mr Scott) said that the Auditor-General's Office had examined the Department's new proposals in relation to control and systems for payment of grants and had expressed satisfaction with them. He pointed out that the Office would examine the procedures in a practical situation in the course of its normal duties. Q. 297

169. In paragraph 3.1.2 (page 143) of the Auditor-General's Report 1973-74 the following comment was made in relation to control over grants; P.P. 331 of 1975

"Improvements in the control over grants were noted during the recent Audit review; however, a number of inadequacies, including those referred to below, still exist.

In response to recent Audit enquiries concerning inadequacies in the follow-up of the receipt and examination of financial statements relating to grants to organisations in previous years, the Department stated that a significant number of statements had been received and scrutinised; some were satisfactory but others appeared to warrant closer examination. The Department indicated that it would be some time before the examination was completed and it remained unsure as to what further action it should take to pursue the submission of outstanding statements having regard to limited staff resources."

170. The departmental witness explained that the Department had been allowed only a very small increase in staff and in allocating this increase priority had been given to the Operations Management Branch. The Department was ensuring that ongoing grants were properly scrutinized and would follow-up past grants as staff resources permitted. Q. 1747

10. As an example of the type of contribution the witness explained that an officer from the Management Services area could point out an accounting deficiency while an officer from the policy area may indicate a policy fault. Q. 428

Purchase of Kildurk Station

171. Kildurk Cattle Station in the Northern Territory was purchased in April 1973 with funds provided by way of grant from the Aboriginal Advancement Trust Account. Two aspects of the purchase, on which the Auditor-General sought comment from the Department were:

P.P. 13  
of 1974

- the absence of evidence to indicate that the Minister had given his final approval for the purchase of the property for \$829,000
- the failure of the Department to arrange incorporation of the Aboriginal community involved and reach agreement on the portion of the grant to be treated as a repayable loan before the purchase was completed.

172. In its submission to the Committee, the Department commented that although the Auditor-General had made enquiries regarding the handling of the Kildurk Station purchase, it had not criticized the Department's actions. In evidence the departmental witness re-affirmed the view that the Auditor-General had not intended his comments to be regarded as criticisms, however, the Audit Observer (Mr Scott) stated:

Exhibit  
162/1 and,  
Qs. 545,  
547 and 559

"Without doubt the Auditor-General's Report was of a critical nature in connection with this purchase..."

173. By way of background the Committee was informed that the Aboriginal community had applied on the ordinary capital fund form on 9 October 1971 for a 100 per cent loan to purchase Kildurk Station. At that time a loan was the only method by which the community could be assisted. Subsequent changes in Government policy introduced the possibility of a part-loan and part-grant arrangement. The Department had, in its discussions with the community introduced them to the idea that part of the purchase price could be met by a grant. The witness agreed that the Department required a clear and formal indication of the wishes of an Aboriginal community before

Exhibit  
162/13 and  
Qs. 535,  
536, 558,  
568 and  
569.

entering into any firm commitment and tendered, as evidence of the Aboriginal community's wishes and initiative in the case of Kildurk, a copy of a letter dated 13 April 1973 in which the Aboriginal Community's "Pre-Incorporation Committee" requested the Department to arrange the purchase of the property on their behalf and also to assist with the incorporation of the community.

174. The Auditor-General's criticism regarding the failure of the Department to seek the Minister's "final approval" to the purchase of Kildurk centred on the interpretation of the wording of the original submission, dated 27 February 1973, seeking approval for a grant "of up to \$829,000 to negotiate a walk-in-walk-out price". The Audit Observers (Mr Scott and Mr Hinchy) stated that it was the Audit Office view that a further submission to the Minister would have been appropriate. Mr Hinchy said that the Auditor-General's Office had interpreted the submission of 27 February as informing the Minister that a further submission would be made. Mr Scott pointed out that the Department had, on the same day as the Minister had given approval for expenditure of "up to \$829,000" the Department had telegraphed an acceptance to purchase the property for that figure. He commented that if the Department acted in accordance with the Minister's approval it would have made attempts to purchase the property for a lesser figure.

175. The Department rejected the Auditor-General's criticism on this question and asserted that the approval given on 27 February 1973 was in no way a tentative approval but was subject only to inspection of the property being satisfactory and was to be followed only by recommendations regarding the level of loan monies and technical guidance considered appropriate. The witnesses conceded that the Department had advised the vendor by telegram on 27 February that the Minister had approved purchase of the property for \$829,000 but pointed out that this had been done because the vendor had threatened to cease negotiations with the Department. They insisted that the vendor's threat to cease negotiations had been explained to the Minister who was perfectly well aware when he authorised the grant that he was authorising a grant of \$829,000. It was stated that the submission had been drafted prior to 27 February when there had still been a chance of purchasing the property for a lower price.

Qs. 552  
and 558

Qs. 541,  
548, 549,  
551 to 556  
and 558

176. The second area of criticism by the Auditor-General related to the failure by the Department to arrange incorporation of the Aboriginal community and reach agreement on the proportion of the purchase price to be treated as a loan before the contract for purchase was signed on 26 April 1973.

P.P. 13  
of 1974  
and Q. 550

177. In its submission to the Committee, the Department pointed out that it was not always possible or practicable to complete all formalities prior to purchases being arranged. The Department explained that the Government would introduce legislation to provide for a simplified form of incorporation for Aboriginal communities thus reducing the time taken to incorporate and increasing the number of cases where direct purchase of properties by incorporated communities was feasible. The Committee was told that the community had been incorporated in April 1974 as the Mialuni Community Inc. and both the Community and the Board of Directors of the Amanbidji (formerly Kildurk) Pastoral Co Pty Ltd had undertaken to execute the formal loan agreements.

Exhibits  
162/1 and  
162/8

178. The Department explained that uncertainties had entered the negotiations regarding the loan component as a result of the Aboriginal Land Rights Commission Report which, the departmental witness suggested would result in there being no loan component at all. At the time of the inquiry (August 1974) the Capital Fund Advisory Committee was examining the question of the funding of Kildurk Station. A further cause of delay in reaching agreement was the climate. The witness explained that a very long wet season made it difficult for the Department to get the community together to discuss the loan component.

Qs. 533,  
560, 570  
and 571

179. The Committee was told that a loan component of \$233,000 was first suggested by the consultants, Australian Agricultural Consulting Management Company Pty Ltd, but the Department had not made a firm recommendation to the Minister regarding the loan component as it had felt in February 1973, \$233,000 was too low. After the experience of running the property for eighteen months, the Department had concluded that \$300,000 would be an appropriate loan component.

Qs. 543,  
558 and  
571

180. At the inquiry the departmental witness referred the Committee to an attachment to its second submission as evidence that agreement on the loan component had been reached. The letter from the Chairman of Directors of the Amanbidji Pastoral Co Pty Ltd dated 24 April 1974 stated:

"From what we have been told, we understand a loan for our cattle business is now being considered by your advisers and will possibly be about \$300,000. With our knowledge of the cattle on the Station and what Mr Edey has told us about money matters, we feel this loan is quite fair and reasonable. As soon as all the necessary papers are ready, we would like to have them all signed so that a final dividend for the first cattle season's operations can be determined and the Mialuni Community Inc. can start to improve our Community facilities.

We again wish to thank you for your help and hope you will be finalising loan arrangements soon."

181. The Audit Observer (Mr Scott) stated that the failure of the Department to obtain a firm commitment on the loan commitment prior to purchasing the property could place the Department in an unfavourable position in any future negotiations. He rejected the Departmental witnesses claim that the letter quoted above was in fact an agreement and saw it only as an "intention to make an agreement with the Department".

182. The departmental witness agreed with Mr Scott's view that there was no agreement document although he insisted that the letter was a clear enough agreement by the community to accept the loan commitment.

183. In defence of the failure to obtain formal agreement to the loan commitment the witness stated that the Department would have misgued the community if it had done so as uncertainties still existed regarding the funding arrangements. It was also pointed out that the process of consultation between the Department and

Exhibit  
187/9 and  
Qs. 560  
and 561

Qs. 558,  
560 and  
562

Q. 564

Qs. 565  
and 581 to  
584

Aboriginal communities had to be thorough and, of necessity, required a long period of time if Aboriginal communities were to be fully aware of the implications of any decision and were fully cognizant of their commitments.

184. The Committee was assured that at all times during the negotiations and following the purchase of the property, the Department had full control of the asset which was held in a company comprising two shareholders, both of whom were departmental officers, who were holding a share each in trust for the Minister. It was suggested that the difficulties experienced in the case of Kildurk would be overcome by legislation proposing to create an Aboriginal Land Fund. The Land Fund would hold the tenure for any assets purchased on behalf of Aboriginal communities until negotiation and incorporation of the communities was completed at which time title to the assets could be transferred to the community.

Exhibits  
162/1 and  
162/8 and  
Qs. 534  
and 544

#### Conclusions

185. The evidence shows that the Aboriginal Advancement Trust Account was originally established as a temporary measure during the 1968-69 financial year to meet a particular Budget situation and that the need to continue the Trust Account had been reviewed by the Treasury on three occasions since then.

186. The Committee acknowledges that satisfactory control over expenditure from the Trust Account has been maintained by the Department and the Treasury since the Trust Account was established. The Committee also recognises that a comprehensive statement of all expenditure on Aboriginal Affairs has usually been presented to the Parliament by the Minister after the Budget. Nevertheless, the Committee believes that the establishment of any trust account derogates from the power of the Parliament to control expenditure and that the continued use of such accounts must be fully justified. The Committee, therefore, was pleased to note from the

Treasurer's statement in the House of Representatives on 20 May 1976 that it was the Government's intention to abolish the Aboriginal Advancement Trust Account from 1 July 1976. The Committee has since been informed that action to close the Trust Account was taken by the Treasurer's delegate on 24 August 1976. The account has been inoperative since 1 July 1976 and the balance held in the account as at 30 June 1976 has been repaid to Revenue.

187. The evidence shows that the Office of Aboriginal Affairs had difficulty in obtaining information on financial matters from its parent departments and that this had resulted in a tendency to prefer payment of the whole of a grant when approved. Although the Committee appreciates how this practice developed, the Committee is of the view that grants should not be made to organisations in advance of a clearly demonstrated need for funds. The Committee considers that this principle should be applied to the payment of all grants of this nature made by departments and other government instrumentalities. The Committee suggests that the Treasury should give consideration to the desirability of including such a rule in the Treasury Directions.

188. The Committee agrees in general with the comments in the Auditor-General's Report relating to particular instances where it was considered that payments of grants were made before funds were actually required by the recipient organisation. These include payments to Ngukurr (Roper River) Village Council \$465,000; Hunter Regional Aboriginal Co-operative Limited \$60,000 and Cummerrunga Pty Ltd \$130,000. In the latter case the Committee considers that the Government's good faith could have been demonstrated by means other than paying over the whole of the grant to be held in the company's special account until needed.

189. The Committee is disturbed by the disclosure that in relation to the funds allocated to aboriginal housing associations, the Department saw fit to disregard the precise terms of the Minister's approval that funds should be made available to each association in quarterly instalments

based on actual requirements. Had the terms of the Minister's approval been adhered to, this aspect of the Department's operations would probably not have attracted criticism from the Auditor-General. The Committee is pleased to note that the Auditor-General's Office is satisfied that the Department is now limiting payments in accordance with proper procedures.

190. In relation to the general control over grants, the Committee notes that as a result of the re-organisation of the Department, a new project control system has been developed which would prevent the premature release of funds and ensure proper control over funds already given. The Committee would be interested to know if the new system is operating satisfactorily.

191. The Auditor-General's Report and the Committee's subsequent inquiry highlighted the fact that the provisions of Treasury Direction 23/B were not quite appropriate for many of the grants made by the Department. The Committee commends the Treasury for the prompt action taken to amend the existing Direction to cover those grants and for the promulgation of a new Treasury Direction 23/BA dealing with the ownership of assets purchased from grants.

## CHAPTER 5

TURTLE AND CROCODILE PROJECTS

192. The Auditor-General's comments in relation to the administration of the Turtle and Crocodile farming projects are repeated in full at Appendix B, pages 277-282 and 308-314. The crux of his comments is contained in the conclusion reached on page 13 of his report which states:

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of 1974

"It is evident that neither the Department nor the Australian National University has exercised adequate control over the expenditure of substantial amounts on the turtle and crocodile projects. Their failure properly to control the expenditure appears to have resulted primarily from a lack of definition of the respective responsibilities of each body."

(a) Background to the Projects

193. The Committee was informed that the research projects to assess the economic viability of turtle and crocodile farming, and to study the practicability of developing this type of farming, were to be supervised by Dr Harold Robert Bustard. Dr Bustard came to the Australian National University from Scotland in 1963 as a PhD scholar in the Department of Zoology to conduct ecological studies on Australian lizards. The PhD degree was conferred in 1966 and he won a Queen Elizabeth II Fellowship to continue the work on lizards and to develop further work on the Queensland sea turtles and on fresh water crocodiles in north-west Australia. On the expiry of that Fellowship he was appointed as Research Fellow in the Research School of Biological Sciences for three years from 21 August 1968 and continued his work on the population biology and behaviour of lizards, turtles and crocodiles. In the course of the research he became aware of the economic possibilities of turtle and crocodile farming as a means of livelihood for Aborigines.

Exhibit  
162/23 and  
Qe. 641  
and 649

194. From the evidence and supplementary information given to the Committee it would appear that Dr Bustard approached the Office of Aboriginal Affairs early in 1970 with a view to ascertaining its attitude to projects such as the turtle project<sup>1</sup>. Subsequently in September 1970 Dr Bustard obtained the permission of the University Council of the Australian National University to apply for a grant of \$27,730 from the Office of Aboriginal Affairs to analyse the population ecology of turtles in the Torres Strait area and of crocodiles in the Northern Territory and North Queensland, and to carry out detailed work on the management and farming of both turtles and crocodiles.

Exhibit  
162/1 and  
Qe. 630,  
639 and  
Committee  
File 1974/4

195. Witnesses for the Australian National University pointed out that, although it had been necessary for Dr Bustard as an employee of the University to seek the University Council's approval to obtain funds from the Office of Aboriginal Affairs:

Qe. 1571  
and 1572

"the project itself had not been scrutinised and subjected to the normal academic determinations in relation to its ends..."

The University had not made any formal assessment of the project but had been of the opinion that "the sorts of things the Department wanted to do through Dr Bustard appeared to be worthy".

1. While it is apparent to the Committee that Dr Bustard was the instigator of the turtle project, a submission to the then Minister-in-Charge of Aboriginal Affairs, the Hon. W.C. Wentworth throws some doubt on the source of the crocodile farming concept. That submission, dated 5 June 1970, states inter alia: "Dr Bustard has been approached to see whether a research project could be mounted in a suitable place in the Northern Territory, Western Australia or Queensland to breed crocodiles."

Committee  
File 1974/4

196. The departmental witnesses explained that the original submission from Dr Bustard, seeking \$10,080 and \$17,650 for the first twelve months operation of the turtle and crocodile projects respectively, was used to obtain approval of the University Council and passed to the Office of Aboriginal Affairs without covering correspondence. There was some doubt regarding the Office's involvement in the actual preparation of the original budgets. One witness believed that the budgets were entirely the work of Dr Bustard<sup>2</sup> while another stated that the budgets "were prepared by the Department after a series of discussions with Dr Bustard..."<sup>3</sup>

197. The Committee was informed that recommendations for approval of the grants were submitted to the Minister-in-charge of Aboriginal Affairs (Hon. W.C. Wentworth) on 5 June 1970 and approved by him on 19 June 1970. The sum of \$27,730 was forwarded to the Australian National University on 8 October 1970.

198. At the time the original submissions for the grants were approved it was envisaged that the turtle and crocodile projects would need to be supported financially for a period of three years. A departmental witness stated that the projects were primarily research projects and indicated that it was expected to be quite some time after commencement of the projects before commercial exploitation would occur.

199. In July 1972 in a letter to the Director, Office of Aboriginal Affairs (Mr Dexter) Dr Bustard expressed the opinion that commercial exploitation of the turtle project was near and he

2. A supplementary submission to the Committee supported this view; it stated: "Apart from ... preliminary discussions the Department was not involved in the preparation of the original application."

3. The witness could have been referring to budgets subsequent to the original budget as Q.650 referred to budgets during the period October 1970 to June 1973. Q.655 also tends to support this view.

Exhibit  
162/1 and  
Qs. 637 to  
639, 641,  
645 and  
650 and  
Committee  
File 1974/4

Q. 631 and  
Committee  
File 1974/4

Q. 649 and  
Committee  
File 1974/4

Qs. 690  
and  
Committee  
File 1974/4

Committee  
File 1974/4

Qs. 650  
and 655

expected production valued between \$80,000 and \$200,000, depending on the method of marketing, in the financial year. He proposed employment of a person to act as marketing officer to ensure the best return could be obtained. Because of the apparent nearness of commercial exploitation, the Australian National University decided early in 1973 that its association with the project was no longer appropriate and should be terminated. Applied Ecology Pty Ltd a government-owned company was formed and has managed the grants since 1 June 1973.

200. Total grants made, or proposed to be made, on the turtle and crocodile projects are shown in the following table:

Year	\$	Funds Paid to
1970-71	27,730	A.N.U.
1971-72	37,000	A.N.U.
1972-73	(310,000 (180,000)	A.N.U. Applied Ecology Pty Ltd
1973-74	680,000 <sup>4</sup>	Applied Ecology Pty Ltd
1974-75	800,000 <sup>5</sup> (est.)	Applied Ecology Pty Ltd
1975-76	900,000 <sup>6</sup> (est.)	Applied Ecology Pty Ltd

201. In evidence, the departmental witness reaffirmed the Department's faith in the projects as an economic base for some Aborigines and Torres Strait islanders. He stated that successive Ministers had had varying degrees of faith and

4. The actual amount approved was \$700,000 (see paragraph 203)

5. The budget for 1974-75 sought a grant of \$1m, but a witness for Applied Ecology pointed out that there was a carry-over of some \$200,000 from previous years and he estimated that \$800,000 would be required.

6. The amount sought for 1975-76 by the Board of Directors of Applied Ecology Pty Ltd was originally \$1.5m. Part of the decrease could have resulted from a carry-over of funds from 1974-75.

Exhibit  
162/23 and  
Qs. 704, 770  
and 1924 and  
Committee  
File 1974/4

Exhibit  
162/1  
and Qs. 768  
and 769

Qs. 661,  
1924 and  
Committee  
File 1974/4



enthusiasm in the projects and pointed to some of the advantages which had already resulted from the projects and which had been referred to in the Department's submission.

202. The former Minister (Mr Bryant) in his submission to the Committee, stated that he believed the Department's optimism about the turtle and crocodile projects was "whistling in the dark". He stated that the Department had tendered to him a budget in excess of \$1m. for 1973-74 and expressed the belief that had he accepted the Department's advice a large sum of Australian Government money would have been wasted. He supplied the Committee with a copy of a draft budget for \$1.2m. provided by the Permanent Head of the Department on 12 April 1974 and which concluded:

- "4. The expenditure on the project up to the end of June 1973 will be of the order of \$400,000, and compared with this figure, the budget for 1973/74 may appear to be high. It has to be remembered however, that the concept of the project has changed considerably from the original research-type project, and if the Aborigines and Islanders maintain the progress they have shown hitherto, the project will eventually become a substantial commercial enterprise for which the foundations have to be laid now.
5. I expect that it will be necessary to budget for a figure of the order of a million dollars for the project for 1973/74 and as soon as the draft budget is settled after discussion, I shall make a firm recommendation to you."

203. The departmental witnesses stated in evidence and in a supplementary submission to the Committee that the Department had finally recommended a budget of \$430,000 for 1973-74 but the Minister had rejected this advice and approved an amount of \$700,000 which was a figure recommended to him by Senator George, Chairman of Applied Ecology Pty Ltd at the time. The Committee was told by Mr Dexter

Exhibits  
162/25 and  
162/26

Qs. 661,  
664, 704,  
706 and 707  
and  
Committee  
File 1974/4

that the budgets referred to by the Minister had been provided in response to a request from the Minister's Office and the budgets were specifically stated to be "under discussion" with no recommendation being made in the minute attached to the budgets.

204. In support of the Department's faith in the projects the departmental submission pointed out that it had been demonstrated that it was technically feasible to farm turtles commercially and that such an industry could be established without substantial damage to the life style of Aborigines and Torres Strait islanders in northern areas. It also stated that the project had already raised substantially the average wage throughout the Torres Strait Island reserve.

205. The submission also stated that the studies commissioned by the Special Minister of State (Mr Bowen) to be undertaken by Mr Smart in relation to the organisation management and marketing prospects and by Doctor Carr and Professor Main on the ecological implications, concluded in separate reports dated October 1973, that the project was feasible, both economically and ecologically, subject to certain modifications. One of the modifications required that harvesting of turtles be done only from turtles bred in captivity instead of the original proposal to breed turtles in captivity, release them after one year, and harvest a comparable number from the sea less ten per cent for ecological purposes. The reason for the changed approach was the uncertainty whether the turtles bred in captivity could survive after their release to the sea. The change in approach meant a considerable delay in commercial exploitation because farm-bred turtles would not reach maturity for six or seven years.

Exhibit  
162/1

Exhibit  
162/1,  
Q. 797 and  
Committee  
File  
1974/4

(b) Control of the Grants to 1 June 1973(i) Conditions attached to the Grants

206. The Committee was told that the only conditions attached to the grants were those contained in the original application for funds by Dr Bustard and these terms were agreed between the Office and the University. In a letter of 24 May 1973 responding to audit queries from the Department of Aboriginal Affairs, Dr Bustard commented that: "very definite accounting guidelines were provided when the initial grants were made" although subsequent comments in the letter indicate that the constraints were largely the result of the small size of the grants rather than a set of specific conditions.

207. In its submission to the Committee the Department commented that it would have been desirable for the Office of Aboriginal Affairs and later the Department of Aboriginal Affairs to have drawn up a specific set of conditions in respect of the turtle and crocodile projects. At the inquiry it was explained that conditions were not drafted initially because there was insufficient time for the small staff of the Office to prepare appropriate guidelines and also, because of the pioneering nature of the projects, the Office was not sure what the constraints would be.

208. In defence of its failure to provide a precise set of conditions for the grants, the Department claimed that if it had decided to provide detailed guidelines it would have been necessary to seek the assistance of another department. In its submission the Department tendered a set of conditions attached to grants made by the Australian Water Resources Council as an example of the types of conditions it could have provided but claimed that even if it had done this it would not have met the requirements of the Auditor-General's Office as set down in items (a), (b),

Qs. 671  
to 674  
and  
Committee  
File 1974/4

Exhibit  
162/1 and  
Qs. 652  
and 653

Exhibit  
162/1 and  
Qs. 654,  
658 and  
670

(c) and (d) on page 10 of the Auditor-General's Report (see Appendix B page 278).

209. The Audit Observer (Mr Scott) thought that the proposition put forward by the Department was not very realistic and pointed out that even though they may not have met the requirements as outlined in the Auditor-General's Report, preparation of specific conditions would have resulted in more satisfactory handling of the funds provided in the grant and it may not have been necessary for the Auditor-General to write to the Department in those terms.

Q. 670

(ii) Correspondence relevant to Control of the Grants

210. From the evidence, it is apparent to the Committee that the uncertainty regarding control of the turtle and crocodile projects arose from differing interpretations placed by the Office of Aboriginal Affairs and the Australian National University on three letters written in late 1970. Because of their relevance to the difficulties which subsequently arose, the full text of each letter is repeated below.

Exhibit  
162/1 and  
Committee  
File 1974/4

.. Letter of 8 October 1970 from O.A.A. to A.N.U.

"Dear Mrs Cumpston,

I enclose a cheque for \$27,730 to be used to support research studies by Dr H.R. Bustard into the feasibility of turtle and crocodile farming in northern Australia.

These funds are provided specifically for these two projects and, of course, should be used only for expenditure incurred by Dr Bustard in relation to these studies, the terms of which have been agreed between ourselves and him. On the other hand, should Dr Bustard leave his present appointment we would seek to arrange for him to use these funds to continue the project. I understand that the University Accountant will administer the funds in accordance with your normal practices.

Yours sincerely,  
(B.G. Dexter)  
Director"

.. Letter of 19 October 1970 from A.N.U. to O.A.A.

"Dear Mr Dexter,

Thank you for your letter of 8 October. The University is happy to accept the grant of \$27,730 to support research studies by Dr Bustard into the feasibility of turtle and crocodile farming in Northern Australia.

The University receipt for your cheque is enclosed. I should be grateful if you would let me have a statement of the terms of the grant so that it can be administered in accordance with our normal procedures.

Yours sincerely,  
(H.I. Cumpston)  
Acting Registrar"

.. Letter of 19 November 1970 from O.A.A. to A.N.U.

"Dear Mrs Cumpston,

I refer to your letter of 19 October and to our recent telephone conversation about our grant of \$27,730 for Dr Bustard's research.

As indicated, we are not particularly concerned that Dr Bustard should keep rigidly to the limits of expenditure on the individual projects which he has indicated in his document of September 1970 headed "Application for a research grant from the Office of Aboriginal Affairs". It may be that as the two projects continue, he will find it necessary to spend more on one project and less on another.

An arrangement whereby accounts are paid on his authorisation or are advanced to him for spending would be quite satisfactory from our point of view. We would expect to have from Dr Bustard about the middle of next year a statement of the progress of these two studies and an accounting for the expenditure of our grant up to that date. I do not think that we need ask you for accounts but rather that he should include a financial statement in a general report which might accompany the requests we would expect about that time for additional funds to continue the project. Since we would need some time to consider a further application for funds such a report should be submitted before all of the present grant has been expended.

I trust that this information is sufficient for your purposes. If not please do not hesitate to seek further clarification.

Yours sincerely,  
(J.P.M. Long)  
for Director"

211. The Committee was advised that the operation of the grants was a "perfectly routine matter" following the letter of 19 November 1970 and the next significant contact with the A.N.U. occurred about August 1971 when the Applied Ecology Unit "ceased to be an integral part of the University". The departmental witness believed that discussions had taken place between officers of the Office of Aboriginal Affairs and the University and that agreement to the effect that administration of the grants should proceed as previously, had been reached. From that point onwards the arrangements continued with neither the University, nor the Office seeking to amend the instructions in the letters reproduced above.

Qs. 636, 644,  
659, 682 and  
684

212. A departmental witness explained that when he first became associated with the project in May 1972, he called personally on the University accountant to discuss the accounting system, the form of statements presented to the Office and the budget anticipated for 1972-73. The witness asserted that the University was, at that stage, experiencing no apparent difficulty in accounting for the grant beyond a problem of "analysing and classifying the expenditure under appropriate heads".

Q. 636 and  
Committee  
File 1974/4

213. The Committee was given the impression that contact between the Office and the University in relation to the administration of the grants was on a personal basis and from the evidence it is apparent that there was no formal contact beyond the letter of 19 November 1970. It was stated that the University did not formally advise the office either of the separation of the Applied Ecology Unit or of the decision to withdraw its administrative support when it became apparent that the stage of commercial expectation was being reached. On each of these occasions the Department learnt of the impending change from Dr Bustard.

Qs. 655, 682  
to 684 and  
690

(iii) Responsibility for Control - Office of  
Aboriginal Affairs Attitude

214. In its submission to the Committee the Department reiterated the view it had previously expressed in response to the Auditor-General's audit enquiries. The Department agreed that neither

P.P. 13 of  
1974 and  
Exhibit  
162/1

the Department nor the Australian National University had had a clear understanding of their respective responsibilities in relation to the authorisation and control of expenditure on the turtle and crocodile projects.

215. The departmental witnesses were unable to offer any explanation for the apparent breakdown in communication. They maintained that the contents of the Office of Aboriginal Affairs letter of 8 October 1970 clearly indicated that the Office assumed that the University would administer the funds in accordance with its normal procedures and believed that the conditions contained in the application for the grant had been agreed between the Office and the University.

216. The Committee was told that there was no uncertainty in the Office regarding control of expenditure and witnesses believed that the "terms and conditions" contained in the application for the grants plus the "clarification" contained in their letter of 19 November 1970 should have prevented any confusion. It was stressed that this sort of grant was in no way unusual.

217. The witnesses for the Department denied that any "looseness" in the arrangements for control of expenditure could have been inferred by the University from the contents of the letter of 19 November either in respect of the ability to move funds between the turtle and crocodile projects or due to the absence of any requirement for the University to provide the Office with accounts. The Committee was informed that the flexibility provided in the ability to move funds between the two projects was necessary because of the pioneering nature and the remote location of the projects while the failure to request accounts was in conformity with the practice previously adopted for similar grants to the University. The witness for the Department explained that the Office had believed that its instructions at that stage had been adequate and he reaffirmed the belief that the grant was treated at all times as a normal grant to the University.

Qs. 635, 671  
to 673, 675,  
747, 748 and  
767

Qs. 634 and  
673

Qs. 677 to  
680 and 689

218. The Committee sought an explanation from the witnesses for the Department as to what they understood was the University's "normal practice" in the administration of grants. It was learnt that it had been presumed that requests for funds would be made by Dr Bustard or some other person associated with the projects, the requests would then be certified by Dr Bustard as being correct before being passed to the University for examination of the vouchers, certification of the availability of funds and payment.

219. The Committee was told that the authority of Dr Bustard to disburse project funds had been granted by the then Director of the Office of Aboriginal Affairs (Mr Dexter) with the agreement of the then Minister responsible for Aboriginal Affairs (the Honourable W.C. Wentworth). The Committee learnt that the only apparent restrictions on Dr Bustard's authority to disburse funds were the size of the budget and the operation of the University's accounting procedures. The Committee was again advised that the unique nature of the projects and the remoteness of their location required that there should be as few restraints as possible. The witness for the Department stressed that the Office had believed that the normal accounting procedures would prevail. It was suggested that the essential difference between the view of the Office of Aboriginal Affairs and that of the Australian National University was that the latter may have felt that any requisition by Dr Bustard should be met while the former believed that the University's certifying officer possessed the right to question any doubtful requisition.

220. Dr Bustard's authority to incur expenditure also extended to the approval of the employment of turtle farmers, and in deciding on the level of their wages. Witnesses for the Department stated that no formal instructions had been issued regarding the employment of farmers and that Dr Bustard "had a free rein to establish the research project, including questions relating to the level of wages, within the funds made available by the Minister". The departmental submission pointed out that Dr Bustard, in deciding on wage levels, was required to consult with and reach agreement with the Queensland

Qs. 675 and  
676

Qs. 773 to  
776, 778 and  
779 and  
Committee  
File 1974/4

Exhibit  
162/1 and  
Qs. 781, 784  
and 798

Department of Aboriginal and Island Affairs so that wages paid by the Queensland Government to Islanders in the area would not be disrupted too rapidly. Dr Bustard used his authority to reach agreement on wage levels to reject the initial Queensland Government proposal of \$18 per fortnight in late 1970. The initial wage levels were ultimately pegged at \$34.05 per fortnight for male farmers and \$27.15 for female farmers but six monthly adjustments of the wages had increased these levels to \$84.06 and \$77.16 respectively by March 1974.

221. The requirement to reach agreement with the Queensland Government also placed some limitations on the employment of farmers. We were told that prospective farmers had to be acceptable to the Queensland Authorities and also to the Chairman of the Council of the particular island. It was also necessary for Dr Bustard to reach agreement with the Department on the availability of funds although the departmental witness conceded that Dr Bustard had not been required to provide the Department with any evidence of consultation with the Queensland Authorities.

222. The Committee was told that the Department of Aboriginal Affairs did not become aware that the University was not administering its grants in accordance with its normal procedures until the Auditor-General brought it to their attention in November 1973. Some oral audit representations had been made at a low level within the Department in April 1973. It was stated that these representations were of a very routine nature and, as such, the Permanent Head's attention was not drawn to them. The Department sought Dr Bustard's comments on the matters raised and believed that his reply on 24 May 1973<sup>7</sup> had resolved the matter. However, the Audit Observer (Mr Scott) stated that the audit inspector was not satisfied and believed a more detailed investigation should be made.

Qs. 738, to  
741, 750,  
751 and 1565

7. Referred to in paragraph 206.

(iv) Responsibility for Control - Australian National University's Attitude

223. In his Report (see Appendix B page 279) the Auditor-General stated that the University held the view that the turtle and crocodile projects were not University projects and normal University procedures were not always applied. The University believed that authority for the disbursement of the funds had been vested in Dr Bustard's hands and that any queries relating to expenditure on the projects should be referred to the Department.

P.P. 13 of  
1974 and  
Committee  
File 1974/4

224. The Australian National University's attitude to its involvement in the turtle and crocodile projects and to its responsibility for the financial management and control of those projects was summarised in a report of the Secretary of the University to the University Council in November 1973. That report, part of which was repeated in the University's submission to the Committee, concluded that:

Exhibit  
162/23

"The University drifted unhappily, but with a desire to help, into an undesirably open-ended exercise of financial management of funds which, though technically the University's responsibility, was under the conditions of the grant subject to delegation committed to Dr Bustard by the grantor. When it was seen to be an exercise to which the University could make no useful contribution that could not be carried out by others, it was terminated."

225. In elaboration of the above attitude, the Committee was advised that the University Council had approved Dr Bustard's original application at a time when his academic future with the University was uncertain but had done so because the projects appeared to be important to the Office of Aboriginal Affairs. The Committee was told that the University would not normally sanction projects of this type but because the Office of Aboriginal Affairs attached some importance to the projects, the University had continued its association with the projects and had offered Dr Bustard facilities at the University after his Research Fellowship had terminated in August 1971. These included facilities for

Exhibit  
162/23 and  
Qs. 1523,  
1530, 1571  
and 1608  
and  
Committee  
File 1974/4

purchasing, payment and recording of creditors and advances; assistance in the payment of salaries from the University Staff Office; and arrangement of flight bookings and travel arrangements for staff of the Applied Ecology Unit.

226. Witnesses for the University explained to the Committee that although the A.N.U. believed it could appropriately offer secondary support in the form of accounting and other administrative services, it had been made abundantly clear that the University was not interested in the research from an academic or scientific point of view. It was stated that as the emphasis of the work became more commercial in nature, it became less relevant to the work of Dr Bustard's colleagues in the Research School of Biological Sciences and their interest in the projects diminished. As the spectre of commercial exploitation drew nearer, the concern of Dr Bustard's academic supervisors increased.

227. In evidence, the Committee was told that the University had believed that the contents of the letter of 19 November 1970 from the Office of Aboriginal Affairs had relieved it of its responsibility to administer the grant in accordance with its normal procedures. It held the view that the letter had explicitly empowered the A.N.U. to accept Dr Bustard's authorisation for expenditure and therefore:

"the University did not see its role as one of supervising his activities, but rather that of acting as paying agent for expenditures which were a consequence of those activities."

A further letter from the Office of Aboriginal Affairs on 5 July 1972 reaffirmed the University's reliance on Dr Bustard's authority to approve expenditure when it stated "Dr Bustard will, of course, assist you by identifying the various payments he makes for the purpose of this classification". As no clear re-definition of the University's role was made, the University officers relied on what they believed had been the original understanding.

Exhibit  
162/23 and  
Qs. 1523 and  
1609 to 1612

Exhibit  
162/23 and  
Qs. 1534  
and 1541 to  
1543 and  
Committee  
File 1974/4

228. In its submission to the Committee the University asserted that all transactions were properly authorised by Dr Bustard and the University's accounting procedures were applied. While adopting the attitude that Dr Bustard's authority was sufficient for the University to pay accounts, the University procedures required that all accounts for payment be authorised by an officer of the University with specific delegation. To meet this internal requirement, we were told that all requests for goods or services made by Dr Bustard were countersigned by a senior University Officer before being sent to the Accounts Department for processing.

229. By way of explanation of the normal procedures applied by the University in respect of its many research projects, the Committee was told that research grants administered by the University could be broadly categorised into three groups:

- (i) normal university research from University funds,
- (ii) University research from a restricted fund given to the University without any restrictions, and;
- (iii) funds for which the University acted as agent

230. From information supplied to the Committee it is clear that the University believed that the grants were agency funds administered on behalf of the Office of Aboriginal Affairs and that this "agency function" limited the University's ability to apply its normal procedures. It was stated that the details and the acceptability of expenditure on projects emanating from grants of the first type would all be decided within the University's approved procedures but in the case of a grant of the third type, the details of the project would be decided outside the University. The witness believed that while Dr Bustard continued as an employee it may have been able to follow its normal procedures but once Dr Bustard ceased to be an employee the situation was different as the constraints were clearly determined outside the

Exhibit  
162/23 and  
Q. 1526

Q. 1600

Q. 1571 and  
Committee  
File 1974/4

University<sup>8</sup>. While it may have been possible to apply normal procedures prior to August 1971, the University's understanding that it could accept the sole authority of Dr Bustard led to the adoption of the attitude that it would probably be improper for the University to officially query any expenditure approved by him.

231. In relation to the administration of the grants subsequent to August 1971, we were told that the University understood that the grants would continue to be administered in accordance with the original understanding. In the belief that the Office of Aboriginal Affairs fully accepted the responsibility for determining all aspects of the projects the University thought it unnecessary to confirm in writing what it believed to be a quite clear change in the relationship between the first and subsequent grants. Q. 1535

232. In its submission the University advised the Committee that the Secretary of the University (Mr Hohnen) arranged for the University's Internal Audit Section to carry out a full review of financial transactions during the period the University had been responsible for the projects. The Committee was told that this review had been ordered following a visit by Senator Georges who had expressed some disquiet about the handling of the turtle and crocodile projects. At the inquiry we were told that there were no recognised problems prior to the visit by Senator Georges in September 1973 although witnesses who had been responsible for the authorisation of accounts admitted that there were occasions where expenditure had been queried. The officer who had been in charge of the University's Internal Audit Section at the time stated in evidence that Internal Audit was not aware of any problems with the projects until after the Secretary of the University had requested a review. Exhibit 162/23 and Qs. 1592 to 1594, 1615, 1616, 1620, 1626, 1631, 1632 and 1636 to 1639

8. The Committee was advised that, with the exception of the original grant of \$27,730, all grants paid to the A.N.U. in respect of the turtle and crocodile projects were paid after Dr Bustard ceased to be an employee of the University.

Exhibit 162/23

(v) Extent of Control

233. The Department, in its submission to the Committee and at the public inquiry, stressed that the Office of Aboriginal Affairs did not have access to the vouchers or documents relating to expenditure on the turtle and crocodile project prior to the Auditor-General raising queries regarding the expenditure. The witness explained that the Office/Department would never seek to examine all the vouchers in respect of a particular grant unless there was particular cause for concern. The routine checking of all vouchers for all grants would impose an impossible load on the staff available.

Exhibit 162/4 and Qs. 656 and 765

234. The Committee learnt that the extent of financial control by the Office was limited to the assistance it gave in the preparation of the budgets and to the checking of periodic financial statements received from the University. The witness stated that the Office had checked these statements, to the extent that their staffing allowed, to ensure that expenditure was proceeding in accordance with approved budgets. Also, on occasions, Dr Bustard would provide the Office with a general report on progress in response to specific requests but the major responsibility for the provision of statements of financial progress rested with the University.

Qs. 656, 657, 660, 678, 764 and 765 and Committee File 1974/4

235. The Committee was advised that the financial statements received from the University were not audited because they formed an integral part of the University's accounting system and were subject only to audit within that general system. It was admitted that the Office of Aboriginal Affairs had operated under a misconception in believing that the statements themselves would be audited. A witness representing the University confirmed that the statements, although prepared within the University Accountant's Office, had not been subjected to internal audit. He also informed the Committee that the statements had, following agreement between an officer of the Office (Mr Janetz) and the University Accountant in May 1972, been supplied on a quarterly basis.

Qs. 681, 686 to 688 and 1587

236. The Audit Observers (Mr Scott and Mr Hinchy) informed the Committee that the Auditor-General was the auditor for the Australian National University but the financial statements the University was providing to the Office of Aboriginal Affairs were not audited financial statements and bore no evidence that they had been audited in accordance with the requirements of Treasury Direction 23/8. We were told that the Auditor-General's Office would examine the adequacy of internal controls, checks and procedures in the University accounting system and sight the reports of the more detailed checks made by the University's internal auditors. It was not possible to cover every item of expenditure by the University but it was possible that two or three projects would be examined in detail. Mr Hinchy agreed that once the Auditor-General had issued a certificate in relation to the University's financial statement as a whole it could be taken that he was satisfied with the procedures and controls.

Qs. 757,  
759 to 761  
and 767

237. It was drawn to the Committee's attention that Treasury Direction 23/8<sup>a</sup>, as it then applied, required certification that the purposes and conditions of the grant had been complied with. One departmental witness explained that, in discussions with the Accountant of the University he was told that audited statements could not be provided to the Office of Aboriginal Affairs but he was assured that vouchers relevant to the project would be part of the University's accounts and would be audited by the Auditor-General's Office in due course. Mr Scott, the Audit Observer, pointed out that the Office of Aboriginal Affairs could have made arrangements for the University's internal auditors to audit and certify the financial statements it would receive. Another witness for the Department believed that if the assumption that the University was treating the accounts in the normal way was correct, the statements of expenditure would have been quite sufficient.

Qs. 761, 762  
and 765

238. Further information regarding the system of auditing the Australian National University accounts was provided by witnesses

Q. 759

9. See Chapter 4 "Control Over Grants", page 46 for the full text of the Treasury Direction prior to its amendment.

for the University who informed the Committee that, in addition to audits being undertaken by its own internal auditors and by the Auditor-General's Office, the University engaged a firm of auditors, Fell and Starkey, to carry out audits and report to the University Council. It was explained that as the financial affairs of the University expanded, the University Council felt the need to have a firm of auditors who were responsible to the Council and were constantly available to it. The Committee was told that consultation took place between the three groups of auditors and the Audit Observer (Mr Scott) explained that any reports made by Fell and Starkey were available to the Auditor-General and his staff for perusal.

239. The Committee was told that, although the University's internal audit procedures did involve checking a variety of special projects, a 100 per cent check of research grants was not undertaken and no check of the accounts relating to the turtle and crocodile projects had been made by the University's internal audit group, by Fell and Starkey or by the Auditor-General until after September 1973. A witness for the University pointed out that two-thirds of the \$360,000 spent on the project which had been handled by the University had been spent in the period January - June 1973 and the amount spent on the project between October 1970 and January 1973 would not stand out in an area where there were some four or five hundred special accounts.

Qs. 1546,  
1563 and  
1590 and  
Committee  
File 1974/4

240. The University witnesses agreed that the turtle and crocodile projects were unique among the projects handled up to that stage and he conceded that, with the benefit of hindsight, it should have received more attention. However, it was pointed out that unless there were gross peculiarities, the University's audit staff would not become involved. Determination of the priorities of research projects and the consequent allocation of funds was normally an academic matter. The Committee's attention was drawn again to the University's belief that it was merely acting as agent for the Office of Aboriginal Affairs in regard to these projects.

Qs. 1598,  
1599, 1601  
to 1603 and  
1605



241. Mr Scott, the Audit Observer, told the Committee that the Auditor-General had not been aware of the unusual nature of the projects until early in 1973. He stated that the projects were noted for special attention but the matter was not brought to the University's attention at that stage for, in considering the handling of projects of this nature, the Auditor-General's Office preferred to conduct its own investigation before deciding whether there was a case for referring the matter to the controlling body for attention.

Qs. 1604  
and 1605

242. Upon seeking information regarding the extent of control exercised by the University the Committee learnt, as mentioned above, that the University required that all expenditure authorised by Dr Bustard should be countersigned by an officer of the University. It was explained that in countersigning such accounts, the University was indicating that the accounts had been properly authorised by Dr Bustard. However, while indicating that the expenditure had been certified by Dr Bustard as being correct, the University did not accept any responsibility for ensuring that the expenditure itself had been incurred correctly although if any expenditure appeared to be of an unusual nature, the University may have checked with the Office of Aboriginal Affairs.

Qs. 1526,  
1532, 1533  
and 1583

243. The University's submission stated that some personal contact in the approving of expenditure was maintained between senior officers of the University and the Office of Aboriginal Affairs. One of the witnesses, who had been responsible for countersigning vouchers, stated that he had agreed to watch for unusual items of expenditure and explained that he had, on several occasions, contacted the Office regarding items he considered unusual. As examples, the witness referred to large amounts of expenditure on outboard motors and an overseas travel itinerary he believed should be queried. The witness emphasised that these contacts were unofficial and that he would have made no record of them other than to note on the voucher a comment such as "checked with Department". He believed that, given that the University understood that Dr Bustard had the sole authority over expenditure of the funds, it

Exhibit  
162/23 and  
Qs. 1527,  
1544, 1545,  
1571, 1577  
to 1579, 1581  
and 1582.

would not have been proper for the University to withhold funds or to officially query any expenditure which had been approved by Dr Bustard. He also pointed out that any queries he did follow up with the Department would have been due to the size of a particular expenditure, or where a continuing commitment would be involved, and was never intended as any suggestion of impropriety.

(c) Control of the Grants from 1 June 1973

(i) Formation of Applied Ecology Pty Ltd

244. As reported by the Auditor-General, control over the turtle and crocodile projects and of expenditure from grants provided by the Department was transferred to Applied Ecology Pty Ltd, a wholly owned Government company, from 1 June 1973. The Committee learned that this company was one of three subsidiaries of Aboriginal and Islander Development Corporation Pty Ltd which had been formed to conduct the full range of activities emanating from the turtle and crocodile projects. It was originally intended that Applied Ecology Pty Ltd should be responsible for the research aspects only. However, because the Parent Company had not been incorporated and because the other two subsidiaries (Aboriginal and Islander Products Pty Ltd<sup>10</sup> and Aboriginal and Islander Marketing Pty Ltd<sup>11</sup>) had performed only limited roles,<sup>12</sup> effective responsibility for expenditure on the projects rested with Applied Ecology Pty Ltd.

P.P. 13  
of 1974,  
Exhibit  
162/26 and  
Committee  
File 1974/4

245. Witnesses for the Department explained that in February 1973, after Dr Bustard had informed the Department of the University's desire to terminate its association with the project, the Department had proposed to the Minister that the operation of the projects

Q. 690

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10. Intended to purchase and process the products of individual farms
11. Intended to undertake the marketing function both local and overseas
12. See paragraphs 461-467 for further comments on these two subsidiaries

should continue under the control of a company. It was stated that a company structure was proposed because the department had previously found the formation of companies to be a useful vehicle for protecting the Government's interests. The Committee was told that the Department did not feel it necessary to inform the Treasury of its intention but had acted in accordance with previous advice received from the Attorney-General's Department that the formation of a company, with departmental officers as directors, was an appropriate step.

246. The Committee was informed that the Department had rejected the idea of running the projects itself on the grounds that such a situation would lack flexibility and was contrary to departmental policy to avoid involvement in operational matters. As a general rule the Department preferred to hand projects to bodies which had been incorporated or registered under appropriate legislation. The Department believed this ensured adequate control of projects without encumbering the Department beyond its capacity to cope.

247. The Committee was advised that although the Department commenced action to form Applied Ecology Pty Ltd around February 1973, the actual formation of the Company was rushed through to enable transfer of responsibility from the University to occur from 1 June 1973. An amount of \$25,000 was transferred by the University to the Company on 5 June 1973 representing the balance of the University's grant but it was necessary for the Company to refund an amount of \$17,903.82 on 17 July to meet some outstanding commitments on the projects. The University tendered a statement of account to 30 June 1973 to the Department and to the Company's accountants, Peat, Marwick and Mitchell.

248. From 1 June 1973, when the company assumed responsibility for the projects, the directors of the company were Dr H.R. Bustard, Mr N.J.L. Jenez and Mr B.K. Thomas, the latter two being departmental officers. Senator G. Georges became a member of the

Qs. 690 and  
723

Qs. 690 to  
693, 1585  
and 1586 and  
Committee  
File 1974/4

Qs. 1859,  
1863, 1885,  
1877 and  
Committee  
File 1974/4

Board on 6 July 1973 and Mr J.M. Neill and Mr R.W. Thorburn joined on 30 August 1973. Senator Georges was appointed Chairman on 30 August 1973 and resigned on 24 September 1974. At 17 April 1975 the Board of Applied Ecology Pty Ltd comprised Mr L.P. Smart (Chairman), Mr J.M. Neill, Mr M.M. Fuzzer, Mr J.D. McGuinness (the departmental representative), Dr K.R. Allen and Professor D. H. Trollope.

249. The Committee was told that Dr Bustard resigned from the Board of Directors on 4 March 1975. It was stated that he had previously been dismissed as an employee of the Company on 29 November 1974. The witness explained that the dismissal had occurred because Dr Bustard had acted in a manner which was:

"detrimental to the Company's interest, to the work it was designed to do and to the people it was intended to serve."

250. The Company witness conceded that the dismissal had created a void which had not been completely filled at the time of his appearance before the Committee on 18 March 1975. He pointed out that the appointment of scientific directors, Dr Allen and Professor Trollope had assisted the Company to extract itself from the trough in its activities and that these directors had interviewed possible replacements for Dr Bustard. The Committee subsequently learnt that Mr John Kowowski, a graduate of Perth University, specialising in marine biology, had been employed to take over the work of Dr Bustard.

(ii) Control of Expenditure - Aboriginal Affairs

251. In seeking information regarding the control exercised by the Department following the transfer of responsibility for the projects from the Australian National University to Applied Ecology Pty Ltd, the Committee was advised that no specific directives, as to how proper control of the funds should be maintained, had been issued to the Company. However, the Committee was assured that funds would be properly accounted for because the Department had two representatives

Qs. 1869  
and 1870 and  
Committee  
File 1974/4

Q. 1931 and  
Committee  
File 1974/4

Qs. 692 and  
737

on the Board of Directors while other Directors were appointed by, or in consultation with, the Minister; the company had specific obligations under company legislation; and accountants (Peat, Marwick, Mitchell and Co) and auditors (Edwin V. Nixon) had been appointed.

252. In elaborating on the role of the Departmental officers who were also on the Board of Directors of the Company, the Permanent Head explained that the Department did not use its influence with these officers as an opening for departmental intervention in the Company but allowed them to operate as independently as possible. He explained that the officer responsible for preparing the submission seeking ministerial approval for further funds was also a member of the Board of Directors and was thus well aware of what the situation was. He conceded that this could result in a conflict of interest. It was pointed out that the Department normally sought execution by the Treasurer of an indemnity to cover departmental officers against the processes of company legislation.

Qs. 698, 702  
and 703

253. The departmental witness did not believe it was necessary for the Department to be aware of the decisions of the Board but it was pointed out that there had been regular consultation between the Chairman of the Board and the Minister and copies of Board minutes and company accounts prepared by the company's accountants were forwarded to the Minister each month. The Department did not become aware of any consultation between the Minister and the Board unless the Minister sought comments on a particular aspect.

Qs. 700, 701,  
703 and 721

254. The Committee was advised that the Department required documentation from the Company before approving funds for the turtle and crocodile projects. It was explained that audited financial statements were required at the end of the financial year to ensure that funds had been properly expended and to provide the Department with an ex post facto control. In addition to requiring an annual audited statement, the Department obtained

Qs. 708 to  
711, 714  
and 718

periodic statements to justify payments from the approved funds. It was brought to our attention that although approval of the grant was to be made on an annual basis, payments were made as necessary throughout the year. The departmental witness believed that the documentation received enabled adequate control of the funds to be maintained.

255. In referring to the auditing of the books of Applied Ecology Pty Ltd, a departmental witness pointed out that the Board of Directors had passed a resolution giving the Auditor-General access to the Company's books. However, the Audit Observer (Mr Scott) stated that he was unaware of the resolution and stated that such action by the Auditor-General would not be proper as the Company's books were audited privately. He explained that the Auditor-General's only association with the Company would be in examining the periodical audited statements submitted to the Department.

Qs. 715  
to 717

256. The Committee was advised that the retrospective examination of expenditure on the turtle and crocodile projects which was being conducted as a result of the Auditor-General's queries related only to the period when the University had been responsible for making payments relating to the project. No examination of expenditure by Applied Ecology Pty Ltd was involved in the Department's follow-up of the Auditor-General's Special Report.

Q. 816

(iii) Control of Expenditure - Applied Ecology Pty Ltd

257. The Committee received a submission from Applied Ecology Pty Ltd which set out the procedures applying to the control of the turtle and crocodile projects being exercised by the Company. The procedures referred to in the Company submission related to the period from 31 August 1973 when the Board of Directors made a number of decisions specifying procedures for the control and authorisation of expenditure on the projects.

Exhibit  
162/28 and  
Q. 1945

258. Although the Committee sought details of the controls existing in the period between 1 June 1973 and 31 August 1973, we were unable to obtain any definitive statement of the extent of controls from the witness representing the company. He stated that he had not been appointed Company Secretary until 30 August 1973 and, although he had been associated with the projects and the changeover to company responsibility for them from 19 March 1973, he did not know how the Board had controlled expenditure prior to 30 August.

Qs. 1865,  
1887, 1943  
and 1944

259. The witness told us that the controls relating to expenditure on non-capital items, maintenance expenses and services (as outlined in the submission) had been in existence at the time that Applied Ecology Pty Ltd had assumed responsibility for the projects on 1 June 1973 but he was unable to tell the Committee whether there had been any oversight of expenditure at Board level prior to 31 August 1973. The witness also pointed out that controls had existed in respect of expenditure on capital items prior to 31 August 1973 but they had not been of the type outlined in the Company submission. He commented that Dr Bustard, who was Managing Director of the Company at the time had believed that the administrative portion of the Company should be subservient to the operational portion. The witness stressed, however, that expenditure in the period from 1 June 1973 and 31 August 1973 had been subjected to a "full and complete audit of the basic documents" when the Company's books for the period 6 March 1973 (the date of incorporation) to 30 June 1974 had been audited by Edwin U. Nixon and Partners and he forwarded to the Committee, by way of supplementary information, a copy of the auditor's report.

Qs. 1937,  
1939, 1940,  
1942, 1943  
and 1946 to  
1948.

260. In relation to the handover of responsibility to the Company, the witness explained that he was not directly connected with expenditure on the projects between his appointment on 19 March 1973 and the Company's assumption of responsibility on 1 June 1973. He had worked at the Australian National University on procedures to be adopted by the Company. He expressed the belief that the breakdown

Q. 1887

of expenditure which had been used by the University had not been satisfactory and had caused him difficulties when he attempted to prepare initial budgets for the Company.

261. The Company's submission informed the Committee that a list of capital items costing over \$100 was now kept in the Company's Asset Register (maintained by the Company accountants, Peat, Marwick, Mitchell and Co., 19 London Circuit, Canberra, A.C.T. 2601) and individual responsibility for every item of equipment was allocated to a particular member of the staff by signed distribution sheets. However, prior to the handover of responsibility, there had been no list of capital items and it had been necessary for the witness to prepare his own inventories from the basic documents and make a physical check to ensure that the items on the inventory existed.

Exhibit  
162/28 and  
Qs. 1887 and  
1888

262. The submission also informed the Committee that from 31 August 1973 every item of capital expenditure (irrespective of value) had to be referred to the Board of Directors for approval before any expenditure was authorised or incurred. On 9 November 1973 the Board resolved that "Asset recording and accounting be based on assets valued at over \$100 per item" so, from that date, every item of capital expenditure costing more than \$100 per item had to be referred to the Board of Directors for approval before any expenditure was authorised or incurred. That procedure applied until 25 June 1974 when the Board resolved that "the Chairman together with the Secretary be authorised to purchase capital items (i.e. items above \$100 in value) up to the value of \$500; capital items costing above \$500 requiring Board approval before purchase". This was the procedure controlling capital expenditure on all Company projects at the time the submission was presented to the Committee in November 1974.

Exhibit  
162/28

263. The witness explained that he, as Company Secretary, examined requisitions for expenditure and presented them to the Board with a recommendation and any necessary clarification.

Exhibit  
162/28 and  
Qs. 1879 to  
1885

Board approval was required for all company expenditure and we were told that, even in relation to expenditure of up to \$500 which, since 25 June 1974, could be approved by the Secretary and Chairman, the Board exercised a final overriding control and examined the expenditure before ratification. The witness expressed the opinion that the detailed attention to expenditure which had been exercised from 31 August 1973 was most unusual and surpassed anything he had experienced in 40 years of company experience. He also told us that Dr Bustard had attended all but one of the Board meetings while he was a Director and had, at times been questioned by other Board members regarding proposed expenditures.

264. The Committee was told that the Company had a total of 126 people on staff of which 120 were Aborigines or Torres Strait Islanders and six were European. A total of 110 persons (including only one European) were involved in the turtle projects. Other members of Staff included five (including one European) engaged on the crocodile project at Edward River; three Aboriginal crocodile farmers at Kalumburu in Western Australia and two Aborigines being trained as oyster cultivators on Palm Island, Queensland.

265. The Committee was told that all salaries, wages and allowances were determined by the Board of Directors, paid fortnightly by the Company accountants and could not be varied without Board approval. The witness explained that the Board had agreed that salaries and allowances should be aligned with equivalent Public Service positions and this was done wherever possible. Members of the Board, who were not ineligible by virtue of their being employed by the Australian Government, received a fee for attendance at Board meetings. This fee had been determined after consultation with the Public Service Board and was based on the Public Service Board's fee for consultants. All Board members received expenses and travelling allowance.

Q. 1886

Exhibit  
162/28 and  
Qs. 1889 and  
1898 to 1901

266. The Committee learned that Public Service equivalents did not apply to the turtle farmers who were paid an amount nominated by the Queensland Government. The amount paid to Aborigines and Torres Strait Islanders varied from \$104.05 per fortnight for the 93 turtle farmers to \$140 per fortnight for the 6 field assistants and \$180 per fortnight for the 3 field officers. All nine field officers/assistants had progressed from being turtle farmers.

Qs. 1886,  
1892, 1895  
and 1896

267. The Director's Report for the period 6 March 1973 to 30 June 1974 drew attention to the increased ratio of the wages paid to Aborigines and Islanders compared with that paid to Europeans. Aborigines and Islanders were receiving 85% of the salaries and wages component of expenditure on the project by the end of 1973-74 financial year compared with only 58% prior to the reconstruction of the Board around August 1973.

Committee  
File 1974/4

268. The Company submission provided the Committee with a detailed summary of procedures relating to expenditure on "Non Capital Items, Maintenance Expenses and Services". The procedures applying in this area are:

Exhibit  
162/28

"Field Officer requirements:

- (a) Local purchases. For local purchases (fuels, oils, consumables, etc.) of up to \$50.00 for any one order, Field Officers use official, printed, serially-numbered order forms over-stamped "NOT OVER \$50.00". On receipt of the goods ordered, the Field Officer pays the supplier directly by cheque from a \$500.00 imprest local bank account in the name of the Company. An expenditure limit of \$200.00 per month is imposed on the Field Officer's imprest account. Also on receipt of the goods ordered, the Field Officer acquits the order form and sends a copy of the acquitted order form, together with the receipt for payment, to Head Office where these documents are checked and, if in order, the imprest account is reimbursed to the extent of the documented expenditure.
- (b) Field requirements beyond local purchase powers. For requirements beyond local purchase powers, Field Officers use an official, serially-numbered requisition form.

The completed requisition forms are forwarded to Head Office where requisitions up to the value of \$500.00 are approved or disapproved by the Chairman of Directors in conjunction with the Company Secretary and requisitions over \$500.00 are referred to the Board of Directors for decision.

#### Head Office Ordering System:

The only other ordering procedure used by the Company other than the Field Officer ordering system referred to above, is that controlled by the Head Office of the Company using official, printed, serially-numbered Company order forms. These order forms are closely safeguarded and may be signed by the Company Secretary only. Official order forms are issued to cover all goods and services purchased by the Company with the exception of the regular, continuing services such as salaries, office rent and telephone charges.

#### Control Limit:

With the exception of regular, continuing services such as salaries, rent and telephone charges, all expenditure on non-capital items, maintenance expenses and services above \$500.00 must be referred to the Board of Directors before expense is authorized or incurred in the same manner as for capital items costing above \$500.00."

269. The Committee was told that the Company had five imprest accounts for field officers. Accounts located in One Arm Point, Kalumburu and Townsville, were inoperative. The only two operating were those used by the maintenance supervisor in the Torres Strait area and by the Manager of the Edward River crocodile farm. The witness stated that two detailed checks, one by his assistant and a second by himself, were carried out on the expenditure documents before the imprest account was restored to its maximum level of \$500. In relation to documentation for expenditure above the local purchase delegation (\$50) the Committee was advised that the serially numbered requisition forms contained all the information the Board considered necessary to allow decisions to be made. The witness stated that the great majority of requisitions from the field would go through Head Office and as an

Qs. 1902 to  
1905 and  
1911 to  
1915 and  
Committee  
File 1974/4

example of the expenditure of this nature provided us with the following breakdown of expenditure on equipment and repairs, maintenance and supplies for the period 1 July 1974 to 28 February 1975.

(a) Field Officers Requisition	\$2,324	6%
(b) Purchases resulting from requisitions placed by Field Officers	\$16,100	41.4%
(c) Purchases resulting from Head Office requisitions	\$20,358	52.5%
	<u>\$38,782</u>	<u>100%</u>

270. In its submission the Company stated that all expenditure documentation was acquitted and certified by Company personnel and passed to the Company accountants for checking, auditing and payment processing. Every approved document (including all invoices, statements etc.) requesting payment from the Company was passed to the accountants bearing an "approved for payment" certification by the Secretary personally and only these were processed for payment. In accordance with a Board resolution of 31 August 1973 all cheques were drawn by the Company accountants and bore the signature of the Secretary or Public Officer and a Director. In evidence the witness explained that the Company accountants performed all accounting functions beyond the acquittance of the documents. He explained that this was done because the Company's Head Office staff consisted of only six, including one Aboriginal and one Islander under training.

Exhibit  
162/28 and  
Q. 1916

271. In relation to obtaining funds from the Department of Aboriginal Affairs the witness explained that the Board of Directors examines and approves a draft financial budget prepared by himself. The budget is then submitted to the Department for approval. Once the budget has been approved, the Department provides the Company with an initial allocation according to the Company's cash flow submission. Further cash allocations against the total grant are made as necessary by the Department to the Company.

Qs. 1906  
and 1924

(d) Retrospective Examination of Expenditure(i) Progress of Examination

272. In his Special Report upon the Financial Administration of the Department of Aboriginal Affairs, the Auditor-General referred to a number of specific items of expenditure on the turtle and crocodile projects about which he had sought comments from the University and the Department. Details of the nature of these specific audit queries and the replies received were reported at Appendix B of the Special Report (see Appendix B pages 308-314 of this Report).

P.P. 13  
of 1974

273. The Department of Aboriginal Affairs stated in its submission to the Committee that almost all of the specific queries related to payments or authorisations by the University on documents submitted by Dr Bustard to the University. The submission pointed out that, as the documents relating to these items were not available to the Office of Aboriginal Affairs, the Office had no means of knowing whether the expenditure was justified. It was explained that a retrospective examination of expenditure would be undertaken and the Department expected that this would indicate whether all expenditure was necessary or a correct charge to the projects.

Exhibit  
169/1

274. At paragraph 3.1.2 of his Report for the year ended 30 June 1974, the Auditor-General made the following comment in relation to the retrospective examination of expenditure on the turtle and crocodile projects.

P.P. 331  
of 1974

"The Department recently informed my Office that it had undertaken a retrospective examination of all expenditure by the University on the projects; the University, whilst co-operating to the extent of permitting an examination of expenditure vouchers, did not permit access to other University files or records; the examination was therefore confined to expenditure vouchers, stores issue advices and salary payments. Clarification and explanations of certain aspects of the projects had been sought by the Department from Dr Bustard, the University and others involved. Pending completion of the departmental examination most of the Audit queries remain unresolved."

275. In evidence given in August 1974, the departmental witness stated that an officer of the Department had been engaged on the retrospective examination for a period of almost four months. In that time he had examined 10,000 vouchers covering the period October 1970 to June 1973; all salary payments and revenue items for the period; 20,000 stores issue and approximately 100 vouchers from the Queensland Department of Aboriginal and Islander Affairs. The Committee was told that about 1,200 items were considered worthy of further examination. Approximately 500 items were referred to Dr Bustard for explanation and explanations had been sought from the University in respect of fifty items.

Q. 815

276. The Committee was informed that the Department had experienced difficulties in undertaking its retrospective examination of expenditures because it had, as reported above, been denied access to certain University files and records. A further inhibiting factor was the absence of Dr Bustard overseas.

Qs. 792 and  
815

277. In relation to the question of the Australian National University withholding certain material from the departmental officer we were told by the Audit Observer, Mr Hinchy, that the Audit Office was not involved in the retrospective examination of the projects. This had been left to the Department and beyond advice received from the Department in a memorandum of 1 August 1974<sup>13</sup>, the Auditor-General's Office was not aware of the progress of the examination.

Qs. 823 and  
824

278. Mr Hinchy commented that if the Department did not have access to all the University's records relating to expenditure it would be unable to satisfy itself as to the correctness or other-

Qs. 825 to  
827

13. Parts of the text of this memorandum were quoted in evidence and contained information substantially the same as that reported at paragraph 3.1.2. of the Auditor-General's Report for 1973-74 and which has been quoted in paragraph 274.

wise of a particular item of expenditure. Mr Scott, also from the Audit Office, believed that had the Department been able to obtain sufficient information from its examination of the vouchers, it would have replied to the Auditor-General's queries. He assumed that, as replies had not been forthcoming, the Department had not been able to obtain sufficient information. Mr Hinchy stated that he understood that the Department had requested the University to provide additional information.

279. In its submission to the Committee the Australian National University stated: Exhibit 162/23

"The University is co-operating with officers of the Department of Aboriginal Affairs who are making an examination of expenditure on the projects. All financial records are available."

280. In evidence before the Committee, the Secretary to the University said, in an opening statement to the Committee: Q. 1523

"No records have been withheld from staff of the Auditor-General. Dr Bustard's personal file and one other file containing reports to me, to the University Council, to the Auditor-General and to this Committee may be said to have been withheld from the officer of the Department of Aboriginal Affairs sent to undertake a retrospective examination of expenditure on the project, although in fact no formal request was made for them. The officer has had access to all the supporting papers about them and was invited to seek such further specific information as he needed."

281. The witness for the University, on subsequent questioning with regard to access by departmental officers to University files reiterated that only the two files had been withheld and stated the University's opinion that it was not appropriate for the departmental officer to have access to these particular files. The witness stressed that all papers relating to expenditure on the project were made available and the Department was invited to follow-up any particular questions which arose as a result of the examination. Qs. 1660 to 1664.

282. The University witness pointed out that the Department had in fact sought further information on 12 August 1974 and that the University had replied to this on 21 October 1974. While providing some information in relation to the Department's question, the University stressed that it had not queried the details because it had believed that Dr Bustard had had full authority to approve expenditure.

283. In relation to Dr Bustard's absence from Australia, the Committee learnt that he had left for India in April or May 1974 for a short visit and departmental witnesses at the inquiry indicated that he had returned to Scotland and had not expressed any intention of returning to Australia. University witnesses confirmed his whereabouts, stating that they had received a letter from Dr Bustard from Scotland some time during October 1974.

284. The witness for the Department emphasised that, in commenting on the difficulties caused by Dr Bustard's absence and on the necessity to ask Dr Bustard for explanations on 500 items he had not intended to give the impression that Dr Bustard had acted improperly. He pointed out that Dr Bustard had no supporting staff assisting him on the turtle and crocodile projects and it was quite inevitable, in such circumstances, that errors would occur. Q. 818

285. At the public hearing on 1 November 1974, departmental witnesses informed the Committee that the Department had received a reply from Dr Bustard in relation to the Department's queries on expenditure on the turtle and crocodile projects. The Committee was told that the reply was not considered satisfactory in all instances and would be further pursued with him. Q. 1754

286. At paragraph 3.1.2 of the Auditor-General's Report for 1974-75, the following comment was made regarding progress on the retrospective examination of expenditure on the turtle and crocodile projects: P.P. 186 of 1975

Q. 1665 and Committee File 1974/4

Qs. 908, 915, 918, 1491, 1492, 1498, 1675 and 1683 to 1688



"Further advice is awaited from the Department relating to the completion of its examination of this matter."

(ii) Recoveries Made

287. The Committee was informed that, as a result of the retrospective examination of expenditure a total of \$1867.80 had been recovered in respect of expenditure on travel overseas and within Australia. Amounts recovered were:

- \$846.60 - credit from Qantas Airways for unused travel from Edward River to Bangkok and return
- \$ 98.60 - credit from Ansett Airlines for unused travel Thursday Island to Cairns to Normanton
- \$ 22.60 - credit from Ansett Airlines for unused travel Normanton to Mornington and return
- \$200.00 - T.A.A. refund of unused miscellaneous charges order
- \$700.00 - unused travellers cheques formerly issued to Dr Bustard for Overseas travel

Exhibit  
162/23 and  
Qs. 793 to  
796 and  
1651 and  
Committee  
File 1974/4

288. In commenting on the extent of overseas travel undertaken by staff attached to the projects, the departmental witness pointed out that the limiting factor was the funds provided for this purpose in the annual budgets. He stated that Dr Bustard had not been required to obtain approval before embarking on any overseas visits but he had generally informed the Office that he was going. The Office had believed that the visits were justified and had understood that travel would be properly approved within the University's normal accounting procedures. However, it is clear from the evidence given in the inquiry and from correspondence between the University and the Auditor-General and the Department that the University did not see

Qs. 818 and  
1655 and  
Committee  
File 1974/4

itself as having a duty to question any program of travel which had been properly authorised by Dr Bustard although it did concede that it should have taken appropriate action to obtain reimbursement where advances had not been acquitted or where an airline ticket had not been used.

Conclusions

289. The Committee believes that the evidence presented confirms the conclusion reached by the Auditor-General in his Special Report that neither the Department nor the Australian National University exercised adequate control over the expenditure of substantial amounts on the turtle and crocodile projects. While the Committee received no direct evidence of any fraudulent practice relating to expenditure of the funds it is clear that possibilities for fraud and the misuse of public moneys existed as a result of the failure of either the Office of Aboriginal Affairs (and later the Department) or the University to exercise satisfactory control over expenditure of the funds allocated for the turtle and crocodile projects.

290. The Committee is not satisfied that the Office of Aboriginal Affairs gave sufficient scrutiny to the initial proposals relating to the projects before recommending that they be approved. While recognising that the Office may have had limited staff resources at the time the projects were first approved and that the projects may have appeared attractive because of the size of the initial grant and the prospect of the projects being financially self-supporting within three years, the Committee would express its concern that no study of the economic and ecological implications of the projects was considered necessary until September 1973 after more than \$1,200,000 had been allocated to the projects.

291. The Committee, in apportioning responsibility for the lack of definition of the respective duties of the Office of Aboriginal Affairs

and the Australian National University in relation to the projects, believes that both should share some of the blame but that the Office of Aboriginal Affairs is deserving of greater criticism because of -

- (i) Its failure to draw up a precise set of conditions for the grants in an appropriate form;
- (ii) Its failure, in the letter of 19 November 1970 to provide the University with a clear "statement of the terms of the grant", as requested by the University in its letter of 19 October;
- (iii) Its failure to ensure that the financial statements relating to the projects received from the University were properly audited as required under Treasury Direction 23/8; and
- (iv) Its failure, either through formal or informal contact with the University to ascertain the precise nature of the "normal procedures" the University would follow in administering the grant.

292. On the other hand, the Committee believes that the Australian National University contributed to the confusion surrounding control of the grants through:

- (i) Its failure to follow up the Office of Aboriginal Affairs' letter of 19 November 1970, which clearly failed to provide the "statement of the terms of the grant" requested in the University's letter of 19 October, and
- (ii) Its failure to make clear to the Office of Aboriginal Affairs its relationship with Dr Bustard and the effect this had on the University's handling of the projects, particularly after Dr Bustard ceased to be an employee of the University.

293. The Committee has noted the Department's reasons for vesting responsibility for the projects in a Government-owned company from 1 June 1973. The Committee is satisfied that the Department is able to ensure that funds now allocated to the projects are properly accounted for.

294. The Committee is concerned that the operations of projects such as the turtle and crocodile farms were conducted in such a way so that they were removed from the scrutiny of the Auditor-General's Office. The Committee is strongly of the view that all Government-owned companies should be subject to the scrutiny of the Auditor-General. The Committee is also of the opinion that consideration should be given by the appropriate authority to the question of a possible conflict of interest developing for officers of departments who are appointed directors of such companies.

295. The Committee is generally satisfied with the control of funds allocated to the projects by Applied Ecology Pty Ltd since 31 August 1973. However, the Committee registers its concern at the handling of the projects between 1 June 1973 and 31 August 1973. It is not apparent from the evidence that the rigid controls over expenditures, which have been exercised by Applied Ecology Pty Ltd since 31 August 1973, had been in existence from the commencement of the Company's responsibility for the projects from 1 June 1973. The Committee is disturbed that the witness for the Company, although an employee at the time, was unable to give details of the controls during that three-month period. However, the Committee notes that expenditure for the period had been subjected to a full and complete audit of the basic documents by the Company's auditors.

296. The Committee believes that the Department's control of expenditure on the projects should have included the necessity for Dr Bustard to submit details of proposed visits in support of amounts for overseas travel included in the project budgets.

297. The Committee has noted that progress on the retrospective examination of expenditure payments made by the University on the projects, has been slow. The Committee appreciates that there are problems inherent in the Department attempting to satisfy queries on this expenditure by communicating with Dr Bustard, the person who was responsible for authorising the expenditure, by letter. The

Committee is satisfied from the latest information provided on 2 June 1976 that the Department has made all reasonable efforts to investigate the queries raised as a result of the expenditure review. It is the view of the Committee that the point may have been reached where further investigation involving the use of scarce staff resources may not be warranted.

CHAPTER 6

ABORIGINAL LEGAL AID SERVICES

298. The Aboriginal Legal Service Program was introduced by the Department of Aboriginal Affairs, with the assistance of the Attorney-General's Department. Under the program legal assistance is provided in each State and the Northern Territory by Aboriginal Legal Services to aboriginals in need of legal assistance. Funds for Aboriginal Legal Services in each State and the Northern Territory are provided primarily by means of grants from the Aboriginal Advancement Trust Account, some minor amounts being received by way of subscriptions, donations and membership fees.

P.Ps. 13  
of 1974  
and 54 of  
1975 and  
Q. 886.

299. The Aboriginal Legal Services are self-governing bodies. Each Service is responsible for the provision of the facility in its State or Territory. The facilities provided vary between the Services and include arrangements with legal practitioners in private practice for representing applicants in individual cases, arrangements with legal practitioners on a retainer basis where the usual arrangements for individual cases cannot readily be made, and the direct employment of legal practitioners, field workers, social workers and administrative staff.

P.P. 299  
of 1974  
and Q.  
844

300. The Auditor-General on pages 14 and 15 of his special report on the Department of Aboriginal Affairs commented on matters relating to the scheme as follows:

P.P. 13  
of 1974

"(a) A paper titled 'The Aboriginal Legal Service Program', prepared to provide broad guidelines for the operation of the scheme and specifying certain criteria on the nature and extent of legal assistance which might be provided, did not contain specific limitations on capital and administrative expenditure. Audit suggested as a matter for consideration that some restrictions be specified along the following lines:

- (1) the grant to be expended only on capital items, other than those of a minor nature, for which specific approval had been sought when the Service submitted its budget; and

(ii) the maximum salaries which might be paid to each category of staff (legal practitioners, field workers, social workers and administrative staff) and the proportion of funds which might be applied in relation to the employment of persons in the various categories to be specified.

- (b) Grants had been made to certain Services before the Department had received their expenditure budgets; also in advising such Services of the grants approved no conditions had been specified on the purposes for which the moneys provided might be expended.
- (c) Constitutions of certain Services had not been obtained and examined.
- (d) Although letters advising Services of grants approved required submission by each Service of annual financial statements and also quarterly returns, the form and content of the annual financial statements had not been specified and provision had not been made for the inclusion in the quarterly returns of details of actual expenditure on salaries (provision was made for rates only to be shown), capital expenditures, amounts and sources of receipts and cash balances.
- (e) Although it apparently had been envisaged that there would be a National Co-ordinating Committee for Aboriginal Legal Services with responsibilities relating to both the budgets and financial statements to be submitted by the Legal Aid Services, it was understood that the Committee had not been established. Advice was sought regarding action taken or proposed to expedite the establishment of the Committee in view of the responsibilities envisaged for it; also on the nature of alternative interim measures taken by the Department in relation to the performance of the Committee's functions pending its establishment."

301. The Department in reply to the Audit criticism stated that: P.P. 13  
of 1974

- "(a) The initial arrangements made in the first half of 1973 were of a temporary nature only; they were designed to provide immediate implementation of Government policy of paying 'all legal costs for Aborigines in all proceedings in all courts'; and it had been intended to review them.
- (b) A meeting was convened in early December 1973 of representatives of the Department, all Legal Aid Services and the Attorney-General's Department. The main point

emerging from this meeting was that no further grants beyond December 1973 would be given to the Services until:

- (i) formal audited financial statements were submitted;
- (ii) formal budgets were supplied; and
- (iii) an overall assessment of the total Legal Aid Services was undertaken with a view to uniformity in operations, capital expenditure, budgeting, employment, etc.
- (c) Continual liaison between all the Legal Aid Services and the Attorney-General's Department is being maintained.
- (d) On receipt by the Department of all proposed budgets and financial statements for previous months' operations, the budgets and financial statements will be examined in detail and analysed.
- (e) An examination for the possible restructuring of the Services will be undertaken; in this regard it is intended to consider the establishment of a central secretariat to co-ordinate the activities of the Services.
- (f) Detailed guidelines for operations, expenditure, etc. will be laid down; it is anticipated that guidelines for periodical examinations of the operations of the Services will be implemented in the near future.
- (g) All rates of salary payments, fees charged etc., will be examined, checked with the Attorney-General's Department and specified when funds are made available to the Services.
- (h) The constitutions of the various Legal Aid Services, where they had not been obtained and examined are being obtained and will be examined in detail in conjunction with the Attorney-General's Department; the constitutions will also be reviewed in conjunction with the possible restructure of the Services."

302. The Department stated by way of background that a commitment to Exhibit  
162/1  
and Q.  
852  
pay "all legal costs for Aborigines in all proceedings in all courts" formed part of the Prime Minister's 1972 Policy Speech. It was also stated that the first public statement on this matter after the new Government was formed in December 1972 was apparently made on 2 January 1973 by the then Minister, the Honourable Gordon Bryant, in which he said that the Government expected to be able to carry out, in the next week,

its election promise of paying legal costs for all Aborigines. Mr Bryant went on:

"In the meantime my advice would be for Aborigines to forward any legal accounts to the Government for payment."

303. The Committee was informed that as a result of this statement accounts began to flow in to the Department. The departmental witness stated that at the time the Ministerial statement was made the Department was less than two weeks old. In the initial stages the accounts were handled by officers of the Attorney-General's Department, who approved some cases for payment and, in other cases, authorised barristers and solicitors to act on behalf of Aborigines. The Department was not aware of the methods used by the Attorney-General's Department to ascertain the authenticity of the accounts received, but informed us that a Second Division officer of the Attorney-General's Department approved the expenditure.

304. The Committee was told that the number of legal claims that flowed in during the initial period was such that, despite the critical staff shortage in the Department, two departmental officers and a senior officer from the Attorney-General's Department were employed full time in this area.

305. The Department stated that in order to replace this ad hoc arrangement, a scheme whereby the existing or developing Aboriginal Legal Services would be sponsored and subsidised in their operations was prepared as a combined effort by a ministerial consultant, an officer from the Attorney-General's Department and a departmental officer. This scheme (the Aboriginal Legal Service Program) was amended as a result of a conference on Aboriginal legal affairs held in Canberra on 9 April 1973 between representatives of the Aboriginal Legal Services, the Department and the Attorney-General's Department.

306. In relation to grants to Aboriginal Legal Services the witness said that in the initial period the amounts granted were determined

Exhibit  
162/1 and  
Qs. 839,  
845 to  
848 and  
852

Q. 853

Exhibit  
162/1 and  
Qs. 855  
and 857

Exhibit  
162/1 and  
Qs. 336,  
859 and  
861

somewhat haphazardly and were at best "guesstimates". However, as the Department developed a greater capacity, it was possible to institute a quarterly basis of funding under which the Services had to account for money advances in the previous quarter before further funding was approved. It was explained that due to the volume of work, the Department had not been able until December 1973, to specify in writing the conditions applying to a grant or the purposes for which money provided under a grant might be expended. The witness pointed out that in the earlier period a number of discussions and negotiations with the Services were conducted orally and conditions of the grants were to an extent specified orally.

307. During the course of our Inquiry, the Department informed the Committee that the conditions set out in sub-paragraph b(i), b(ii) and b(iii) on page 15 of the Auditor-General's report had been adhered to with one exception. Adherence to the conditions was a pre-requisite to further grants being made to the Services beyond December 1973. The conditions were that:

Qs. 879  
and 881

- (i) formal audited financial statements should be submitted;
- (ii) formal budgets should be supplied;
- (iii) an overall assessment of the total Legal Aid Services should be undertaken with a view to uniformity in operations.

The exception was in New South Wales, where the problem encountered was that this particular Branch of the Aboriginal Legal Aid Services had gone beyond the purposes for which the funds had been provided. Consequently, the Department placed restraints upon this service, until such time that the Service was working on an operational basis which was satisfactory and acceptable to the Department.

308. In response to a question about the controls which had been instigated to ensure that moneys made available for specific purposes

Qs. 336 to  
339, 876  
and 881

had been expended for those purposes, the witness for the Department stated that because of the size of the grants and the difficulties experienced in controlling grants, the Department now funded more and more on a quarterly basis. In addition to the basic control of expenditure of an audited statement in accordance with Treasury Direction 23/8<sup>1</sup>, the organisations were now required to justify their expenditure for every quarter before funds for the next quarter were made available. Also the performance of the organisation was reported upon by staff of the Department.

309. The Department informed the Committee that the establishment of a National Co-ordinating Committee for Aboriginal Legal Services was still under consideration but that there was little enthusiasm among the Services themselves for the concept of a central secretariat. The witness said that the Department did not wish to impose a super-structure of a central secretariat upon the Legal Aid Services against the wishes of the Services. The concept of a Central Secretariat could be accepted in the future, in the meantime the supervision and co-ordination of the Services and continual liaison between the Department, the Services and the Attorney-General's Department were accepted as departmental responsibilities.

310. The Committee was informed that until December 1973 no attempt had been made to regulate salary payments, fees charged etc. by the Aboriginal Legal Aid Services. The Department told the Committee at the time of the inquiry, that all rates of salary payments, fees charged, were examined during the Department's budget considerations, and advice was obtained on these matters from the Attorney-General's Department. In response to a query the Committee was informed that variations in the allowances and payments for solicitors employed by the Services, depended upon the quality of the people available. The Services were also able to engage outside solicitors, who were then paid the normal legal aid fees for that work.

1. See Chapter 4 "Control over Grants", page 46 for the full text of the Treasury Direction, prior to its amendment.

311. The Department informed the Committee that as a result of the establishment of the Aboriginal Legal Aid Services, a number of Aborigines had received on-the-job legal training, in particular at the field officer level.

Qs. 887  
and 888

312. In relation to the other measures proposed by the Department to overcome the inadequacies in the control of this expenditure, the Department advised the Committee that a 40-page reference manual relating to the provision of Legal Aid Services for Aborigines had been drafted and would be issued after further consideration had been given to some aspects in conjunction with the Attorney-General's Department. The departmental witness explained that although the manual had not formally been issued, the instructions in the manual were in operation to a large degree. The draft manual related to the legal services to be provided, the method of providing the services, control of the services provided, Government policy on funding of services, procedure for obtaining funds, method of remitting funds to Associations, management policy and control of funds received, informatory content of financial records and the responsibility for submission of returns. The Committee was informed on 11 June 1976 that the manual had not yet been issued but the Department intended to do this as soon as it was able to.

Exhibit  
162/1 and  
Q. 839

313. The departmental submission stated that the first guidelines for periodical examination of the operations of the various Aboriginal Legal Services had been issued. The submission also confirmed the advice given to the Auditor-General's Office that the constitutions of the Services had been obtained and were being examined in detail in conjunction with the Attorney-General's Department. The constitutions were also being reviewed in conjunction with the possible restructure of the Services.

Exhibit  
162/1

Conclusions

314. The Committee notes the measures taken by the Department to overcome the inadequacies reported by the Auditor-General in the administrative and financial control over funds expended on Aboriginal Legal Aid Services.

315. One of the measures taken was the preparation of a reference Manual containing detailed instructions relating to the operation of the legal aid scheme. The Committee was informed that the manual had not formally been issued at the time of the Inquiry because further consideration was to be given to some aspects of the manual in conjunction with the Attorney-General's Department. The Committee believes that everyone connected with the Aboriginal Legal Aid Services would benefit from having the manual available for ready reference. The Committee recommends, therefore, that the manual should be issued as a matter of urgency to provide the necessary guidance to the various Services.

316. Notwithstanding the critical staff shortage experienced by the Department in the early stages of the legal aid program, the Committee considers that such basic control measures as specifying in writing the conditions applying to a grant and the purposes for which moneys provided under a grant might be expended, should have been introduced earlier than December 1973.

CHAPTER 7EXPENDITURE ASSOCIATED WITH THE ESTABLISHMENT AND ELECTION OF THE NATIONAL ABORIGINAL CONSULTATIVE COMMITTEE

317. Early in 1973 the then Minister (Mr Bryant) decided to establish a National Aboriginal Consultative Committee (N.A.C.C.). He convened in February 1973 a meeting of 81 Aborigines, elected by himself to constitute an Interim N.A.C.C. This body elected a Steering Committee to develop specific proposals, and again met in May 1973 to endorse a program leading to the election of a N.A.C.C.

P.P. 299  
of 1974

318. The Liaison and Consultation Branch of the Department organised a series of regional conferences of Aborigines during 1973 to explain the wishes of the Minister and the views of the Interim N.A.C.C. At the completion of the regional meetings, State co-ordinators were appointed, a national electoral roll was drawn up, and on 24 November 1973, elections were held in 41 electorates. More than 37,000 electors were enrolled in the 41 electorates.

P.P. 299  
of 1974

319. The following comment was made by the Auditor-General in his report regarding the above elections (Appendix B page 284):

P.P. 13  
of 1974

"the establishment and election of the National Aboriginal Consultative Committee (N.A.C.C.) had revealed inadequacies in the financial and administrative control over the expenditure in question. These included many breaches of the requirements of the Audit Act and Treasury Regulations."

320. In its submission the Department gave the following as background problems associated with the N.A.C.C. elections:

Exhibit  
162/1

"This was a massive project, involving, inter alia, the payment of hundreds of Ministerial consultants<sup>1</sup>, the calling

1. The departmental witness stated that these people were not ministerial consultants in the sense of being personally engaged by the Minister and agreed that enrollers, election officials or ministerial employees may have been better terms to have used.

Qs. 922 to  
933

together and payment of hundreds of Aboriginal for conferences and the provision of transport facilities including vehicles, charter aircraft and boats.

The management of the Department would have preferred a more deliberate approach, and supported the view of the officer seconded from the Australian Electoral Office that from the electoral point of view the elections should not be held until April or May 1974. With such a time scale many of the deficiencies which occurred in financial control of the N.A.C.C. project, and much of the distortion of the Department's financial and administrative services, might have been avoided.

On the other hand, even under such a time scale it is probable that deficiencies would have occurred for a number of reasons. First, the operation itself was, as has been indicated, of massive proportions. Secondly, the operation was conducted to a great extent through Ministerial consultants who were not subject to effective Departmental control. In an attempt to remedy this situation, the Department sought and obtained the creation of temporary positions for the key persons involved in the operation, particularly State or regional co-ordinators; but by the time the persons involved were recruited to these temporary positions, much of the damage had already been done. Thirdly, proposals for expenditure on the various stages of the project were generally not made known to the Permanent Head, the Head of Management Services and Projects Branch and the Finance Section, and were approved without any prior certification as to the availability of funds and any recording of the commitment involved in the Register."

321. The Department in replying to queries from the Auditor-General's Office advised as follows:

P.P. 13  
of 1974

"The main reasons for such shortcomings as occurred were the inexperience of officers concerned in compiling an electoral list coupled with the fact that no instructions were available; and the deadline for the actual enrolment, set by the then Minister, precluded any detailed procedures being implemented during the enrolment period."

322. In a submission to the Committee the former Minister, Mr Gordon Bryant, disputed the Department's statement made in correspondence to the Auditor-General's Office, that he had fixed

Exhibit  
162/25

a specific deadline for the conduct of the N.A.C.C. elections. He stated in paragraphs 75 and 76 of his submission that:

"It is clear from the report of the Auditor-General, that the information passed to him by the Department was that I, as Minister, had fixed a specific deadline for the conduct of the N.A.C.C. elections. The inference is invited that the Minister by fixing the date prematurely had inflicted upon the Department all sorts of difficulties in the financial control and administration of the election and associated procedures."

and

"The truth of the matter is that the date of the election was the subject of advice by the Steering Committee of the N.A.C.C. which met from 19-23 March 1973 in Canberra. A number of advisers were asked to attend and were said to have provided "invaluable advice". Amongst the advisers attending was the Permanent Head. Amongst the suggestions made was the suggestion that the election be held on 30 June 1973, a date well in advance of the date finally decided. Presumably, the Secretary took part in this suggestion."

He went on to say that nevertheless, as Minister, he accepted the view that the election should be held as soon as possible.

323. The Permanent Head, Mr Dexter, subsequently informed the Committee that he had attended the meeting of the Steering Committee of the interim N.A.C.C. as stated by Mr Bryant and had given advice on the structure of the Department and the manner in which he hoped to achieve full collaboration between the Department and the N.A.C.C. He maintained that he did not take part, as presumed by Mr Bryant, in the suggestion that the election be held on 30 June 1973. As indicated at an earlier hearing his recommendation was that the elections should be deferred until April or May 1974.

Committee  
File 1974/4

324. The Auditor-General also mentioned in his report a number of unsatisfactory features associated with the establishment and election of the National Aboriginal Consultative Committee. These included the absence of documentary evidence to support items of

P.P. 13  
of 1974



expenditure, expenditure charged to the wrong appropriation, improper payment of fees and allowances and unsatisfactory aspects relating to the employment of enrollers. For full details of the Auditor-General's comments see Appendix B, pages 284-289 and 312-314.

325. The Department in its submission agreed that during the preparatory and enrolment periods of the N.A.C.C. some unsatisfactory features did arise. The Department also pointed out in its submission that the establishment of the National Aboriginal Consultative Committee diverted the attention and resources of the Department more than all other projects put together, and had a devastating effect on its financial and administrative control.

Exhibit  
162/1

326. With regard to the approved lists of conference delegates mentioned by the Auditor-General in sub-paragraphs (a), (b) and (c) on page 16 of his report, the Committee was informed that the Department had found that it was not possible to place such a list before the Minister for his approval prior to the conference because organisations attending could not indicate who their conference delegates would be. The Department has since adopted the alternative of asking the Minister to approve a certain number of delegates and having a finance officer from the Department attend to ensure that the number attending comply with the Minister's approval. The difficulties facing the Department in this regard can be seen in the following statement by a departmental witness:

Qs. 982  
and 1087

"It is related to the way things are in Aboriginal Affairs. For example, when a person is invited from these tribal communities he may bring along his brother or one or two of his wives. To not pay those other people would involve us in some problems. On other occasions in the urban situation people presume that they have been invited and that they are entitled to be there. To remove them from the premises is a rather difficult proposition also. So to smooth things over and allow the conference to become meaningful and in order to get the best out of it we allow them to remain and include them in the list of delegates. Of course, this is something which the Department appreciates. These adjustments

had to be made in order to be able to get the project under way. We did not necessarily agree with that and some of the people intruded upon the convenience of others but most made significant contributions and should have been included in the first place."

327. The Auditor-General in his report was critical of the fact that expenditure on regional conferences was charged by the Department to an appropriation when there was no proper authority for such expenditure. The Department agreed that at the time payments were made for regional conferences no formal authority existed for the expenditure. The Department explained that this was due to a difference of opinion between the Treasury and the Department. The regional conferences were set up to explain the N.A.C.C. to the Aboriginal people which the Department considered was a continuation of the normal consultative services. The Treasury had taken the view that a new initiative was involved which required the specific approval of the Treasurer. As explained in the Auditor-General's Report, the charges made to Division 112-3, Item Q2 in error have been adjusted and further adjustments were effected following the receipt of formal authority for the expenditure.

Exhibit  
162/1 and  
Q. 993

328. The Department in response to the Auditor-General's criticism regarding inadequate details being provided to support estimates of cost of supplies required for regional conferences has re-organised the method of estimating for supplies for conferences to ensure greater accuracy. These estimates are now referred to the Finance Sub-section for checking and final estimating.

P.P. 13  
of 1974

329. The Department agreed with the Auditor-General that in some instances some or all of the expenditure incurred under a specific approval had not been recorded against that approval. However, the Department has recorded expenditure against approvals since the Finance Sub-section commenced formal operations in September 1973.

P.P. 13  
of 1974

330. The Department, at the time of the inquiry, had not been able to determine whether officers on secondment from both Australian Government and State Departments were in fact paid sessional fees incorrectly. The

P.P. 13  
of 1974  
and Q. 1013

Committee was told that the investigation into this matter had not been completed because the officer who had been carrying it out had been promoted to another Department. At the time of the inquiry no one had been given the task of completing the investigation.

331. The Auditor-General in paragraph (i) on page 17 of his report was critical of a number of aspects relating to the temporary employment of 240 enrollers in connection with the preparation of rolls for the N.A.C.C. elections. The Department agreed that unsatisfactory features relating to the N.A.C.C. project were almost inevitable, given the pressure to have the elections completed in the shortest possible period, the inexperience of the staff involved and the task, with inadequate staff, of documenting financial procedures and instructions. The Department stated that on several occasions the expenditure of funds was approved by the Minister without the Permanent Head or the Finance Sub-section having been consulted as to the availability of funds or being informed of the approvals.

332. In regard to the Audit criticism that there was no evidence of approval by the Minister for the rates of "salary" and "allowance" paid to the 240 enrollers, the departmental witness agreed that the comment was valid in relation to the enrollers. In all other cases ministerial approval had been obtained. However, it was pointed out that the rates paid to enrollers had the agreement of the Permanent Head and the then Minister had agreed in principle to the proposed rates of salary and allowances.

333. Both when replying to the queries from the Auditor-General's Office and in evidence before the Committee, departmental witnesses agreed that tax deductions should have been made from the salaries paid to enrollers. The Committee was told that after consultation with the Taxation Commissioner on the best way to recover the situation, the Department sent out statements to the persons concerned. The Committee understands that it is now the responsibility of the Taxation Commissioner to determine what further action, if any, should be taken.

P.P. 13  
of 1974  
and Qs. 950,  
969 and  
1033

Qs. 950  
to 957

P.P. 13  
of 1974  
and Qs.  
1015 to  
1020

334. The Auditor-General also stated in sub-paragraph (i) (iv) on page 17 of his report that the procedures for engaging and certifying satisfactory performance of service by enrollers were not considered to provide a proper basis of internal control. The Department in reply stated that the enrollers for the elections were appointed on the advice of Aboriginal State Co-ordinators and reasonably firm arrangements, largely of an oral nature, were made through the State Co-ordinators with the persons engaged as enrollers. In reply to a question as to whose control the sixteen State and Regional Co-ordinators and enrollers were subject, a departmental witness informed the Committee that the sixteen co-ordinators saw themselves as a team representing the N.A.C.C. itself and as having been deputed by the Minister to undertake the task of organising the elections. The Committee was told that they saw their role as the employers of the enrollers and other people required. Financial control as required under the Treasury Regulations would have been considered by them, if they had been aware of what was required, as being of very much less importance than getting the job done.

335. In Appendix C on pages 44 to 46 of his report the Auditor-General has mentioned a number of instances where officers of the Department had not complied with the provisions of the Audit Act and Treasury Regulations in relation to expenditure associated with the establishment and election of the N.A.C.C. These breaches were in respect of section 18 of the Audit Act which requires the written approval of the Treasurer or his delegate to open any public or official bank account; Treasury Regulation 45 in that reference to the requisition or other authority for the expenditure was not made on accounts covering advances made to officers and details were not shown to support the amounts advanced. There was also no evidence that the approval of competent authority had been obtained for the advances as required under Treasury Regulation 74. The departmental witness explained to the Committee that the breaches had occurred because of the limited number of staff available to attend to financial matters and a lack of knowledge by the officers concerned

P.P. 13  
of 1974  
and Q.  
968

P.P. 13  
of 1974  
and Qs.  
1104 and  
1160

of the provisions of the Audit Act and Treasury Regulations, who would not have been aware that any offences were being committed.

Hire of Vehicles from Private Firms

336. The Auditor-General in pages 19, 20 and 47 of his report has noted a number of deficiencies in the financial and administrative control over expenditure on the hire of drive-yourself vehicles to assist in the N.A.C.C. enrolment. The deficiencies noted included lack of evidence that appropriate approvals for hire had been obtained or that prior certification that funds were available had been given. It was also stated that there was nothing to indicate that Government-owned vehicles would not have been available, that the provisions of the Treasury Directions in relation to expenditure on personal accident and vehicle damage insurance had been adhered to and that drivers were not required to maintain records of mileage and the purpose of each trip.

P.P. 13  
of 1974

337. The Department, in replying to Audit representations, had agreed that there had been deficiencies in the arrangements made for the provision of vehicles for persons engaged on the N.A.C.C. enrolment project. The Department also stated that bearing in mind the target date set for the elections; that the persons involved in the use of cars were ministerial consultants<sup>2</sup>; and that the staff arranging the travel were, regrettably, unaware of the need to seek appropriate approval, the occurrence of the incidents was inevitable.

P.P. 13  
of 1974

338. When questioned by the Committee on the departmental control of transport arrangements in connection with the N.A.C.C. elections a departmental witness replied:

Q. 961

"We tried to see that control was maintained as strictly as we possibly could and we thought we did this rather successfully but there were obviously some circumstances where individuals who were not used to Public Service procedures and Treasury Regulations and were not aware of the financial analysis being undertaken by the Auditor-General,

2. See footnote 1 on page 121.

made arrangements to suit their own convenience in terms of seeing that people were there to enrol appropriately in time to meet the timetable that was laid down rather rigidly by the N.A.C.C. and agreed to by the personnel in the Department and the Minister."

339. Departmental witnesses agreed that most of the expenditure proposals connected with the N.A.C.C. elections were approved without prior certification as to the availability of funds or a recording of commitments at the time of approval. The comment was also made by a witness from the Department that the people concerned were aware that there was an overall amount available in most circumstances. He further added that:

Qs. 1032  
and 1033

"It was not a question of them not knowing of their own knowledge that there were funds available, but the normal procedures were not adopted in these particular cases."

340. With regard to the possible use of Australian Government vehicles, the Department told the Committee that it was doubtful if such vehicles could have been made available for the purpose of assisting with the elections as they are generally available only in capital cities or major country areas. It was also pointed out that it was necessary to be a holder of a special licence to drive Australian Government vehicles and that the Department would not have been prepared to provide such licences in a number of cases.

Qs. 1035  
to 1038

341. The Committee questioned departmental witnesses on the degree to which existing contracts for hire-car services, either State or Australian Government, were utilised when arranging transport for persons engaged in organising the N.A.C.C. elections. The Committee was told that departmental officers had attempted to use existing contracts but it had been difficult in the time available to find out what contracts were in existence. However, quite fortuitously the Department received the benefit of a State Government contract with a hire-car firm operating in three States and paid the appropriate

Qs. 1039,  
1040 and  
1046 to  
1063

Government rate. The departmental witness informed the Committee that they were not aware of the fact that a State Government contract with that firm existed until after the expenditure had been incurred.

342. In relation to expenditure on personal accident and vehicle damage insurance, the Department stated in its submission that as far as the hiring of cars from the firm that had State Government contracts in three States was concerned, the contract provided for personal accident and vehicle damage insurance to be taken out. The witness pointed out that as the Department had to comply with the terms of the contract it was precluded from following the normal policy set out in the Treasury Directions which state that the Australian Government shall act as its own insurer. In all other cases personal accident and vehicle damage insurance would have been taken out at the time of hiring by the persons arranging the hire. The departmental witness explained that in most cases this action would have been necessary as the persons concerned would not have been classified as employees of the Government and consequently not covered by the Government for personal accident and would have been personally liable for vehicle damage.

343. The Committee questioned departmental witnesses with regard to the method used to calculate mileage allowances paid to delegates attending conferences and to enrollers in connection with the N.A.C.C. elections. The Committee was told that as regards enrollers, the mileage was estimated in accordance with the distance between the towns or areas to be visited on a planned route. In some cases extra miles were added after the trip was completed to cover additional communities visited that were unknown when the journey was undertaken. The departmental witness stated that these additional miles were generally accepted as being correct and were substantiated by the fact that the enroller in question would have names from these additional areas on enrolment forms. In a supplementary submission the Department gave details of some individual cases of allowances paid to delegates attending conferences, including cases where the mileage allowance

Exhibit  
162/1 and  
Qs. 1040  
and 1046  
to 1049

Qs. 113B  
to 1141  
and  
Committee  
File  
1974/4

paid exceeded the equivalent first class air fare. The Department stated that due to the passage of time, no reasons could be given as to why the respective delegates were paid mileage allowance instead of the equivalent normal transport costs.

344. In paragraph 85 of its submission the Department stated in relation to travel arrangements for the N.A.C.C. elections:

"The circumstances were such that the amount of travel required, and therefore the cost, was impossible to forecast with any degree of accuracy. Prior approval and commitment of funds would not have been a very meaningful exercise."

When questioned on this statement the departmental witness agreed that the Department was referring to the task of organising the travel within the very short time scale set down for the elections. He went on to say that the Department would be able to comply with the relevant provisions of the Treasury Regulations and Directions when carrying out such tasks in future.

345. The Committee had noted from the Auditor-General's Report that the Department had stated that:

"Arising from experience more control was being exercised in the use of rental cars and the possibility of negotiating a period contract was being explored."

In response to further questioning the Committee was told that the control now being exercised included the requirement that the approval of competent authority should be obtained before vehicles are hired. On the question of a period contract, the Department stated at the inquiry that it had not been notified by the Australian Government Stores, Supply and Tender Board whether it was possible to negotiate a period contract for the hire of cars to meet the Department's requirements throughout Australia where they couldn't be met by the hire of Australian Government vehicles.

Exhibit  
162/1 and  
Qs. 1041  
and 1043

P.P. 13  
of 1974  
and Qs.  
1066 to  
1069

Rental of Office Accommodation, use of Telephones, etc.

346. The Auditor-General in pages 20 and 21 of his report mentioned a number of unsatisfactory features with regard to temporary rental accommodation in Perth and Cairns and the use of telephones and other facilities in Perth in relation to the N.A.C.C. elections. The main tenor of the comment was that approved administrative and financial procedures were not followed in the provision of the accommodation in that the Department of Services and Property was not consulted, prior approval was not sought for the expenditure and prior certification that funds were available was not obtained.

P.P. 13  
of 1974

347. The Department had replied to the Audit criticism by stating that the employee renting the Perth accommodation was the State Co-ordinator for the enrolment and election of the N.A.C.C. and that he, like other hurriedly recruited Aboriginal temporary employees, was unable to be fully briefed on departmental procedures because of pressures on both him and the officers who might have given the briefing. The Department admitted that the Co-ordinator had made his accommodation arrangements without consulting the Department and in ignorance of the requirements of the Audit Act and that approval to pay for the accommodation was obtained after the accounts from the hotel were received. It was also stated that the office accommodation in Cairns was arranged by a temporary officer and that the first knowledge the Finance Section had of the arrangement was when the accounts arrived for payment.

P.P. 13  
of 1974

348. In reply to a question from the Committee regarding the action taken by the Department to establish whether the telephone, telegram and telex charges mentioned in the Auditor-General's Report were proper charges to be met by the Department, the witness stated:

Q. 1085

"I think this relates to the fact that one of the officers was accommodated and working from a hotel or motel room. We were not aware until after it happened. He used the telephone a great deal. He has assured us that all telephone calls were official. We have no way of checking on this, of course, we can only accept his assurance."

General

349. It was mentioned in the Auditor-General's Report that the Department had given a general undertaking to review all items of expenditure relating to the N.A.C.C. elections which had been brought to its notice by the Auditor-General's Office and to institute recovery action should this be appropriate. Reference to this re-examination was also made in the Department's submission. In reply to a question from the Committee regarding the present position in this matter, the departmental witness replied that the Department did not have sufficient resources available to carry out the review and that it was considered by the Department that it would be an unproductive exercise in any event. It was indicated to the Committee that the Department intended to discuss this question with the Auditor-General's Office.

P.P. 13  
of 1974,  
Exhibit  
152/1 and  
Q. 1054

350. Departmental witnesses were asked by the Committee whether the Department had considered the feasibility of preparing a handbook for the use of people such as the enrollers engaged on the N.A.C.C. project which could set out in simple terms the departmental requirements for the financial and administrative control over the type of expenditure likely to be incurred on such projects. The Committee was informed that the Department was already in the process of preparing such material.

Q. 1166

Conclusions

351. The Committee fully appreciates the problems that a project such as the enrolment of electors and the election of the National Aboriginal Consultative Committee (N.A.C.C.) created for the Department with regard to the administrative and financial control of the related expenditure.

352. Although the Committee understands the pressures that led to the decision to hold the N.A.C.C. elections as soon as possible, the Committee agrees that the Department's difficulties were increased to a very great extent by the deadline set for the election. The date finally set allowed very little time for the Department to introduce the necessary detailed control procedures or to attempt to inform the people engaged to carry out the project of departmental requirements regarding the incurring of expenditure.

353. The Department's problems were further aggravated by the fact that the appropriate officers in the Department with financial responsibilities under the Audit Act, Treasury Regulations and Treasury Directions were often not made aware of expenditure proposals relating to the project until after the expenditure had been incurred. In this regard the Committee wonders why the departmental officers organising the enrolment and election of the N.A.C.C. were not aware of the need to keep the officers in the Department with financial responsibilities fully informed of proposals to incur expenditure. The Committee also considers it regrettable that Ministerial staff and departmental officers concerned with the election did not keep the Department's finance officers informed of all expenditure proposals as they were approved by the Minister.

354. The Committee notes the Department's statement that had the N.A.C.C. elections been held in April or May 1974, many of the deficiencies which occurred in the financial control of the project and much of the distortion of the Department's financial and administrative services might have been avoided. In this context the Department informed the Committee during the Inquiry that it was in the process of preparing instructions for the use of people such as enrollers which would set out in simple terms the departmental requirements for the financial control over the type of expenditure likely to be incurred on such projects. The Committee was informed on 11 June 1976 that the need to issue instructions to enrollers had not arisen as the next elections had been deferred pending the report of a Committee of Inquiry which was reviewing the role of the N.A.C.C. The Committee notes the Department's assurance that formal instructions would be provided to enrollers should further elections be held.

355. The Committee also notes the general undertaking given by the Department to review all items of expenditure relating to the N.A.C.C. elections which had been brought to its notice by the Auditor-General and to institute recovery action should this be appropriate. Apparently the Department was having difficulty in carrying out this undertaking because of insufficient staff resources and considered that it would be an unproductive exercise in any event. The Committee wishes to be informed of the final decision taken in relation to this expenditure review.

## CHAPTER 8

ACQUISITION OF LUGGERS

356. The Auditor-General on page 21 of his report stated that:

P.P. 13  
of 1974

"Audit representations were made to the Department on the apparent breach of Treasury Regulation 52 which occurred when the Department agreed by letter of 2 July 1973 to Aucher Pearling Pty Ltd to purchase the luggers 'Penguin' and 'Pelican' for \$7,500 and \$6,000 respectively. Although tenders had not been called for supply of the vessels, a Certificate of Inexpediency under Treasury Regulation 52AA was not sought until 17 July 1973. The approval of the Treasurer to incur expenditure from the Aboriginal Advancement Trust Account was not obtained until 13 July 1973.

In reply, the Department explained that on 25 June 1973 the then Minister had directed the purchase of the 2 luggers to proceed with urgency. On 2 July 1973, the Minister had approved a grant of \$13,500 to the Torres Strait Co-operative Society Limited of Thursday Island to cover the purchase of the 2 luggers. In the belief that the purchase was to be made by the Co-operative from the approved grant the Department wrote hurriedly to the vendor on 2 July 1973 to ensure the vessels were not sold. On ascertaining subsequently that the Minister intended the ownership of the vessels to remain with the Government, the Department took steps to obtain the necessary approvals before it paid for the vessels on 9 August 1973.

The vessels are presently on loan to the Co-operative pending completion of a formal lease document."

357. The Auditor-General also commented that:

P.P. 13  
of 1974

"The Department was in breach of statutory requirements in agreeing to purchase the luggers before approval of the Treasurer was obtained to the expenditure from the Trust Account and before the Department obtained a Certificate of Inexpediency under Treasury Regulation 52AA. My office noted, however, that the necessary approvals were obtained before the Department paid for the vessels."

358. In its submission to the Committee the Department stated that it did not accept the Auditor-General's comment that -

Exhibit  
162/1 and  
Q. 1167

"the Department was in breach of statutory requirements in agreeing to purchase the luggers before approval of the Treasurer was obtained to the expenditure from the Trust Account and before the Department obtained a Certificate of Inexpediency under Treasury Regulation 52AA."

The witness for the Department stated in evidence that at the time the Department advised the vendor of the intention to purchase the luggers it was believed that the purchase would have been between the Torres Strait Co-operative Society Ltd and the vendor.

359. The Department in its submission informed the Committee that approval for a grant of \$33,500 to the Torres Strait Co-operative in 1973 to purchase the luggers was made in the following circumstances:

Exhibit  
162/1

"9 April The Department received from the Minister's Office a copy of a report by Captain Benson, Consultant to the Minister, recommending the purchase inter alia of three luggers, Antonia, Penguin and Pelican.

24 April The Minister told the Permanent Head he wished to purchase all three boats. The Permanent Head's note indicates that the Minister agreed with his recommendation that in this case one vessel be reserved for the Torres Strait Co-operative based on Thursday Island and that the other two be 'envisaged for communities or individuals from within the Torres Strait Islands Reserve', subject to determinations as to how the vessels would be purchased, owned, maintained, supervised, etc.

"17 May The Department wrote to the vendors, Aucher Pearling Pty. Ltd., confirming a telephone conversation of 11 May expressing the interest of the Commonwealth Government in the vessels.

23 May Aucher Pearling confirmed the availability and price.

- 2 June Dr Bustard, whom the Permanent Head had asked to ascertain what Reserve individuals or communities might be interested in accepting two of the luggers, reported that he had found little interest among Islanders. The Permanent Head sought within the Department suggestions as to possible allocations and means of purchase, e.g. use of the Capital Fund or Applied Ecology as holding units was mentioned (the Torres Strait Co-operative was not at that stage incorporated).
- 7 June A meeting was held in the Minister's Office attended by Senator Georges, Captain Benson, Messrs King and Hall of the Minister's Office, Dr Bustard and Messrs Thomas and Janaz of the Department and discussed, without coming to a conclusion, possible uses of the three luggers, an ex-Taiwanese trawler and two ex-Army landing barges. At some stage after this meeting the Minister gave an oral direction that the three luggers should be purchased initially by Applied Ecology Pty. Ltd.
- 19 June A file note by a Departmental officer who was a Director of Applied Ecology recorded that the company had purchased the Antonia and that 'the other two vessels are also to be purchased as per the Minister's directions but we are at the moment short of funds'.
- 20 June The Minister advised Dr Bustard in Thursday Island by telegram to contact Senator Georges, also in Thursday Island, who 'will advise necessary arrangements regarding the lugger Antonia'. In a telegram to Senator Georges the Minister asked him to 'make necessary arrangements for transfer of lugger to Co-operative'.
- 22 June Aucher Pearling advised 'we have received a cash offer for both vessels (Penguin and Pelican) from a private buyer but have refrained from entering into any firm negotiations with him until we have had formal advice from your Department'.

- 22 June The Permanent Head advised the Minister that he was profoundly disturbed by problems which had arisen in Thursday Island during the visit by Senator Georges accompanied by Messrs Thomas of the Department, and Sadger of the Department of the Attorney-General. He said:

'It would appear that there have been developments in regard to these luggers of which the Department was not informed, so that, in acting upon your directions as previously given to us, we were acting in variance to apparent modifications of these instructions.'

He recalled that in discussion the Minister had agreed to the luggers being purchased as an interim measure by Applied Ecology, which might use one of the vessels itself and make one available to the Torres Strait Co-operative. However, the minutes received in the Department on or after 13 June, of a meeting held on 30 May on Thursday Island for the formation of the Torres Strait Co-operative indicated that Captain Benson had offered the Co-operative the three luggers, the Taiwanese trawler, and one landing barge. The Permanent Head, after indicating the consequential steps being taken by the Department, said:

'I do not see how the Department can avoid further similar situations - unless it can be kept informed of changes in approach or of the separate activities of your personal staff as they occur. I would... hope that changes would not be made nor commitments entered into without the Department being first given an opportunity to comment.'

- 25 June The Minister advised that purchase of the luggers as well as of two ex-Taiwanese trawlers and two ex-Army landing barges should proceed with urgency, and that, under Captain Benson's supervision, they should undergo a refit and be placed at the disposal of the Co-operative."

360. The Committee was informed that on 2 July 1973 the Minister directed that a grant of \$33,500 be made to the Co-operative for the purpose of purchasing the two remaining luggers, acquiring the

Exhibit  
162/1 and  
Gs. 1176 and  
1188 to 1191



"Antonia" from Applied Ecology and paying harbour dues on the two ex-Taiwanese trawlers. The Department then advised Aucher Peering Pty Ltd by letter on 2 July 1973 signed by an officer of the Department for the Secretary, Mr Dexter, in the following terms:

"I accept your offer to sell the "Penguin" and the "Pelican" for \$7,500 and \$6,000 respectively. A cheque will be forwarded in the next few days."

361. The Observer from the Auditor-General's Office (Mr Hinchy), said that his Office considered this advice to be clearly an undertaking by the Department to purchase and pay for the vessels, and that no evidence had been produced to his Office to show that the Department had the authority of the Torres Strait Co-operative Society Limited of Thursday Island, to enter into a contract on their behalf. The Auditor-General's Office therefore maintained that a breach of the Treasury Regulations had occurred when the Department wrote to the Company accepting its offer in that tenders had not been called or a Certificate of Expediency obtained as required by Treasury Regulations 52 and 52AA. The Treasury Observer (Mr Davidson), concurred with the opinion expressed by Mr Hinchy.

Qs. 1188  
to 1191

362. The Treasury Observer (Mr Davidson) was of the opinion that no further Treasury approval would have been required if a grant had been made to the Co-operative and the purchase made by the Co-operative from that grant. Both Mr Davidson and Mr Hinchy agreed that in those circumstances the Treasury Regulations relating to tendering would not have applied to the purchase. Mr Hinchy went on to say that in the opinion of the Auditor-General's Office the Treasury Regulations would apply if the Department was purchasing an item that was to be handed over to another organisation such as the Co-operative. However, both Observers were of the opinion that in this instance the Department, through its letter of 2 July accepting the vendor's offer, entered into a contract with the vendor.

Qs. 1190,  
1191, 1197  
and 1198

363. The Department, when questioned about its apparent acceptance of the vendor's offer, conceded that the advice to the vendor of 2 July could most certainly have been read as meaning that the Department intended to acquire these vessels, but stated that this

Exhibit  
162/1 and  
Qs. 1168,  
1177, 1189,  
1194, 1199  
and 1201

had not been the intention. The witness for the Department explained that the Department had originally been negotiating with the purchasers on the understanding that it would purchase the vessels. However, towards the end of June, the Department became aware that the Minister preferred the Co-operative to purchase the luggers rather than the Department. On this basis the Permanent Head (Mr B.G. Dexter) in a minute dated 29 June 1973 advised the Minister in the following terms:

"The Co-operative will require a grant of up to \$33,500 to obtain the five vessels. This amount comprises:

- |  |                 |
|--|-----------------|
| (a) Acquisition of the Antonia from Applied Ecology Pty Ltd (which, as you know, had purchased it in accordance with your earlier direction)   | \$15,000        |
| (b) Purchase of the Penguin and Pelican  | \$13,500        |
| (c) Payment of Darwin harbour dues and cost of initial equipment required by Captain Benson for the two ex-Taiwanese trawlers (by arrangement with the Co-operative these funds could remain in the Aboriginal Advancement Trust Account and we could pay out direct upon presentation of bills) say | <u>\$ 5,000</u> |
|  | <u>\$33,500</u> |

I do not feel able myself to recommend this grant, since as you know, I believe the vessels could be put to better use in other ways. However, you may wish to direct that the grant be made."

364. The Department in its submission stated that in view of the Ministerial direction of 2 July 1973 that a grant be made available to the Co-operative to purchase the vessels and a letter from the vendor to the Department on 22 June saying that "we have received a cash offer for both vessels from a private buyer but have refrained from entering into any firm negotiations with him until we have had formal advice from your Department", it was considered essential to

Exhibit  
162/1

advise the vendor of the approval to purchase the vessels. Even though the formal transaction would have been between the Co-operative and the vendor, in all probability the Co-operative would have requested that the cheque comprising the grant be sent direct from the Department to the vendor.

365. The witness for the Department stated that "there was no doubt in the mind of the Aucher Pearling Company in the end that the purchase was to be made by the Co-operative". However, it was finally the Department that did purchase the luggers. The Committee was informed that a letter dated 28 June 1973 from the Minister was received by the Permanent Head on 3 July 1973. This letter stated in part that the vessels should all be regarded as a unit to operate in the Torres Strait, Gulf, Arnhem Land area on loan or lease as required. The Department informed the Committee that in view of the indication in the Minister's letter and partly as a result of a press statement which seemed to indicate that the Minister had changed his mind, the Permanent Head, on 10 July 1973, sought a change in the Minister's decision of 2 July, recommending instead that the Department acquire all the vessels. He advised the Minister that the Treasurer's approval should be sought for such an arrangement, and that the Commonwealth Stores Supply and Tender Board should be approached for a Certificate of Inexpediency. On 13 July the Minister approved of the change sought by the Permanent Head on 10 July. On 31 July the Commonwealth Stores Supply and Tender Board approved the waiving of the invitation of public tenders for the purchase of the luggers and the sale was finalised on 9 August 1973.

366. The Committee learned that the lugger "Antonia", which was purchased by the Department from Applied Ecology Pty Ltd, was the Department's work boat for its Thursday Island Office. The other two luggers were held by the Co-operative on loan from the Department pending the completion of a formal lease agreement.

Qs. 1191,  
1202, 1206,  
1264, 1265  
and 1268

Qs. 1257  
and 1269

### Conclusions

367. The evidence presented to the Committee shows that on 24 April 1973 the then Minister told the Permanent Head of the Department that he wished to purchase the three luggers 'Antonia', 'Penguin' and 'Pelican'. After some discussions on 7 June 1973, the Minister issued an oral direction that the three luggers should be purchased by Applied Ecology Pty Ltd. However, the company had only sufficient funds to purchase the 'Antonia'.

368. On 25 June 1973 the Minister directed the Department to purchase with urgency the other two luggers, which were to be placed at the disposal of the Torres Strait Co-operative Society Limited of Thursday Island. The Minister on 2 July 1973 approved a grant of \$13,500 to the Torres Strait Co-operative to enable it to purchase the luggers. The Department, on 2 July, advised the vendor, Aucher Pearling Pty Ltd by letter in the following terms:

"I accept your offer to sell the 'Penguin' and the 'Pelican' for \$7,500 and \$6,000 respectively. A cheque will be forwarded in the next few days."

369. The Department maintains that at the time the offer was made in writing to the vendor it was the clear intention that the purchase would be made by the Co-operative from the grant approved by the Minister for that purpose. If that were the case, and the Committee has no reason to believe that it wasn't, then the Committee considers that more care should have been taken in the wording of the offer. The Committee believes that the text of the advice to the vendor could only have conveyed the impression that it was the Department itself that intended to purchase the two luggers and assume ownership.

370. The Committee considers that the Auditor-General's Office was quite entitled to report the apparent breaches of Treasury Regulations 52 and 52AA to the Department. The Committee also noted that following the Minister's later decision for the Department to retain ownership of the luggers, the necessary approvals to regularise the transactions were obtained before the vessels were paid for.

371. It appears to the Committee that the problems that arose in connection with the purchase of the luggers were caused by a lack of liaison between the Minister's Office and Ministerial advisers and consultants, on the one hand, and the Department, on the other. It must have been difficult and time-consuming for those departmental officers with financial responsibilities to keep abreast of the various decisions of the Minister in relation to the luggers and to learn of the changes in approach to the project resulting from the activities of Ministerial staff and consultants, particularly as no attempt was apparently made by the people concerned to keep the appropriate officers in the Department fully informed.

372. The Committee considers that when the decision was taken by the Minister to acquire the luggers the proposal should have immediately been referred by the Minister's Office to the Department for urgent advice on the financial implications of that decision. The same procedure should have been followed with regard to the later Ministerial decisions. In the Committee's opinion such action would have avoided many of the problems that subsequently arose.

373. The Committee has also noted that departmental officers, who were Directors of Applied Ecology Pty Ltd. had been present at meetings where decisions affecting the purchase of the luggers had been made, or announced. The Committee cannot understand why these officers did not see it as their duty to keep the Permanent Head of the Department fully informed on these matters.

## CHAPTER 9

EXPENDITURE ON REFITTING AND MOVEMENT OF EX-TAIWANESE TRAWLER

374. The Auditor-General in his report stated that an examination of the accounts relating to expenditure incurred by the Department on the refitting and movement of the ex-Taiwanese trawler Yung Yuan 21 revealed a number of unsatisfactory features including the following:

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of 1974

- (a) A bank account titled 'Taiwanese Fishing Vessel Account' was opened in July 1973 at the Darwin Branch of a private bank by officers of the Department; advances totalling \$20,000 from the Aboriginal Advancement Trust Account were paid into that account to cover expenditure on the refitting and movement of the trawler. No evidence was sighted of approval of the Treasurer or his delegates being obtained for the opening of the bank account (section 18 of the Audit Act).
- (b) Approval of competent authority was apparently not obtained before the advances were made to one of the officers concerned (Treasury Regulation 74).
- (c) A monthly reconciliation of the account was not effected, following the opening of the account in July 1973, until Audit representations were made in September 1973.
- (d) The Audit Act and Treasury Regulations were not complied with in relation to approval to incur expenditure from the advance; calling of tenders or quotations; issue of purchase orders; certification of the accounts as to the faithful performance of the services and their correctness. Audit enquiries indicated that equipment, etc. was ordered on a cash sale basis including several items each involving expenditure in excess of \$1,000.
- (e) The advances totalling \$20,000 have not been adjusted.

Audit examination of certain additional accounts paid by the Department from Canberra for supplies in connection with refitting and movement of the trawler also revealed unsatisfactory features, including:

- (a) Requisitions had not been prepared, funded and approved in relation to supplies obtained (Treasury Regulations 46, 47 and 49). Particular reference was made by Audit to 3 accounts totalling \$14,423.
- (b) Quotations or tenders had not been called nor was there evidence the supplies were being obtained under an existing contract (Treasury Regulations 51 and 52).
- (c) A certificate had not been obtained from competent authority, where it was considered impracticable or inexpedient to call tenders or quotations (Treasury Regulation 52A).

375. The following comment relating to expenditure incurred on the trawler was also included in the Auditor-General's Report:

P.P. 13  
of 1974

"This transaction indicates an apparent lack of adequate investigation of the use to which the trawler could be put before incurring expenditure in excess of \$40,000 on refitting and moving it from Darwin to a shipyard in Maryborough, Queensland. It is understood that the vessel has been held at the shipyard at the cost of the Department pending a final decision whether further work was to be carried out on it.

There is clear evidence that serious breaches of the Audit Act and Treasury Regulations occurred in connection with the incurring of the expenditure on refitting and movement of the vessel."

376. It was stated in the departmental submission that from the Department's point of view the whole Taiwanese trawler project was surrounded by confusion and difficulty. Apart from the Department's lack of precise information about what was intended or required in relation to the trawlers, officers at various levels

Exhibit  
162/1

received peremptory orders from officers of the Minister's Office and a consultant to the Minister and this added to the confusion. The submission went on to say that at no time was the Department in a position to investigate the project properly or to control expenditure on it. The Department also informed the Committee that it was evident that negotiations were under way from early March 1973 to acquire two confiscated Taiwanese trawlers which were located in Darwin. The Department first became aware of the negotiations when it received telephoned advice on 12 April 1973 from the Department of Primary Industry that the Minister had written to the Minister for Primary Industry on 7 March 1973 asking that the two trawlers be transferred to the Department of Aboriginal Affairs for use by Aborigines.

377. Negotiations continued between the Minister's Office and the Department of Primary Industry with the Department of Aboriginal Affairs being kept informed of proceedings, for the most part, by advice from the Department of Primary Industry. On 17 April the Department received from the Minister's Office a copy of the Minister for Primary Industry's letter of 26 March in which he said the vessels could not be disposed of until all legal processes had been finalised and that they would be costly to convert for use by Australians. On 7 May the Department received a letter from the Department of Primary Industry stating that Captain Benson should contact Mr Purnell-Webb of that Department, apparently assuming that the Department of Aboriginal Affairs was aware of the previous negotiations. On 1 June the Department of Aboriginal Affairs received a copy of the Minister's letter of 22 May in which he wrote to the Minister for Primary Industry accepting an offer of one of the trawlers and requesting delivery of the vessel to Captain Benson. This letter arrived at the Department of Aboriginal Affairs under cover of another letter from the Department of Primary Industry.

Exhibit  
162/1

378. Finally, on 25 June the Minister advised the Department that the trawler Yung Yuan 21 was available for delivery to the Department and instructed the Department to consult with Captain Benson about his

Exhibit  
162/1

arrangements to take delivery of the trawler, to have the necessary bedding, messing and other equipment taken on board and engage the necessary engineers and other crew members to bring the ship to a suitable shipyard for thorough refit prior to it being made available under Captain Benson's supervision, to the Torres Strait Co-operative. It was also stated on the minute that a second trawler, the Lan Yang 1, was available on similar conditions and "should be accepted and passed to Captain Benson for refit and allocation."

379. On 3 July 1973 Mr King, the Senior Adviser to the Minister, wrote to the Permanent Head of the Department of Aboriginal Affairs stating that Captain Benson was arranging for the movement of the trawlers, that it was proposed that the Minister and Mrs Bryant would accompany Captain Benson on one of the trawlers and that a great deal of careful planning and provisioning would be necessary in Darwin.

Exhibit  
162/1 and  
Committee  
File  
1974/4

380. The Committee was informed by Captain S.J. Benson, Marine Consultant to the former Minister for Aboriginal Affairs, the Hon. G. Bryant, that the background to the trawler project was that the Minister had indicated to him that the guidelines for Aboriginal development mentioned by the Prime Minister in a letter dated 28 May 1973 to the Acting Premier of Queensland were to be followed. The relevant sections of the letter were as follows:

"Furthermore, it is fundamental to my Government's approach to this matter that the Aboriginal and Island communities themselves should be involved in the working out of policies, be identified with those decided upon, and should participate actively in their administration. This factor limits the degree to which principles of the kind I outlined should be applied."

and

"My Government believes that self-determination is an empty promise unless it is backed by economic independence. We intend, therefore, to assist Aborigines as individuals, groups and communities to develop their own economic future. To this end we believe business enterprises on reserves should be owned and (with professional technical and managerial assistance) managed by the communities themselves. We are prepared to back such ventures with grants and loans and with professional and technical services. Income from such enterprises will be available to the communities to improve conditions for them in accordance with their own decisions."

381. As a result when the Taiwanese trawlers confiscated for illegal fishing became available, the Minister requested Captain Benson to inspect these vessels to see if they could be used by the indigenous people of the Torres Strait. The Minister's wishes on this matter were indicated in an undated minute which was received in the Department of Aboriginal Affairs together with a note from the Minister's Senior Adviser, Mr Bill King, dated 11 July 1973. The minute proposed that one trawler, the Yung Yuan 21, should become the property of the Department and be leased to the Torres Strait Co-operative while another, the Lan Yang 1 should be controlled by the Torres Strait Co-operative Advisory Committee and Captain Benson. The Minister wished to acquire the two vessels but Captain Benson recommended that one only be acquired - the Yung Yuan 21. Later it was decided not to proceed with refitting the Lan Yang 1 because of the great expense and difficulty of arranging an overhaul of the engine and as a consequence no expenditure was incurred by the Department on refitting the vessel.

Exhibit  
162/1 and  
Qs. 1213,  
1214 and  
1404

382. In carrying out the Minister's wishes Captain Benson, before proceeding to Darwin on 23 May 1973 to inspect the trawlers, obtained from the Department of Primary Industry a survey on the Yung Yuan 21 which had been carried out for that Department by Milner and Melbye, Marine Consultants and Surveyors of Darwin. Captain Benson wrote to the Minister on 25 May 1973 recommending that the Yung Yuan 21, which had been lying in Darwin Harbour for a number of months, should be taken to Walkers Shipyard at Maryborough, Queensland for a refit.

Exhibit  
162/32

383. Captain Benson informed the Committee that he had found work for the trawler with a firm of fish processors, Craig Mostyn Pty Ltd. It was proposed that the Yung Yuan 21 be used as a receptacle vessel so that small trawlers operating in the Gulf of Carpentaria could come alongside the vessel and deposit their 15 tons of prawns into its hold. When the vessel had taken on board approximately 200 tons of prawns, the catch was to be taken to Karamba for processing. He informed the Minister of the arrangement made with Craig Mostyn Pty Ltd in a minute dated 5 July 1973. However, the Committee was told by departmental witnesses during the inquiry that there were very grave doubts as to whether the prawning venture would have been approved by the Department of Primary Industry.

Exhibit  
162/29 and  
Qs. 1452  
and 1977

384. The Department provided the Committee with a copy of a letter from Milner and Melbye which stated that Captain Benson had telephoned on 3 July 1973 to say that he would like to appoint them to supervise the fitting out of the Yung Yuan 21 for a voyage to Maryborough if and when he had obtained official approval to go ahead. On 5 July 1973 Captain Benson telephoned again and formally requested the firm to undertake the necessary steps to ensure that the vessel could sail from Darwin on 23 July 1973. He also stated that he would personally command the vessel and that adequate provision should be made to accommodate the Minister, his staff and possibly the Minister's wife. Captain Benson, in a letter dated 5 July 1973 to the Minister, stated that Milner and Melbye could have the vessel ready to leave Darwin on or before 23 July.

385. Captain Benson told the Committee that the amount of work he had considered necessary to prepare the Yung Yuan 21 for the voyage to Maryborough should have cost somewhere between \$5,000 and \$10,000. However, he stated that the costs were greatly increased by the Department of Transport's insistence that the vessel should meet the survey requirements of the Australian Navigation Act and the incurring of expenditure, which Captain Benson stated was not authorized by him, on the purchase of additional stores, freezers and the construction of toilets on the vessel. The final expenditure incurred on the refitting and movement of the trawler was approximately \$55,000. In a letter dated 12 February 1974 to the Northern Territory Division of the Department, Captain Milner, of Milner and Melbye, stated that:

"About a week after we commenced preparations as instructed we were approached by the resident Surveyor to the Dept. Shipping and Transport and advised that the Department would be taking a special interest in the vessel. The departmental requirements materially increased the cost of fitting out.

If there had been no hard and fast departure date to meet the requirements of the Minister the fitting out would have been processed at a normal rate and the final cost would have been in the order of \$20,000."

Exhibits  
162/1  
162/34 and  
Qs. 1274,  
1275, 1990,  
2224 and  
2323

Exhibit  
162/1 and  
Qs. 1424,  
2079 and  
2172

386. The Department illustrated how the sailing date of 23 July and the tight schedule for departure caused expenditure to rise by referring to the purchase of carbon dioxide bottles for the fire protection system on the vessel, where the bottles were airfreighted to Darwin to meet the deadline. The supplier wrote to the Department stating that the cost of the bottles:

"...could be considerably reduced if in future situations we could be given more time in which to produce supplies. In this case we would have bought the bottles from a supplier at a better price. Unfortunately they were not available ex-stock. Add to this air freight charges, which are enormous compared to normal freight costs."

The total cost of the carbon dioxide system and labour was \$2,940 of which approximately \$667 was for airfreight.

387. In relation to the sailing date of 23 July the Committee noted that the date was mentioned by Captain Benson on 5 July when he telephoned Milner and Melbye and again by Captain Benson in his letter of 5 July 1973 to the Minister. The Department stated that the decision that one of the trawlers was to be made seaworthy by 23 July was made in the Minister's Office early in July. The departmental witness from Darwin who had been involved in the arrangements for the trawler's departure, commented that he had received numerous telephone calls from the Minister's Office stressing that the vessel must be ready to sail by 23 July. On the other hand, Captain Benson stated during the inquiry that the reason the work had to be finished in a hurry was because two marine surveyors from the Department of Transport had to be back in Perth by 21 July. The Department of Transport stated that the sailing date of 23 July 1973 was mentioned in the telex of 9 July 1973 from the Acting Senior Marine Surveyor, Darwin to the Chief Marine Surveyor in Melbourne and that the information came from Mr Melbye. Captain Milner also reported on 6 July 1973:

Exhibit  
162/45 and  
Q. 2336

Exhibits  
162/1 and  
162/34 and  
Qs. 1274,  
2060, 2061,  
2079, 2224  
and 2323

"Captain S. Benson was advised that the undersigned considered it feasible to have the vessel in seaworthy condition for departure 23 July. He was also advised that this schedule was tight and without allowance for major repairs if such should be considered necessary in order to secure a safe passage. On this basis the undersigned received the go-ahead and a request to do the utmost to keep to the schedule agreed upon, as a VIP was expected to join the vessel upon departure from Darwin."

388. The telex mentioned in the previous paragraph from the Acting Senior Marine Surveyor, Darwin stated that:

"A Taiwanese fishing vessel Yung Yuan 21 has been laid up for the past seven months in Darwin Harbour and is being prepared for a delivery voyage to Maryborough by a local marine engineer Mr Melbye on behalf of Captain Benson. The estimated time of departure is 23 July. Delivery crew to be twelve in number but Minister for Aboriginal Affairs making the voyage if work permits. Local office of Department of Aboriginal Affairs have no knowledge of vessel, etc. and it appears arrangements made by Captain Benson as nautical adviser to Mr Bryant."

Following receipt of this telex the Department of Transport contacted Captain Benson at his home in Victoria on or about 9 July 1973 to seek confirmation of the intended movements of the trawler. According to the Department of Transport's submission Captain Benson confirmed his appointment as nautical adviser to the Minister and stated that he was commissioned to take the vessel to Maryborough where it was to be re-fitted as a fish carrier. He was advised by representatives of the Department of Transport that a vessel employed as a fish carrier would be classified as a cargo vessel and as such would be required to undergo survey at Darwin for the issue of a Certificate of Survey for a Cargo ship in accordance with section 206V(1) of the Navigation Act 1912. The witness from the Department of Transport (Captain Elliott) said that the fact that the Minister intended to travel on the vessel had not influenced his Department's decision regarding survey requirements in any way.

Exhibit  
162/46 and  
Qs. 2114  
and 2117

389. It was explained to the Committee that departmental policy, based on past legal advice, is that a vessel undertaking a delivery voyage interstate or from the Northern Territory to a State for the purpose of engaging in trade or commerce is subject to Part IV, Ships and Shipping, of the Navigation Act, 1912 and therefore subject to survey for seaworthiness. As the vessel was built overseas to unknown standards and lacked any stability data or other documentation as to survey it was decided that the vessel could not be exempted under section 206V(2) without danger to the ship or its crew.

Exhibit  
162/46

390. The witness from the Department of Transport was asked by the Committee whether any steps were taken to obtain constructional data on the vessel from the owners or the manufacturer. The witness explained that the Department decided that because the vessel had been confiscated it would be inappropriate to approach the Taiwanese Government or the owner of the vessel to ask for the papers relating to the ship. He went on to say that the vessel had been searched and Captain Milner had been asked whether he had any plans or construction or stability data relating to the trawler but there were none available.

Qs. 2192 to  
2196

391. It was decided that if the Yung Yuan 21 were surveyed by officers from the Department of Transport and made seaworthy for the issue of a Certificate of Survey, an exemption would be granted under section 227A(2) in relation to a load line certificate, subject to the following:

Exhibit  
162/46

- . No passengers or cargo to be carried;
- . Delivery crew to be restricted to 12 men; and
- . Closing appliances on the vessel to be satisfactory.

The Committee was informed that this decision was influenced by the fact that the vessel could not be "clipped" at Darwin to permit an external examination of the hull, rudder, propeller and underwater openings, and for the same reason, the Certificate of Survey would be valid only for the voyage to Maryborough.

392. The Department of Transport told the Committee that Captain Benson was also advised that due to a lack of stability data on the vessel, it would be necessary for an inclining experiment to be conducted by the Department's Naval Architect at Darwin. The Department of Aboriginal Affairs was also advised by letter dated 20 July 1973 of the information the Department of Transport had received from Captain Benson and of that Department's requirements for the intended voyage.

393. Because of evidence given by Captain Benson to the effect that the Department of Aboriginal Affairs had requested the Department of Transport to carry out the survey required for a certificate to be issued under the Navigation Act, the Committee questioned witnesses from both Departments to ascertain how the Department of Transport became involved in the affair. A witness from the Department of Aboriginal Affairs stated that he had spoken to a senior officer from the Department of Transport about the Yung Yuan 21, who had advised him that he was already aware of the vessel and the proposed voyage and that his Department would be taking the normal action under the Navigation Act. The witness from the Department of Transport confirmed that action had not been initiated or requested by the Department of Aboriginal Affairs and that action had commenced after the telex of 9 July 1973 from the Acting Marine Surveyor in Darwin had been received. Further confirmation of the sequence of events was contained in the Department of Transport's letter to the Department of Aboriginal Affairs dated 20 July in which reference was made to the discussions held with Captain Benson and to the fact that the vessel would be subject to the Navigation Act for the voyage to Maryborough and treated in the normal manner.

394. There was a great deal of discussion during the inquiry over the question of the classification of the vessel for the purpose of determining whether the provisions of the Navigation Act should have been applied to the vessel. Captain Benson maintained that it was a fishing vessel and as such should not have

Exhibit  
162/46 and  
Q. 2131

Qs. 1995,  
2060, 2081  
to 2083,  
2131 and  
2148

Exhibit  
162/29  
and Q.  
2018

been subject to action under the Navigation Act. He stated that if the vessel had been treated as a fishing vessel or in the same manner as other ex-Taiwanese trawlers that have been refitted or repaired in Australian shipyards and are now operating from Australian ports, then the costs charged against the Yung Yuan 21 would have been considerably less. Nevertheless, Captain Benson had stated in his submission that the trawler was to be a receptacle or store ship to serve smaller prawning vessels in the Gulf of Carpentaria.

395. The Committee was informed that the Department of Aboriginal Affairs had received a letter from the Department of Primary Industry dated 21 May 1973 in which was a reference to discussions held on 17 May with Captain Benson which clarified the use to which the vessel was to be put. It was understood by the Department of Primary Industry from these discussions that it was intended to use the vessel as a refrigerated mother ship in the Gulf of Carpentaria where it would collect prawns from trawlers. Q. 2121

396. The witness from the Department of Transport said that the policy of the Department was that fishing vessels were not subject to survey as a general rule, although surveys have been carried out by the Department when requested by owners of fishing vessels. However, in the case of the Yung Yuan 21 the Department decided after discussions with Captain Benson that the intention was to use the vessel as a fish carrier which meant that it would be classified as a cargo vessel and subject to survey under the Navigation Act. He went on to say that even if the vessel had been classified as a fishing vessel his attitude would not have been any different. He would still have recommended that the vessel be surveyed in the same way because of its size. The trawler was stated to be 100 ft by 22 ft with a 9 ft draft and would carry 200 tons of frozen fish. The dead weight of the ship, including a full load of fish, was stated to be 500 tons.<sup>1</sup> Qs. 1988,  
2121 and  
2128

397. The submission from the Department of Transport stated that prior to the Department's survey of the vessel, Mr Melbye had Exhibit  
162/46

1. An order made by the Governor-General under section 423 of the Navigation Act on 18 January 1962 exempts fishing boats of less than 50 tons gross registered tonnage from the Navigation (Survey) Regulations. Exhibit  
162/47



already commenced the work of preparing the vessel for sea. The Yung Yuan 21 had been laid up in Darwin for a period of seven months with no maintenance being carried out to her structure, machinery and equipment. The submission stated that Mr Melbye investigated the following work:

- general cleaning of accommodation, engine room, bridge, radio room, galley, store rooms, etc;
- repairs to main engine and auxiliary machinery, steering gear and alternator; and
- underwater inspection of the hull.

The Department of Transport stated that the above work would have been necessary in any event to ensure that the trawler was seaworthy for the intended voyage regardless of whether a Certificate of Survey was required under the Navigation Act.

398. The Committee was told that because the Acting Senior Marine Surveyor at Darwin was a nautical officer, an engineer surveyor from Perth, together with a naval architect from Melbourne, was flown north at Department of Transport's expense to respectively survey the machinery and oversight the inclining experiment. An Australian Post Office radio surveyor resident in Darwin conducted the survey of the radio equipment. The survey of the vessel was completed and Mr Melbye was advised of the Department of Transport's requirements to make it seaworthy for the voyage to Maryborough and to permit the issue of a Certificate of Survey.

Exhibit  
162/46

399. It was explained to the Committee by the witness from the Department of Transport that this was the normal procedure in the conduct of any survey. The owner decides whether he will complete repairs and order the equipment necessary to permit the issue of a Certificate of Survey. The witness went on to say that the Department's surveyors have no authority to tell anyone to obtain particular items of equipment or carry out certain repairs. All

the surveyors can say is that if the owners wish to have a Certificate of Survey issued for a particular vessel then certain work must be done and items of equipment supplied.

400. The Department of Transport in its submission stated that the survey conducted on the vessel was similar to any other initial full survey of a vessel required under the Navigation Act except for the external examination of the hull. Department of Transport surveyors listed the following items of working equipment as being required to permit the issue of a Certificate of Survey:

Exhibit  
162/46

- 200% liferaft capacity for the crew (the liferaft on board was unseaworthy);
- 1 liferaft portable radio;
- 4 lifebuoys;
- 2 manoverboard signals;
- 1 lifejacket per person complete with light and whistle;
- 1 linethrowing apparatus;
- 12 parachutes, distress rockets;
- emergency lighting consisting of torches, hand lamps and batteries;
- 1 power driven and 1 manual fire pumps;
- 5 fire hoses with spray and jet nozzles;
- 8 portable fire extinguishers, (plus spare charges) for machinery, galley, bridge, radio and crew spaces;
- 5 portable fire extinguishers for engine room in lieu of 1 x 100 pounds fire extinguisher;
- 4 fire buckets;
- 4 x 100 lb. CO<sub>2</sub> bottles and piping for machinery space fire protection;
- hand lead line and 7 lb lead;
- International Code Book of Signals and Flags N and C;
- Morse Aldis Lamp;
- Freeing of mushroom vents, skylights, engine room doors, freeing ports, portholes, closing appliances, provision of wood plugs and covers for deck pipes, fitting of certain valves, blanking of engine room access;

- Requirement for two means of power to navigation lights and separate emergency battery power for the radio equipment; and
- Compass repair and adjustment.

401. In his evidence Captain Benson referred to the fact that he had protested to the Department of Transport regarding the need for the stability inclining experiment and to his professed ability to be able to look at the vessel in question and calculate the metacentric height. The Department of Transport pointed out to the Committee that the metacentric height of a vessel is only a small part of the stability data necessary to ensure that a vessel will be stable at all times. The Department stated that it was in the year 1973 that the Department first had doubts of the inability of some senior officers at sea to use stability data in a proper manner and the subsequent sinking of the Blythe Star and Straitsman confirmed the Department's worst fears. The inclining experiment and subsequent preparation of stability data requires specialised knowledge and when, as in the case of the Yung Yuan 21, there was a complete lack of structural information, the Department had no alternative but to despatch an experienced naval architect to Darwin to perform the task. As a result of his visit the following telexed message was sent to the surveyor at Darwin:

"M.V. Yung Yuan No. 21. Re-examination of inclining experiment shows departure G.M. for vessel based on inclining experiment is 1.5 feet. Righting levers and range of stability are minimum acceptable for passage Darwin/Maryborough. Attention of master and crew should be drawn to need to minimise free surface in tanks at all times."

It was also stated in evidence by the witness from the Department of Transport that in a recent survey of the Yung Yuan 21 carried out in Adelaide for its new owners, solid ballast had to be put in the bottom of the vessel to increase its stability.

Exhibit  
162/46 and  
Qs. 2039  
and 2160

402. It was Captain Benson's contention that a great deal of unnecessary expenditure was incurred in preparing the vessel for the voyage to Maryborough because of the intervention of the Department of Transport. He stated that the vessel was only 2 years old and had new engines which he had personally tested by running for 3 days to see if they were satisfactory. In reply the witness from the Department of Transport (Captain Elliott) stated that any work carried out was the minimum necessary to ensure the safety of the persons on board for the voyage to Maryborough and that any work carried out in Darwin would not have to be repeated as part of the refit and final survey to be carried out in Maryborough. Captain Benson contested this statement by referring to the inconvenient position in which the foam smothering apparatus had been installed. Captain Elliott replied stating that the equipment purchased would still be utilised but shifted to a permanent position more suitable to the nature of the vessel's future voyages. He also pointed out to the Committee that all of the work done and equipment installed in Darwin was accepted as part of the survey carried out in Adelaide for the vessel's new owner.

Qs. 2171,  
2172, 2174  
and 2179

403. Captain Benson also stated in evidence that apart from the additional expenditure caused by the requirement to obtain a Certificate of Survey for the journey to Maryborough, stores had been ordered in Darwin in excess of those he had requested, two freezers had been purchased when he had stipulated that ice should be purchased for the voyage, and that an elaborate toilet and shower system with running water had been constructed on the vessel when he had specified a much simpler pan toilet system with canvas screens for privacy.

Exhibit  
162/29 and  
Qs. 1990  
and 2027

404. Because of the doubts that arose regarding the authority for some of the expenditure incurred on the Yung Yuan 21, the Minister issued instructions to the Department on 14 August and 4 and 17 September 1973 with regard to the payment of accounts relating to this expenditure. He directed that accounts should not be paid, except with his approval, for goods and services that

Exhibit  
162/41 and  
Q. 1992

had not been ordered by Captain Benson or on his authority or where delivery of supplies had not been acquitted by Captain Benson or on his authority. All outstanding accounts were subsequently examined by Captain Milner who certified that the work covered by the accounts was done under direction from Captain Benson. Captain Benson finally agreed to certify that the accounts were in order so that contractors could be paid although he did this under protest as he maintained that he had not directly authorised the expenditure.

405. A witness from the Darwin Office of the Department of Aboriginal Affairs told the Committee that on 9 July 1973 the Office had received from the Minister's Office by telex a long list of items that were considered by Captain Benson to be necessary for the voyage. The list comprised items of hardware, foodstuffs and other stores including a 12 foot aluminium boat with a 10-20 horse-power motor. The Darwin Office was aware of Captain Benson's involvement in the project and that he had Ministerial authority to make arrangements for the preparation of the trawler for the voyage. The proposed sailing date of 23 July was also known to the Darwin Office and an officer was detailed to assist Captain Benson to obtain any of the goods or services required.

406. In regard to the funding of the proposed expenditure for preparing the Yung Yuan 21 for the voyage to Maryborough, the Department stated that the Minister had, on 13 July 1973, sought and obtained the Treasurer's concurrence to using funds totalling \$100,000 from the Aboriginal Advancement Trust Account for the purchase, modification, repair and operation of 3 luggers, 2 ex-Taiwanese trawlers and 2 ex-Army landing barges. The Committee was informed that on 16 July 1973 \$10,000 was made available to the Department's Darwin Office for expenditure associated with the refitting and movement of the Yung Yuan 21 and that this was later increased to \$20,000. Subsequently, the Central Office of the Department directed that accounts unpaid after the \$20,000 had been expended should be forwarded to Canberra for payment.

Q. 1276

Qs. 1268,  
1276, 1285,  
1371 and  
1372.

407. The Senior Adviser to the Minister (Mr King) sent a minute to the Permanent Head of the Department on 12 July which stated that the Minister understood that there had been some delay in making funds available for equipping the Yung Yuan 21 for the journey to Maryborough and that he had requested that funds be made available in Darwin immediately. The minute went on to say that the Minister was astonished and dismayed by the delay. Mr Dexter replied in a minute to the Minister on 18 July which included the following:

"I refer to a minute of 12 July by Mr King...in which he communicated your 'astonishment and dismay' at the alleged delay.

I trust that it is realised that any problem in relation to the vessels project has resulted from the fact that my Department was presented with a fait accompli in relation to the vessels. The first advice we received from you or from your officers was in your minute of 25 June.

In endeavouring to straighten the matter out and ensure that my responsibilities under the Audit Act and Treasury regulations were fulfilled and the interests of other departments were known and heeded it was found that the position was far from straightforward. Notwithstanding the difficulties I was able to provide funds to Darwin as you had requested, and I therefore do not understand the reason for your concern as expressed by Mr King."

408. One of the difficulties encountered by the Department in arranging matters relating to the trawlers revolved around the question of eventual ownership. The minute of 25 June from the Minister to Mr Dexter mentioned that the Yung Yuan 21 should, after refit, be "made available" to the Co-operative indicating that the trawler was to be owned and operated by the Co-operative. On 3 June, Mr Dexter advised the Minister that the Co-operative would require a grant to pay harbour dues and the cost of initial equipment for the trawler (\$5,000) and to purchase three luggers (\$28,500), and on 2 July the Minister directed that a grant of \$33,500 be made to the Co-operative. However, on 3 July the

Qs. 1291 to  
1293 and  
Committee  
File 1974/4

Exhibit  
162/1

Minister advised Mr Dexter that the vessels "should all be regarded as a unit to operate in the Torres Strait Gulf Arnhem Land area on loan or lease, as required." In view of the indication that the vessels should operate on loan or lease, the Secretary to the Department sought a change in the Minister's decision of 2 July regarding the making of a grant to the Co-operative, recommending instead that the Department acquire all the vessels. The Minister approved the change sought by the Secretary on 13 July 1973.

409. The witnesses for the Department stated that departmental officers in Darwin were confused by the situation they found themselves in. Captain Benson was not a departmental officer but was giving orders regarding what was to be purchased and what work was to be done. There was also the pressure brought about by the extremely short time-scale on the operation and the fact that the Minister was involved in the project. The witnesses stated that the Audit Act and Treasury Regulations were probably the least things the officers in Darwin were concerned about. It was pointed out to the Committee that the Central Office of the Department was certainly not aware that breaches of the Audit Act and Treasury Regulations had occurred. It was some time later that the Central Office found that the goods had been obtained and paid for in the short time available by making advances totalling \$20,000 to the officer detailed to assist Captain Benson and paying the accounts from those advances.

P.P. 13 of  
1974 and  
Gs. 1280 to  
1283

410. It was explained to the Committee that the Department's officers in Darwin had assumed that as the expenditure was to be met from the Aboriginal Advancement Trust Account, the normal Treasury Regulations would not apply and that it would be in order to make cash advances to an officer in the same way as grants are made direct to Aboriginal communities. In the process of making the advances and meeting the expenditure, a bank account was opened without obtaining the approval of the Treasurer or his delegate as required under section 18 of the Audit Act and other sections of the Audit Act and certain Treasury Regulations were not complied with.

P.P. 13 of  
1974 and  
Exhibit  
162, 1 and  
Q. 1461

The approval of competent authority was also not obtained to make the advances as required by Treasury Regulation 74. The Department has since taken steps to ensure that there is no misconception among officers of the Northern Territory Division about the nature of the Aboriginal Advancement Trust Account and the financial procedures that apply to it.

411. The Committee took evidence from several witnesses relating to the question of who authorised the additional expenditure on stores, freezers and the construction of toilets on board the vessel mentioned by Captain Benson. Captain Benson was adamant that none of this additional expenditure was authorised by him. Mr Malone, First Assistant Secretary, Department of Aboriginal Affairs stated in a submission to the Committee that the Department did not authorise the expenditure on the vessel. The Department of Transport stated, in relation to this additional expenditure that, as it was a delivery voyage only, the Department was not concerned with the accommodation or hygiene arrangements on board. As a consequence, the provision of food and other stores for the voyage, portable deep freezers, an aluminium dinghy and the erection of toilets was not discussed by its officers with officers from the Department of Aboriginal Affairs.

Exhibits  
162/44 and  
162/46 and  
Q. 1990

412. The officer from the Darwin office of the Department who had been detailed to assist Captain Benson (Mr Milikins) told the Committee that he had been involved in the purchase of foodstuffs and other items of a domestic nature and had been responsible for increasing the quantities of stores ordered by telex from the Minister's Office. He explained that he had taken a copy of the telex to a local firm in Darwin who were experienced in victualling ships and who had recommended increases in some items in the belief that the stores were required for the whole of the journey to Maryborough. Mr Milikins commented that at no time did he have any idea or was told that it was proposed to purchase additional food at Thursday Island. A copy of the telex with the extra quantities purchased noted thereon was provided to the Committee. Mr Milikins

Exhibit  
162/45 and  
Gs. 2223,  
2228, 2256,  
2257 and  
2307

also stated that he had not ordered the aluminium boat and that he had no idea who had. Mr Milikins told the Committee that all of the increases in the quantities of foodstuffs ordered by telex and any items substituted, were ordered after consultation with Captain Benson.

413. With regard to the purchase of the freezers, Mr Milikins admitted that he had ordered the freezers but explained that he had taken this action on the authority of Captain Benson. He stated that his recollection of what happened was that Captain Benson had instructed him originally to order one large deep freezer but had later decided on two small units as a safeguard against possible break-down. Captain Benson maintained that he had no consultation with Mr Milikins whatsoever regarding the freezers and that it was a complete surprise to him when he saw the freezers on board.

414. Mr Milikins also informed the Committee in relation to the construction of the steel toilets mentioned by Captain Benson that at no time during the refitting of the vessel did he commission any repair work for, or structural alterations to, the Yung Yuan 21. He stated in evidence that he remembered that there were toilets built on the vessel but he did not know who authorised their construction or how much the construction had cost.

415. During the course of the inquiry the Committee questioned a departmental witness as to the correctness of a statement made in the Department's submission relating to expenditure on the refitting of the trawler that:

"The commitments were entered into by Captain Benson as consultant to the Minister and the Department had no knowledge of them until it received the accounts."

416. The departmental witness agreed that the statement was not strictly correct in view of the fact that a departmental officer in Darwin had been aware that certain works were being carried out on the trawler. The witness explained that the word "Department" in the above sentence was used in the sense of the financial authorities concerned with this matter.

417. Captain Benson sought to support his contention that unnecessary costs had been incurred on the Yung Yuan 21 to meet the survey requirements of the Navigation Act by referring to remarks attributed to Mr Williams of the Department of Transport at an inter-departmental meeting held on 20 September 1973. It was recorded in the minutes that Mr Williams stated in relation to the vessel that "not much would need to be done" and that he quoted section 423 of the Navigation Act 1912. It was also stated in the minutes of the meeting that he said that "it appeared that the only requirement to meet is the load line requirement". The witness for the Department of Aboriginal Affairs drew the Committee's attention to the fact that the meeting was held after the work had been carried out in Darwin and suggested that Mr Williams meant that not much more needed to be done to make it seaworthy. He also quoted an extract from a report made by Mr Melbye which stated inter alia:

"Our rise in costs was mainly contributed by the extra work involved by the requirements set forth by the departmental surveyors as well as the fact that certain VIPs and extra persons were expected to join the vessel for the voyage. However, most of the repairs, reconditioning and purchases carried out in Darwin will be of lasting value and would have had to be done in any case in order to bring the vessel back into service".

418. The Yung Yuan 21 sailed from Darwin to Maryborough as scheduled on 23 July 1973 without the former Minister or his wife on board. The Committee was informed that the aim in taking the vessel to Maryborough was to enable Walkers Engineering Limited to give a firm quote on the work considered necessary to make the vessel seaworthy. This aim was conveyed to the Minister by Captain Benson in a letter dated 25 May in which Captain Benson also stated that work on the vessel should not be started until a quote was given and that should the quote be excessive, the vessel should be sold and the money obtained used to purchase another vessel for the Torres Strait Co-operative. Captain Benson informed the Committee that Walkers Ltd was selected because of the shipyard's high standard of workmanship, its lower cost of repairs and the fact that it was the nearest shipyard to the Torres Strait capable of carrying out the refit by January 1974 - the beginning of the prawning season. He also said that Commonwealth surveyors and overseers were readily on

Q. 2148 and  
Committee  
file 1974/4

Exhibits  
162/1,  
162/29 and  
162/32 and  
Qs. 1980 to  
1987 and  
Committee  
File 1974/4

hand at the shipyard which was already involved in an extensive program of building large landing craft and Naval patrol vessels for the Australian Government. The fact that there was unemployment at the shipyard was stated to be another factor in its selection.

419. The departmental submission stated that the Minister had written to Walkers Engineering Ltd just before 19 July 1973 authorising the reconditioning of the trawlers. A copy of a reply from Walkers Limited to the Minister noting the receipt of the Minister's letter was supplied to the Department by the Minister's Office on 19 July and a copy of the Minister's letter to Walkers Ltd was received in the Department on 27 July 1973. On 2 August the Department advised Walkers Ltd not to regard the Minister's letter as a contract, pointing out that tenders would need to be called in the normal way for Government contracts. The departmental witness said that the Minister had not been advised beforehand because of the need for urgent action to prevent Walkers Ltd starting on the refit. The Minister was informed shortly afterwards of the action taken and the reasons for the action and he seemed to accept this advice at the time without objection.

Exhibit  
162/1 and  
Q. 1440

420. However, the Minister informed the Permanent Head of the Department by telegram on 8 August 1973 that he had advised Walkers to disregard the Department's letter and proceed with the refit. He also stated in the telegram that unless a way could be devised of refitting the trawler without the delay involved in calling tenders he would transfer ownership to the Torres Strait Co-operative and make the latter a grant to cover the cost of the refit.

Exhibit  
162/1

421. The Permanent Head of the Department also wrote to Captain Benson on 2 August 1973 referring to the fact that he had seen a letter written by the Minister to Walkers Engineering Ltd which appeared to assume that a contract would be let to that firm for the refitting of the trawlers. The letter pointed out that the work would be subject to the "normal Treasury requirements" including the necessity to call public tenders and that the Secretary had written to Walkers advising them accordingly. The letter also requested Captain Benson to supply a specification of the work to be done on the vessel.

Exhibit  
162/35

422. The Committee was told that on 10 August 1973 the Permanent Head of the Department of Aboriginal Affairs sent a minute to the Minister advising him of the provisions of Treasury Regulation 52 with regard to the calling of tenders for contracts; of the necessity to seek a Certificate of Inexpediency if tenders were not to be called; and of the need to obtain the Treasurer's approval if the trawler was to be given to the Co-operative. As a result of this minute and further discussions between the Minister and Mr Dexter, the Minister agreed on 14 August that the Department should seek a Certificate of Inexpediency from the Department of Supply. The Department subsequently advised Walkers Ltd that the Department of Supply would be seeking a quotation from them for the refitting of the Yung Yuan 21 and on 28 August the Department requested the Department of Supply to issue a Certificate of Inexpediency. The Department of Supply wrote to Walkers Ltd on 5 September 1973 inviting the submission of a quotation for refitting the Yung Yuan 21.

Exhibits  
162/1 and  
162/37

423. Included in Mr Dexter's minute to the Minister mentioned in the previous paragraph was the following statement:

Exhibit  
162/1 and  
Qs. 1318  
to 1324

"It is a pity that I was not given the opportunity of discussing this matter with you before the boat was transferred to Maryborough as I understand that there are existing contracts with shipyards in Cairns and Townsville where the work could have been undertaken immediately without the need to call public tenders."

The departmental witnesses were questioned on this statement and asked whether, in fact, the shipyards in Cairns and Townsville were capable of carrying out the work required on the Yung Yuan 21. It was pointed out that at that stage the Department did not know what work was to be done on the trawler and that the statement was based on telephoned information from the Department of Supply. The Department maintained that it was not a definite statement that the work could be done at those particular shipyards but was merely pointing out that the contracts existed and that perhaps the whole question should have been considered before the vessel left Darwin.

424. Captain Benson informed the Committee that he "rang every shipyard in Australia except Western Australia" and had assessed each shipyard's capacity to carry out the work and ascertained their rate of charge. The Department included a statement

Exhibit  
162/29 and  
Qs. 1330, 1980  
and 1985 and  
Committee  
File 1974/4

setting out the inquiries made by Captain Benson at the various shipyards in its letter to the Department of Supply requesting the issue of a Certificate of Inexpediency. The Department of Supply's reply of 11 September 1973 included the following:

"Your letter mentioned that Captain Benson had surveyed shipyards on the East Coast of Australia and advised that Walkers Ltd of Maryborough was the only suitable yard able to meet the timescale. In discussion with the Assistant Director of Contracts, Queensland, Captain Benson indicated that in respect of North Queensland Engineers and Agents Pty Ltd, Cairns, a possible alternative contractor, he had made discreet enquiries to establish the firm's ability and capacity and had formed an opinion that they were fully occupied on current commitments. No information was received as to any further enquiries he may have made as to capacity or capability of other shipyards.

As it is considered that there are other shipyards around the Queensland coast who might be interested and capable of doing the required work I should be grateful if you would provide as soon as practicable all the information that your Department has or can obtain, bearing on the propriety of this Department's restricting the business to Walkers', involving the Chairman of the Contract Board in certifying that invitation of public tenders is impracticable or inexpedient".

425. The Committee was told that on 17 September 1973, at the direction of the Minister's Office, the Department drafted an Executive Council Minute for the Minister's signature seeking approval to let a contract to Walkers Ltd under Treasury Regulation 52AA.(1.)(a). Approval to this action was given by the Executive Council on 18 September. However, in transmitting the draft Executive Council Minute to the Minister the Department advised that it considered the Executive Council Minute procedure inappropriate because the letting of the contract had already been referred to the Department of Supply for the issue of a Certificate of Inexpediency. The minute to the Minister also pointed out the advantage of working through the Department of Supply and also warned of the dangers involved in having already authorised Walkers to commence the work in anticipation of Executive Council approval and without a clear indication that funds were available.

Exhibit  
162/1

426. The departmental witnesses indicated that apart from the fact that the Department of Supply had already been consulted regarding the contract, the Department did not favour the use of the Executive Council Minute procedure to authorise this type of expenditure. Inquiries had been made of the Department of Prime Minister and Cabinet at the time and departmental officers had been told that the procedure is only used for very special cases. The Treasury Observer (Mr Davidson) pointed out that the Executive Council Minute procedure had been commented upon in the Committee's Forty-second Report where it was recommended that the procedure should only be used for really important matters. He went on to say that if other procedures were available then the Treasury would feel that they should be used.

Qs. 1426  
to 1428

427. A witness for the Department told the Committee that although Executive Council approval had been given for the contract to be let to Walkers Ltd no formal contract was ever negotiated. Walkers Ltd had not carried out any work on the Yung Yuan 21 other than to keep the trawler in satisfactory condition while at their shipyard and to examine the vessel and provide a quotation for the work at the invitation of the Department of Supply.

Qs. 1405  
and 1422

428. The Committee asked the departmental witnesses whether any specific action had been taken to inform the Minister's Office of the requirements of the Audit Act and Treasury Regulations prior to sending the minute of 10 August to the Minister. The witnesses replied that no action had been taken to inform the Minister's Office of the statutory requirements because the necessity to do so would not have been apparent, as the type of executive work being carried out by the Minister's staff would normally be regarded as the Department's responsibility. It was also pointed out that the Minister's Senior Adviser (Mr King) was a public servant of many years standing who would have been well aware of the financial principles involved.

Qs. 1436  
and 1437

429. Another instance given in the departmental submission where executive functions were carried out by the Minister's staff was where supplies were ordered directly from a supplier without the Department being given the opportunity to certify that funds were available or to consider whether quotes or tenders should be obtained. The example cited was an instance where the Minister's Private Secretary (Mrs King) had ordered engine parts for the trawler while it was at Walkers Ltd, Maryborough. A copy of a letter dated 19 July supporting this statement was provided to the Committee by the Department. This statement was challenged by Mr Bryant in his submission in which he illustrated that notice had been given on 6 July in a minute from his Private Secretary to the Department requesting that an order be relaxed to the supplier and indicating that funds were available from the Aboriginal Advancement Trust Account. A further minute was sent on 16 July asking for a written request for the spare parts and an order number to be sent to the supplier.

Exhibits  
162/1,  
162/25 and  
162/26

430. The Permanent Head of the Department subsequently told the Committee that the existence of the minute of 6 July from the Minister's Private Secretary did not affect the statement made in the departmental submission or the evidence he had given in relation to this occurrence. He stated that in that minute no information was given regarding the cost of the parts which was essential to judge if tendering action was necessary. This information was supplied in the second minute of 16 July. He maintained that his point was still valid that the order for the parts was placed directly by the Minister's Private Secretary in her letter of 19 July to the supplier. In an attempt to regularise this action, the Department issued a covering purchase order on 5 September for the parts.

Exhibits  
162/1,  
162/25 and  
162/26 and  
Committee  
File  
1974/4

431. On 23 October 1973 the Department sought the approval of Senator Cavanagh, who was appointed Minister on 9 October, to the disposal of the Lan Yang 1 as had earlier been recommended to the former Minister by Captain Benson. Approval was also sought for

Exhibits  
162/1 and  
162/38

the establishment of an interdepartmental committee to investigate possible uses for the Yung Yuan 21 and their practicability and costs. The Minister approved of the two courses of action on 7 November 1973. Captain Benson ceased to be a consultant to the Minister as from 19 November 1973.

432. The Committee was told that the interdepartmental committee comprised representatives of the Departments of Aboriginal Affairs, Primary Industry and Transport. On 12 December 1973 this interdepartmental committee concluded that the Yung Yuan 21 could not be used successfully for a commercial enterprise in the fields of prawning, processing, carrying or line fishing; and that it was not designed to operate solo, but rather in tandem for trawling. The committee also called for further information to enable it to consider possible ways in which the vessel might, for social reasons, be used on a non-economical basis. In regard to the interdepartmental committee's conclusions Captain Benson stated that in his opinion the position had not been fully looked into as at the time of the hearing the vessel was actually prawning and trawling in the Torres Strait.

Exhibit  
162/1 and  
Q. 1419 and  
Committee  
File 1974/4

433. On 5 February 1974, the then Minister, Senator Cavanagh, was informed that it would cost a further \$13,000 in addition to the \$55,000 already expended to incline the vessel to determine basic stability data. On 7 February the Department recommended that the Yung Yuan 21 be disposed of along with other confiscated vessels including the Lan Yang 1. The Minister approved of this recommendation on 8 February 1974. The Department of Supply offered the trawlers for disposal on 28 February and the Yung Yuan 21 realised \$35,000.

Exhibit  
162/1

434. It was indicated to the Committee that if the vessel had been retained the Department would have been required by Treasury procedures to pay from the Aboriginal Advancement Trust Account an amount equal to the market value (estimated at between \$150,000 and \$300,000) to the Department of Primary Industry. As the vessel

Qs. 1406  
to 1412



was still the property of the Department of Primary Industry when it was sold, the proceeds were paid to that Department.

435. The Auditor-General had commented on page 24 of his report in relation to the expenditure incurred on the refitting and movement of the trawler:

"This transaction indicates an apparent lack of adequate investigation of the use to which the trawler could be put before incurring expenditure in excess of \$40,000 on refitting and moving it from Darwin to a shipyard in Maryborough, Queensland. It is understood that the vessel has been held at the shipyard at the cost of the Department pending a final decision whether further work was to be carried out on it."

Captain Benson disagreed with the Auditor-General's comment and contended that adequate investigation of the use to which the trawler was to be put had been carried out. He emphasised that work had been found for the trawler and in his opinion the trawler would have been suitable. He maintained that this has been borne out by the fact that at the time of the inquiry the vessel, then known as the "Northern Pearl", was prawning and trawling in the Torres Strait.

436. The Observer from the Auditor-General's Office (Mr Hinchy) pointed out that the comment in the Auditor-General's Report had been influenced to a large extent by the facts as stated in the last paragraph of page 23 of the report that:

"The trawler is currently held at the shipyard of Walkers Limited of Maryborough, Queensland having been moved there from Darwin with the intention of undergoing further refitting. On 14 February, the Department informed the Department of Supply of a decision by the Minister to declare the vessel for disposal. The Department stated it was no longer feasible to use the vessel in Torres Strait for the purpose originally intended."

P.P. 13 of 1974 and Qs. 1976, 2060 and 2038a.

P.P. 13 of 1974 and Q. 2099

### Conclusions

437. It is the Committee's opinion that almost all of the problems encountered by the Department in relation to the trawler project were caused by the lack of communication between the Minister, the Minister's Office and the Ministerial consultant on the one hand and the Department on the other. It seems inconceivable to the Committee that full information on the proposal to acquire the trawlers was not communicated to the appropriate officers in the Department as the project developed to enable the Minister, his staff and consultant to be advised on the financial implications of their proposed actions and so avoid many of the problems that subsequently occurred.

438. A great deal of conflicting evidence was presented to the Committee on the question of who authorised the expenditure incurred on the purchase of additional foodstuffs, the freezers and the construction of toilets on the vessel. Because of this conflicting evidence, the Committee was unable to come to any firm conclusion on this question. However, it seems clear to the Committee that the expressed intention of the Minister to make the voyage and the nominated sailing date had a marked effect on the arrangements made in Darwin, in relation to both the officers of the Department and the firm carrying out the refit and caused additional expenditure to be incurred.

439. As regards the authority for the work carried out by Milner and Melbye on the vessel to meet the survey requirements of the Australian Navigation Act, the Committee believes that this work was authorised by Captain Benson when he issued the original instructions to that firm to take the necessary steps to ensure that the vessel could sail from Darwin on 23 July 1973.

440. After examining very carefully all the evidence presented in relation to the trawlers, the Committee is in no doubt that the sailing date of 23 July 1973 was decided in the Minister's Office to suit the convenience of the Minister, despite oral evidence given by Captain Benson to the contrary.

441. It is the Committee's view that the Department of Transport acted quite properly in making its survey requirements known after its Darwin representative had discovered what was planned for the trawler. As stated in evidence it was then a matter for decision by the Department of Aboriginal Affairs whether the work should be done to obtain the certificate. However, it appears to the Committee that officers of the Department were scarcely in a position to make such a decision on the information available to it in the time available. In any event, the work had already been approved by Captain Benson.

442. In the Committee's opinion the question of ownership of the trawlers would not have been a problem if departmental officers had been privy to all the Ministerial negotiations from the beginning and able to advise the Minister, his Office and Captain Benson of the financial implications of the various proposals.

443. It appears to the Committee that the Department's Central Office should have played a more active part in the events that occurred in Darwin in relation to the trawler project, notwithstanding the short time-scale involved. In the Committee's view it must have been obvious to the Central Office when forwarding funds that there was a real risk that its officers in Darwin would be unable to comply with the provisions of the Audit Act, the Treasury Regulations and Treasury Directions if they were to meet the departure date deadline.

444. The Committee considers that the facts surrounding the negotiations with Walker's Engineering Limited when arranging a further refit at Maryborough revealed a deplorable state of affairs and certainly would not have enhanced the reputation of Government Departments with the shipyard. Here again, the Committee considers that such a situation could have been avoided if there had been a more effective exchange of information between the Minister, the Minister's Office, the consultant and the Department. In the circumstances the Committee believes that the departmental officers with financial responsibilities had no option but to act as they did.

445. Regarding the original proposal recommended by Captain Benson to refit the trawler for use as a mother ship to serve prawning trawlers in the Gulf of Carpentaria, the Committee was unable to judge whether this would have been a viable proposition or not because of the conflicting evidence presented.

446. Conflicting evidence was also presented to the Committee with regard to the suitability of the trawler for the proposed prawning venture. The interdepartmental committee established to investigate possible uses for the trawler and their practicability and costs concluded that the Yung Yuan 21 could not be used successfully for a commercial prawning enterprise. On the other hand, Captain Benson informed the Committee on 18 March 1975 that the trawler was actually prawning and trawling in the Torres Strait for its new owner.

447. In this context the Committee notes that although \$55,000 had been expended by the Department on refitting the trawler, the vessel realised only \$35,000 on disposal. The Committee also notes that for the purposes of settlement between departments as required by the Treasury, the market value was estimated at between \$150,000 and \$300,000. In view of the price received for the trawler on disposal, this seems to have been an unrealistic estimate. This relatively high valuation would have discouraged the Department of Aboriginal Affairs from proceeding with the purchase.

448. The Committee believes that the considerable discrepancy between the realised value and the estimated value casts doubts on the procedures adopted in both estimating the value and the method of disposal.

449. The Committee also questions the rationale of the Treasury policy that requires one Department to re-imburse another for assets transferred, particularly as in the present case the asset became the property of the Department of Primary Industry because of an act of confiscation.

CHAPTER 10EMPLOYMENT OF NURSING SISTER

450. It was reported on page 24 of the Auditor-General's Report that:

P.P. 13  
of 1974

"Expenditure of \$725 was incurred from the Aboriginal Advancement Trust Account and Division 112-2, Item 01 in 1973-74 on fees (\$450) and travelling expenses (\$275) in relation to the employment of an Aboriginal nursing sister during the period 1 to 19 October 1973. The nursing sister was recruited, to assist, as a temporary measure, in improving the standard of health in an aboriginal community. It transpired that it was impracticable for the contemplated nursing services to be undertaken. My Office informed the Department that it appeared the expenditure could have been avoided if, before any commitment was made, the proposal had been adequately investigated."

451. The Department in reply to the Auditor-General's criticism advised that the nursing sister was recruited on the then Minister's authority before the Department was given the opportunity to comment. The Auditor-General further commented in his report that from a paper forwarded with the Department's reply it was evident that, before the nursing sister proceeded to the area, the Department was aware that final arrangements had not been made to facilitate the provision of the nursing services. The report went on to say that the Minister approved a departmental recommendation dated 26 September 1973 that the nursing sister travel from Melbourne to Townsville on 30 September 1973 and be attached to the Legal Service and be paid consultant's fees until the situation was resolved.

P.P. 13  
of 1974

452. The Department advised the Committee in its submission that it agreed in general with the Auditor-General's comments and stated that there was no consultation between the Minister's staff and the Department before the Minister's staff engaged the nursing sister. The Department tendered a copy of a minute dated 26 September 1973 from the Permanent Head (Mr B.G. Dexter) to the Minister (Appendix I), which was the departmental recommendation referred to in the Auditor-General's Report.

Exhibit  
162/1

453. The Committee was informed that the Department did not regard its minute to the Minister mentioned above as a departmental recommendation, but rather a statement for the Minister to endorse if he wished the arrangements entered into by Mr King of the Minister's Office and Mr Miller, the Minister's consultant to be honoured.

Exhibit  
162/1

454. The question of the necessity to gain the co-operation of the Queensland Department of Health to the proposal had been mentioned in the minute to the Minister and the Department told the Committee that at the time the minute was prepared it was believed that this co-operation could be gained. However, the project became no longer feasible when the sister, instead of remaining in Townsville as envisaged by Mr King, and thereby allowing time for arrangements to be finalised with the Queensland authorities, on her own initiative shortly after her arrival in Townsville moved to Palm Island, where the Queensland Health officers had no authority to integrate her into their work and where the Aboriginal population seem to have been confused by her presence and to have generally avoided her. The services of the sister were terminated as from 19 October 1973.

P.P. 13  
of 1974  
and Exhibit  
162/1

Conclusions

455. The Committee agrees with the Auditor-General's Office that the proposal to employ a nursing sister to assist in improving the standard of health on Palm Island should have been thoroughly investigated before any commitment was made to engage her services. The Committee firmly believes that the proper course would have been for the Minister's staff to have referred the proposal to the Department for investigation and advice regarding its feasibility. It seems inconceivable to the Committee that the staff of the Minister's Office did not consider it necessary to seek the assistance of whatever expertise was available within the Department before a firm commitment was made.

CHAPTER 11COMMONWEALTH CAPITAL FUND FOR ABORIGINAL ENTERPRISES

456. The Commonwealth Capital Fund for Aboriginal Enterprises was created in 1968 by the Aboriginal Enterprises (Assistance) Act. The object for which the Fund is established is to enable persons of the Aboriginal race of Australia to engage in business enterprises that have prospects of becoming or continuing to be successful, and thus enable the entrepreneurs to achieve greater economic independence through their own efforts. Loans are repayable at low interest rates over a generous period of time. The Act also provides for the moneys in the Fund to be kept in an account opened at the Commonwealth Trading Bank of Australia for the purposes of the Fund. Loan repayments including interest and income derived from investment of Fund moneys are credited to the Fund. The control and administration of the Fund is vested in the Minister for Aboriginal Affairs, who is advised by a Capital Fund Advisory Committee of three. Both the Minister and the Committee are served by officers of the Department of Aboriginal Affairs.

P.P. 302  
of 1974

457. The Fund may:

- (a) make loans or provide security for bank loans approved by the Minister;
- (b) subscribe for, or otherwise acquire shares or stock in the capital of a company; and
- (c) make payments in respect of the investigation and supervision of, and matters incidental to business enterprises assisted by the Fund

P.P. 302  
of 1974

458. Moneys available for the purposes of the Fund have been provided mainly from the Aboriginal Advancement Trust Account. The initial payment into the Fund in 1968-69 was \$4,650,000. The Act provides that further appropriations can be made to the Fund from time to time and in 1969-70 an additional amount of \$89,126

P.P. 302  
of 1974

was paid into the Fund. Since October 1968 when the first loan was approved a total of 450 projects amounting to \$6,505,706 and 19 ministerial guarantees amounting to \$125,700 had been approved to 30 June 1974.

459. The Auditor-General in his Report stated:

"The main issue raised related to the premature payments of certain moneys from the Fund either before they were required by Aboriginal enterprises or before action had been taken to enable the loan or investment to be legally made or received; and to the desirability of the re-allocation within the Department of certain responsibilities for accounting functions of the Fund. In my view, moneys should not be paid out of the Fund as a loan or investment until all legal requirements have been met and the Fund's interests clearly safeguarded. The re-allocation of certain accounting responsibilities within the Department should lead to improved internal control".

P.P. 13  
of 1974

460. The Department, in its submission, stated that:

"It is submitted that in all the instances cited in the Auditor-General's Report, the Department's actions have been proper. It is conceded that differences of opinion as between the Auditor-General's Office and the Department exist on some points of detail".

Exhibit  
162/8

461. As mentioned above the Report of the Auditor-General drew attention to cases where moneys appeared to have been paid from the Fund prematurely. The cases included the payment in March 1973, of \$100,000 from the Fund as a subscription for shares in Aboriginal and Islander Marketing Pty Ltd. As \$75,000 of this amount was immediately invested, Audit considered that it had not been necessary to subscribe the full amount of \$100,000 at the time. In another case, an amount of \$28,000, approved in June 1972 as a loan to an Aboriginal enterprise was paid to an agent bank in October 1972, to hold pending disbursement to the enterprise as a loan whilst the initial amount of \$28,000 was still held by the agent bank. It was not apparent to Audit why the further loan of \$53,000 had been

P.P. 13  
of 1974

provided when the earlier loan of \$28,000 had not been disbursed to the enterprise by the agent bank and was not earning interest for the Fund.

462. With regard to the Aboriginal and Islander Marketing Pty Ltd, P.P. 13 the Department advised the Auditor-General that it was not correct of 1974 to conclude that only a minor part of the \$100,000 was required to finance the company's operations at the time the subscription for shares was made.

463. The Department, in its submission, explained that the company Exhibit 162/8 was one of three companies concerned with the turtle and crocodile projects in Northern Australia. Initially, it was envisaged that the Company, as part of its operation, would purchase turtles for stuffing and sale as curios. The curio operation was to be only a minor part of the Company's activities. The main function of the Company was expected to be the marketing of the meat and ancillary products from the Green Sea Turtle. In order to develop the markets for these products it was intended to employ an experienced marketing officer, whose initial salary would also be met from the subscription of shares to the Company.

464. The Department stated that the requirement of \$100,000 was estimated on the basis of the company purchasing 4,000 turtles at Exhibit 162/8 approximately \$8.00 each with freight, handling and marketing costs of \$6.00 per turtle and taxidermist charges of \$10 per turtle. It was considered that no substantial sales would be made until the 4,000 turtles were processed, and as there would be no income from sales the whole of the \$96,000 working capital was likely to be required. Therefore, in March 1973, a total of \$100,000 was paid to the Company, as share capital by the Capital Fund.

465. However, contrary to expectations, insufficient turtles Exhibit 162/8 were available, also the taxidermist who was to undertake the work was unable to make sufficient visits to the Torres Strait to arrange for the killing of suitable turtles. The moneys were subsequently not expended as had been anticipated.

466. The Department, in its submission, stated that in August 1973, the Prime Minister asked the Special Minister of State to arrange for an examination of environmental and business aspects of the turtle project by experts. While the investigation was being carried out a virtual freeze existed in the expansion of the project. It was also stated that after considering the reports of the experts the Government decided to re-orientate the turtle project as a pilot experimental project in which research is emphasised. It was proposed that, subject to the Minister's approval, the company, Aboriginal and Islander Marketing Pty Ltd should be wound up, and its stock of curios transferred to Applied Ecology Pty Ltd for sale. The Board of the latter company agreed to the transfer.

Exhibit  
162/8

467. Mr L.P. Smart, one of the experts appointed to examine the project, inquired into the organisation, management and market prospects of the turtle farming project in Northern Australia. And in his report of October 1973, he made the following comments and recommendations, concerning the curio trade:

P.P. 281  
of 1973

"I have not taken the curio trade into the economic calculations of the project as a curio trade is 'suicidal' long-term. The sale of turtles as curios is a peculiar marketing situation and one which must be controlled. I recommend that:

- (a) If the appropriate laws are relaxed to enable turtles to be sold as curios they be relaxed to permit no more than the manufacture and sale of 10,000 stuffed turtles per annum.
- (b) Stuffed turtles should be sold only from Great Barrier Reef souvenir shops as an article depicting the wonders of this area. Australia should not permit marketing of stuffed Australian turtles on overseas markets. It is my opinion that it would not be possible to produce the number of stuffed turtles required to satisfy the demand that would be created world wide.
- (c) At the above level of sales the "Torres Strait Turtles Pty Ltd" could augment its income by \$20 per turtle or \$100,000 - \$200,000 per annum."

468. With regard to the loan of \$28,000 the Department stated that this particular loan was approved on 20 June 1972, and advanced in October 1972 to an agent bank to hold pending disbursement to the enterprise as required. At the same time a grant of \$50,000 was approved to the same group. The Department, in its submission, stated that the purpose of the loan and the grant were for the funding of an initial development of a cattle project. The Group concerned was informed that further funding would be considered, depending on the results achieved.

P.P. 13  
of 1974  
and Exhibit  
162/8

469. By way of background the Committee was told that the community concerned moved into this area in 1960 and at their own initiative improved the property by putting in airstrips, holding yards, bush yards and repairing the old homestead.

Q. 1691

470. The Department, in its submission, stated that \$16,700 from the \$28,000 loan advanced to the company in October 1972, was to be expended to purchase cattle. However, due to the following reasons only \$4,200 was expended:

Exhibit  
162/8

- (a) a restriction was placed by the Western Australian Authorities on bringing cattle to the region due to calving difficulties attributed to venereal disease in the area;
- (b) fencing of a holding paddock in the property had not been completed; and
- (c) two separate herds of cattle offered and inspected were of poor quality and inferior to cattle already held by the Group.

471. In the Auditor-General's Report it is stated that in addition to the original loan of \$28,000 a further amount of \$53,000, representing development costs for the second year of the project, was paid to the enterprise as a loan in July 1973. This amount was to be expended progressively over the period July 1973 to June 1974. The Department advised Audit that it considered it to be improper for the development costs to have been funded in part from the balance of the \$28,000 loan which was allocated for the purpose of purchasing cattle.

P.P. 13  
of 1974

472. The Department, in its submission, stated that it was expected that a total of \$60,000 including the unexpended money allocated the previous year, would be expended on cattle purchases during the year 1973-74. The expectation when the submission was prepared in July 1974 was that the purchases involving 500 cattle and 20 bulls would be concluded by the end of August 1974. However, on 1 November 1974, the Department informed the Committee, in evidence, that the cattle purchases had not yet been effected.

Exhibit  
162/8  
and  
Q. 1691

473. The Report of the Auditor-General also drew attention to two instances where moneys appeared to have been made available before legal requirements were satisfied. The first instance cited by the Auditor-General in his report is concerned with the handing over of a cheque for \$50,000 to a representative of a firm of accountants in order to take up equity capital on behalf of the Fund in an aboriginal enterprise which was in financial difficulties. The second case concerns a loan to an Aboriginal co-operative in which it appears that the funds were transferred to the co-operative before security documents protecting the Capital Fund's interests had been prepared and signed.

P.P. 13  
of 1974

474. The Committee was informed that the company involved in the first instance is the largest non-Government employer of Aborigines in Australia. During the 1969-70 period, the company employed a total of 450 aborigines. Its main activity has been the laying of railway tracks for private firms and the provision of sub-contract labour gangs to various companies.

Exhibit  
162/8

475. The Department in its submission informed the Committee that by February 1973 the company was in financial difficulties. The Capital Fund, on the advice of the Capital Fund Advisory Committee, arranged for a leading firm of Chartered Accountants to act as unofficial receivers of the company to restore it to financial stability. The services of a consulting engineer were also retained. The firm of Chartered Accountants advised that the enterprise could be successfully re-established, but that an amount of \$50,000 was required to pay pressing creditors who were proposing to take liquidation procedures.

Exhibit  
162/8

476. The Auditor-General in Appendix E of his report stated:

P.P. 13  
of 1974

"On 28 February 1973, a cheque for \$50,000 was handed to a representative of a firm of accountants to take up equity capital on behalf of the Fund in an Aboriginal enterprise which was in financial difficulties. At that time it was known the company's Memorandum and Articles of Association provided for share capital of \$10,000 only and it was expected there would probably be some difficulty in arranging for the shares to be issued. According to departmental records the \$50,000 provided from the Capital Fund had been largely expended by 30 June 1973. The share certificate covering the \$50,000 issued on 31 August 1973 was not obtained by the Department until October 1973 following oral representations by Audit officers. No evidence was sighted by Audit of any security being obtained by the Department to protect the Capital Fund's interests during the period from 28 February 1973 when the moneys were paid from the Fund and the date of issue of the share certificate on 31 August 1973".

477. The Department in its submission stated that in view of the urgency to secure the solvency of the company, the \$50,000 which the Minister approved the Capital Fund taking up as share capital in the company was paid to the unofficial receivers. The officers responsible at that time considered this to be the only course of action available if the business was to be maintained as a going concern. The Department further informed the Committee that subsequent events have not caused the Department to vary that view. It was pointed out in the Department's submission that the Company appeared to be on the way to recovery and that it was recently awarded additional contracts for the supply of labour for a total contract sum of \$500,000.

Exhibit  
162/8

478. The Department explained that the accountants who received the cheque were instructed to undertake the necessary action to have the Memorandum and Articles of Association of the Company amended to authorise additional share capital and for the share scrip to be issued. The Department also stated that no action was taken to obtain security documents to protect the Capital Fund's investment as it was not usual commercial practice to require security over application money for shares.

P.P. 13  
of 1974

479. The Department did concede that action should have been taken more rapidly to follow up the receipt of the share scrip from the unofficial receivers. In its defence the Department stated that like many other omissions, the failure to act more quickly arose purely through chronic staff shortages in the Department at that time. The Department advised at the time of the inquiry it now holds the share scrip in safe custody.

Exhibit  
162/8

480. Regarding the second case, the Auditor-General in Appendix E of his report stated:

P.P. 13 of  
1974

"Following approval of the Minister on 4 February 1973 for a loan of \$13,650 to an Aboriginal co-operative, an agent bank was requested on 16 March 1973 to hold the amount in a special account to be opened pending completion of security and other documents by the co-operative. On 1 August 1973 the Department advised the agent bank that the loan might be disbursed when the bank received a signed undertaking from the co-operative that all security documents relating to the advance would be signed in due course. The bank advised on 3 August 1973 that it had transferred the funds and held a signed undertaking as requested.

A departmental file note dated 26 September 1973 recorded that the security documents to cover the loan of \$13,650 could not be prepared until the Rules of the co-operative, which limited its borrowings to \$3,000 had been amended.

Audit informed the Department that this case appeared to indicate:

- (i) inadequate investigation of the co-operative's capacity to borrow;
- (ii) payment to an agent before finality had been reached on the loan; and
- (iii) the transfer of funds to the co-operative before security documents protecting the Capital Fund's interests had been prepared and signed."

481. The Department in reply to the Auditor-General and in its submission made the following comments:

- "(i) At the time the moneys were despatched it was anticipated there would be no undue delay in having the legal formalities completed to enable the loan to be made to the Co-operative.
- (ii) The Rule limiting the Co-operative to borrow only up to \$3,000 was finally amended by the Co-operative and forwarded to the Registrar of Co-operatives for registration on 16 October 1973.
- (iii) The loan moneys were released to the Co-operative following a visit to the area by the Minister and receipt of advice that re-possession of the Co-operative's plant was imminent and unless it received the funds quickly the cane cutting season would be missed. The loan had been released on the direct instructions of the then Minister.
- (iv) The undertaking to execute loan documents was signed by Co-operative members before the moneys were released. The releasing of moneys on the basis of a signed undertaking to complete loan documents is a procedure often adopted in commercial lending. Additionally the Co-operative had executed a formal loan agreement with the Capital Fund on 28 March 1973.
- (v) The Department was of the opinion that the action taken seemed reasonable in the circumstances. The Department stated that it was not correct to say that there was inadequate investigation of the Co-operative's capacity to borrow. It was normal practice for security documents to be prepared, and a check of the capacity of applicants to borrow to be undertaken by the Deputy Crown Solicitor before loans are disbursed. The check by the Deputy Crown Solicitor had revealed that the Co-operative had the power to borrow only up to \$3,000."

P.P. 13  
of 1974  
and  
Exhibit  
162/8

482. The Auditor-General in his report stated that Audit reiterated its reservations relating to the premature release of the moneys to the agent bank; the validity of applying moneys

P.P. 13  
of 1974

of the Capital Fund for the purpose of the loan before the Co-operative was legally able to borrow to the extent of the loan; and the adequacy of the undertaking obtained, when the moneys were released, for the purpose of protecting the Fund's interests.

483. The Committee was informed that on 25 May 1973, subject to several conditions; Ministerial approval was obtained for a loan of \$132,000 to an Aboriginal enterprise, the Murganella Enterprises Pty. Ltd., to enable it to establish a buffalo slaughtering enterprise.

P.P. 13  
of 1974  
and  
Exhibit  
162/8

484. Following the approval of the loan, the full amount of the loan was forwarded on 22 June 1973 to a private firm of chartered accountants appointed to act as agents for the Capital Fund on this matter.

P.P. 13  
of 1974

485. The report of the Auditor-General stated that the attention of the Department was drawn to a number of aspects relating to the loan including:

P.P. 13  
of 1974

- "(a) apparent inadequacy of instructions to the agent in relation to the nature of the trust account in which the moneys were to be held pending disbursement to the Aboriginal enterprise;
- (b) the necessity for the moneys to be held by the agent pending release to the Aboriginal enterprise;
- (c) apparent failure by the agent to inform the Department from time to time as moneys were disbursed to the borrower;
- (d) failure by the Department to follow up non-receipt of advice from the agent of disbursements made. It was only after Audit representations that the Department ascertained, by a letter received on 29 January 1974 from the agent, that \$128,929 of the \$132,000 had been progressively disbursed since 5 July 1973; and
- (e) recording of the whole amount of \$132,000 in the accounts of the Capital Fund as held by the agent although this had not been the true position for some time."



486. The Department in reply stated that it was acceptable to the Department that moneys be placed in the accountant's normal trust account, that is, a special bank account was not required and thus the instructions issued to the agent were considered adequate. The Department provided to the Committee copies of the documents constituting the detailed instructions to the agents for the disbursement of the loan moneys. These were a letter of instruction to the firm of chartered accountants signed by the Permanent Head, the formal loan application from Murganella Enterprises Pty Ltd and the departmental handbook "Instructions to Agents".

487. During the course of the inquiry the Committee was told that depending upon the type of bank account used, it would be possible for funds paid into an agent's trust account to attract interest for the benefit of the agent. However, with regard to Murganella Enterprises Pty Ltd, the Committee was told that the funds were held in the agent's trust account for only a short period before being transferred to a trading bank account in the name of the aboriginal company and that no interest had accrued.

488. The Department also pointed out to the Committee that although an agreement had been reached with banks that they would act as agents for the Capital Fund, this did not mean that banks were the only agents. In the Department's view banks are not always the best agents for disbursing loans as in many instances an intimate knowledge of the enterprise is desirable. The agents appointed in this instance were a large firm of chartered accountants with which the Department had had dealings over several years. The Department stated in its submission that according to oral advice from the Attorney-General's Department it has the implied right to employ any person as its agent.

489. The Department in its reply to the Auditor-General agreed that advice from the accountants on the expenditure of the moneys should have been obtained progressively and, if adequate staff had been available, the Department would have followed this up.

Exhibit  
162/8 and  
P.P. 13  
of 1974

Q. 1692

Exhibit  
162/8

P.P. 13  
of 1974

However, officers were in contact orally with the agents and had been informed that the advice of expenditure would be forwarded when all funds available for capital items had been expended.

490. The Department informed the Committee that procedural instructions in relation to the accounting of the Capital Fund in Central Office have been issued and the accounting function has been re-allocated to the Finance Section. The Department advised the Auditor-General that the adjustment of the accounts of the Capital Fund which would normally have been made upon receipt of progressive advice from the accountants, was now being made.

P.P. 13  
of 1974,  
Exhibit  
162/8 and  
Q. 1695

#### Conclusions

491. The Committee agrees that with regard to the \$100,000 paid to Aboriginal and Islander Marketing Pty Ltd as a subscription for shares, it would largely have been a matter of judgement when the money should have been paid and whether it should have been paid in one amount. Nevertheless, the Committee believes that money was paid out of the fund prematurely and considers that the Department should have exercised more caution in funding a new venture of this type.

492. The Committee appreciates that the Department found itself in some difficulty with regard to the necessity to make an urgent payment of \$50,000 to secure the solvency of an Aboriginal company. The need for urgent action no doubt precluded the Department from adopting the more prudent course suggested by the Auditor-General, and with which the Committee agrees, of ensuring that the company was legally able to accept the additional capital and issue the share scrip as security.

493. The Committee notes that no action was taken by the Department to obtain security documents to protect the Capital Fund's investment in this case because it was not the commercial practice to do so. The Committee would point out that public moneys were involved and the Committee shares the Auditor-General's reservations whether, in fact, the Fund's interests had been adequately protected in the period between the payment of the money and the issue of the scrip.

494. The fact that no action was taken at the time the payment was made to obtain any special security should, in the Committee's view, have prompted the Department to take steps to expedite the issue of the share certificate. The Committee finds it most unsatisfactory that no action was taken in this regard until representations were made by officers from the Auditor-General's Office.

495. Similarly with regard to the loan of \$13,650 made to the Aboriginal co-operative, the need for urgency apparently prevented the Department from having the proper security and other documents prepared and signed by the co-operative before the loan was disbursed.

496. The Committee considers that to ensure that the Capital Fund's interests are adequately safeguarded the Department should make every effort to see that moneys are not paid out of the Capital Fund by way of loan or investment until all necessary action is finalised to enable the loan or investment to be legally made and/or received. The Committee believes that departures from this procedure should be authorised only in very exceptional circumstances.

CHAPTER 12  
NORTHERN TERRITORY - OTHER SERVICES AND CAPITAL WORKS  
AND SERVICES

Support of Aborigines at Government Settlements

497. The Auditor-General on page 27 of his Report mentioned the following unsatisfactory features:

P.P. 13  
of 1974

- "a) There did not appear to be any written accounting or stores procedures covering operation of bulk food stores at the settlements.
- b) No evidence could be produced of approval by competent authority of the charges made for meals supplied to other than trainees and their families.
- c) The charges for trainees and their families were apparently last determined in 1969. There was no evidence of a review of the charges since that date.
- d) No evidence could be produced of a policy determination in respect of the issue of free meals or of a delegation to officers to approve the issue of free meals.
- e) Departmental records indicated that issues by settlements materially exceeded the approved ration scales on various occasions. It was not evident that adequate follow-up action was taken in these cases."

498. The Department in its submission and in evidence, stated that a field manual, which was issued in about 1966 for the guidance of staff working in Aboriginal communities, contained procedures to be followed with respect to the control and accounting for bulk stores at Government settlements. The field manuals were recalled on 23 September 1968 for the purpose of up-dating and expanding the various sections within the manual. It was also stated that when the manuals were withdrawn there was an understanding that the procedures and instructions would continue to apply until the manual was up-dated and re-issued. It was explained to the Committee that although the field manual had been withdrawn, a

Exhibit  
162/8 and  
Gs. 1476  
to 1479

document known as the Manual of Administrative Instructions, which contained instructions relating to the control of stores generally, was still in operation and applied to settlements. The field manual had more detailed and specific instructions relating to the control of foodstuffs at settlements.

499. The Department also commented that it was perhaps unfortunate that specific instructions were not issued at that time in relation to the operations of bulk stores. When making that comment the departmental witness pointed out that the events to which the Committee's questions related took place before the Department of Aboriginal Affairs was established and the Settlements in that period would have been the responsibility of the Department of Territories and subsequently the Department of the Interior. The Committee was informed that as a result of the Auditor-General's criticism, instructions relating to the control of stores on settlements were issued on 13 August 1974.

500. The departmental submission indicated that the necessary authority in the form of written instructions did exist for the charges made for meals supplied to persons other than trainees or their families. It was stated that Circular Memorandum No. 62 of 1967-68 dated 8 March 1968 outlined the procedures and charges for meals to be levied on workers who were in receipt of an award wage and that these instructions were still current. It was also stated that Section 42/6 of the Manual of Administrative Instructions issued by the Department of the Northern Territory and under which the Northern Territory Division of the Department of Aboriginal Affairs was still operating, sets out the scale of charges for meals taken at Government dining rooms in Aboriginal communities. These charges apply to Government officers, visitors, and contractors and their employees who make use of the dining rooms.

501. The departmental witness told the Committee that the scale of charges set out in Circular Memorandum No. 62 of 1967-68 had not been subject to review since the date of issue, 8 March 1968.

Exhibit  
162/8 and  
Gs. 1479 to  
1486

Exhibit  
162/8

Q. 1500 and  
Committee  
File 1974/4

The Committee was also informed in a supplementary submission that the rates applying to meals and accommodation provided for Government officers and other visitors, which were covered in the Manual of Administrative Instructions, became operative from 8 July 1963 and had not been reviewed.

502. The departmental submission provided evidence of reviews that had been made of the charges for meals for trainees and their families. The Committee was informed that the training allowance scheme was introduced to Aboriginal communities in January 1969 following the approval of the then Minister for the Interior. The approval also determined the charges to be levied for meals taken in Government-controlled dining rooms. The first review of the training allowance rates was completed in January 1972 and included in the subsequent submissions proposing increases in the rates in two stages, one in March 1972 and the other in July 1972, was a proposal that a new scale of charges for meals for trainees and their families should be introduced with effect from 1 July 1972. However, the Ministerial approval given on 13 June 1972 authorising a 15 per cent increase in the training allowance rates, effective from the first pay period after 1 July 1972, did not authorise an increase in the meal charges.

503. Consequently, on 15 June 1972 the Secretary of the Department of the Interior among other things asked the Administrator of the Northern Territory to arrange for a review of the charges made for meals to be conducted. The Committee was told that up to December 1972, there was considerable correspondence between the Administrator and the Secretary, Department of the Interior, about the review. With the change of Government in December 1972 and the stated policy of the new Government that "Aboriginals shall receive the standard rate of wages for the job and receive the same industrial protection as other Australians", instructions were issued to the officers conducting the review of training allowances to divert their efforts to preparing the case for the introduction of award wages in Aboriginal communities.

Exhibit  
162/8

Exhibit  
162/8

504. Because it was evident that there would be some delay in the introduction of award wages in Aboriginal communities, an interim proposal to increase the training allowance was put forward on 21 June 1973. This resulted in a 20 per cent increase being approved effective from 28 September 1973. No increase in the charges made for meals was sought at that time.

Exhibit  
162/8

505. It was stated in the Department's submission that award wages in Aboriginal communities were commenced on 1 December 1973 under Government sponsorship. The determination under which the award wages are paid sets the rates for board and lodging provided by the Government and these rates have been promulgated to all staff working in Aboriginal communities. We were further advised that the training allowance scheme was phased out by the end of September 1974 and no longer exists.

Exhibit  
162/8 and  
Q. 1520

506. The Observers from the Auditor-General's Office were asked whether, at the time of the audit investigations, their Office had been aware of the reviews that had been made of the charges for meals by the Department. The Observers explained that the Office was not aware at that time of the various submissions relating to trainees, including the reviews of charges for meals for trainees. It was further stated that officers from the Auditor-General's Office had sought information on this matter from a senior officer of the Department in Darwin, the Assistant Director of Management Services, who had not drawn the attention of the auditors to the relevant files on which the submissions and other documents connected with the reviews had been made. The Observers assured the Committee that there was no suggestion that the information had been withheld.

Qs. 1506  
to 1510

507. It was stated in the Department's submission that there is no policy determination which authorises the issue of free meals at Government Settlements and that free meals are provided to "persons in need" under section 12(2) of the Social Welfare Ordinance 1964-72. It was further stated that in March 1969, the Chief Officer of the Northern Territory Administration Division, Department of the Interior

Exhibit  
162/8 and  
Q. 1708

authorised Superintendents to sign purchase orders to the limit of \$50. Stores Circular No. 3 of 1969 was issued on 31 March 1969, giving Superintendents instructions regarding the way by which the delegations should be exercised. In addition, by instrument of "Delegation" given under the hand of the then Minister for the Interior on 17 December 1971, Superintendents in Charge of Government-sponsored Aboriginal communities were authorised to approve expenditure up to \$100. At that time, the delegation was sought and approved for the prime purpose of permitting Superintendents to give "on the spot" assistance to Aborigines in need. The Committee was informed that there is a system in operation which reviews on a regular weekly basis the assistance given to needy persons. This review is carried out by examining the weekly ration returns supplied by the managers of the various dining rooms on which would be indicated the number of meals supplied without charge.

508. Regarding over and under issues of rations at Aboriginal communities, the Committee was informed that the procedures outlining the respective responsibilities of departmental officers in relation to the issue of foodstuffs to Government-controlled kitchen/dining rooms were outlined in Circular Memorandum No. 5 dated 16 July 1964. The Department stated that there is every evidence on the files controlled by the Regional Offices of the Department at Darwin and Alice Springs to show that over and under issues have been questioned and followed up.

Exhibit  
162/8

509. The Committee questioned the departmental witnesses on the adequacy of the instructions relating to the control of foodstuffs which had been issued in 1964. The witness replied that they had no reason to believe that there is anything deficient in the instructions. It was more the difficulty of ensuring their precise observance at the communities. The Audit Observer (Mr Hinchy) stated that the Darwin Branch of the Auditor-General's Office had not reported adversely on the procedures set down. He emphasised that the Audit criticism related to the adequacy of the follow-up action taken. The Audit inspection had revealed that over issues of rations had continued at the same settlement after the Department had

Qs. 1709,  
1710  
and 1715

written to the settlement pointing out that over-issues had taken place. The Audit Office would have expected the Department to take further action in those cases.

510. The Department in its submission had mentioned a number of problems associated with the over issue and over use of foodstuffs in Government kitchens. These mainly concerned the difficulty of recruiting and retaining competent and efficient kitchen staff. Because of these problems and the stated Government policy to give the opportunity to local Aborigines to accept responsibilities in these fields, over issues have been evident because of their inability accurately to assess quantities. The Department believes it is inevitable that in any training situation such as this and where there is no effective oversight, over issues must occur and possibly in many cases under issues would occur. It was pointed out that Catering Advisers check all monthly ration returns and are responsible for the replenishment of foodstuffs to Aboriginal Communities. It was also pointed out that the procedures outlined in Circular Memorandum No. 5 of 1964/65 are still being applied. The Department assured the Committee that everything possible is being done to ensure due economy in the management of the kitchen/dining rooms consistent with the quality and quantity of the resources available.

Exhibit  
162/8

Training Allowances to Aborigines at Government Settlements

511. At page 27 of his report the Auditor-General comments as follows:

P.P. 13  
of 1974

"Following an audit of expenditure incurred in the Northern Territory on training allowances paid to Aborigines at Government settlements and charged to Division 112-3, Item 05 in 1973-74, unsatisfactory features were noted and oral representations made to the Department's Northern Territory Division. Later, the Department's attention was invited particularly, by memorandum dated 31 January 1974, to the high incidence of errors in records of leave entitlements of Aborigines receiving training allowances. As it appeared that the errors were widespread, the Department's proposals on remedial action were sought."

512. It was explained to the Committee that leave entitlements etc. for trainees from the inception of the scheme in January 1969 until the change of Government in December 1972 were recorded on standard "industrial employee" history cards kept by the central Establishment Section of the Northern Territory Administration. With the change of Government in December 1972, the new Department of the Northern Territory continued to provide this service until 30 June 1973, when the function was transferred to the control of the Northern Territory Division of the Department of Aboriginal Affairs. Therefore, over the period January 1969 to the end of June 1973, the maintenance of these records was at no time the responsibility of the former Welfare Division nor of the Northern Territory Division of the Department of Aboriginal Affairs. Furthermore, the requirement for internal audits of these records and any forms of check related with the Northern Territory Administration and subsequently the Department of the Northern Territory.

Exhibit  
162/8

513. The Department has pointed out that the errors in recording which resulted in the criticism by the Auditor-General on test checks conducted in January 1974 reflected inaccuracies dating back over several years. Current errors in payment could continue to occur through the compounding effect of incorrect data over past years.

Exhibit  
162/8

514. In further amplification of the situation the Department informed the Committee that since the transfer of the documents to the Northern Territory Division of the Department of Aboriginal Affairs, no internal audit has taken place. There is no internal audit staff resident in the Northern Territory Division of the Department of Aboriginal Affairs and it was understood that the Department of the Northern Territory would continue to provide this service until this Department's own internal audit section had been established and the positions filled. Following the audit in January 1974, action was taken immediately to introduce a checking system by two officers of the Northern Territory Division and this arrangement is continuing. A limited number of history cards in respect of those workers transferred to award wages on 1 December

Exhibit  
162/8

1973 have been subjected to a full accuracy check and where errors have been identified, these have been adjusted. The work is continuing as staff resources permit. The number employed on award wages has increased to 850 and terminations average 50 per month.

515. The Committee was also informed that there are approximately 1500 history cards currently in use and approximately 8500 cards held in the archives for work periods dating back to January 1969. In answer to a question from the Committee whether the Department intended checking the accuracy of the 8500 cards held in the archives a departmental witness replied "Not with our present staff resources". The witness also indicated that with the phasing out of the training allowance scheme the checks were being concentrated on ensuring the accuracy of the records of people who were previously on training allowance and are now on award wages.

Training Allowances to Aborigines on Missions

516. The Auditor-General on page 28 of his Report stated that representations were made to the Department concerning overpayments of material sums which apparently had occurred as a result of the Missions being reimbursed for allowances paid to trainees in excess of the approved establishment for each Mission.

517. The Department in its submission outlined the difficulties that had arisen shortly after training allowances were introduced to Mission-sponsored communities in August 1969 in relation to approved fixed establishments for individual Mission Societies. These difficulties arose from:

- a) The policy of the Government of the day that an able-bodied person should be encouraged to work and be paid a training allowance for his actual hours of attendance. This resulted in more people offering for work than could be engaged under the approved establishments.
- b) There were many Aborigines who, in the practical situation and by personal choice, worked part-time only.

Exhibit  
162/8 and  
Qs. 1718  
and 1719

P.P. 13  
of 1974

Exhibit  
162/8

- c) The combination of (a) and (b) above resulted in establishments being exceeded in the physical sense but not in respect of the total hours (that is, combined approved establishments x 80 hours per fortnight) or funds being exceeded.

518. As a result of these difficulties a submission was put to the then Department of the Interior, on 29 September 1967 proposing the introduction of a more flexible ceiling control whereby the number of approved positions could be multiplied by 80 hours to give the particular Missions the total fortnightly hours that must not be exceeded irrespective of the number of persons actually employed. In this proposal some licence was also to be given to the Mission Society Headquarters to exceed the approved hours at any individual Mission Station in special circumstances, provided the total approved hours for the Mission Stations as a whole was not exceeded in any one period. This arrangement was endorsed by the Department of the Interior on 2 October 1969.

519. When asked to comment on the information included in the Department's submission in relation to training allowances on Missions the Audit Observer (Mr Hinchy) said that his Office was not satisfied with the departmental interpretation that establishment ceilings on which the maximum re-imbursment to missions was determined may be grouped by mission societies in lieu of mission stations. He also commented that even if the departmental interpretation is accepted, a recent Audit review disclosed that the ceiling had been exceeded in at least 18 of 23 pay periods between June 1973 and April 1974. He stated that the Auditor-General's Office had taken these matters up with the Department.

520. With regard to the question of whether competent authority existed for the grouping of the approved hours by mission societies in lieu of individual missions, the Department referred to a particular telex of 2 October 1969 from the Department of the Interior, Canberra to the Northern Territory Administration which appeared to give such authority. However, the Audit Observer (Mr Hinchy) referred to a Circular Memorandum No. 16 issued by the

Exhibit  
162/8

Exhibit  
162/8 and  
Q. 1720

Q. 1721

Welfare Division's Projects and Services Branch, Darwin on 4 August 1972 which stated that "reimbursement by the Government of training allowances paid on missions will apply only up to the limit of the approved establishment ceiling at each location".

521. Mr Hinchy also mentioned that no evidence was produced to his Office that the Minister's approval was obtained to the decision contained in the telex of 2 October 1969 mentioned in the previous paragraph. The departmental witness (Mr Dexter) said that he would question whether a Minister's approval is necessary for such an arrangement. He went on to say that he thought that it would be within the province of the Permanent Head at the time to make a decision on that sort of flexibility. Q. 1721

522. The Department advised the Committee that the Auditor-General had referred to a specific pay period and a particular group of Missions where an overpayment had allegedly occurred. However, a subsequent check by the Department had shown that an overpayment had not occurred. The Department stated that while a complete examination of all Mission transactions had not been carried out there was no evidence to suggest that the Missions have in fact at any time been paid in excess of the aggregated approved hours establishment. As mentioned previously the Committee was informed that the training allowance scheme was phased out by the end of September 1974. Exhibit 162/8 and Q. 1520

Aborigines Benefits Trust Fund - Administrative Expenses

523. The Auditor-General had commented in his report that an amount of \$6880 representing administrative expenses of the Aborigines Benefits Trust Fund, which had accrued as from 20 February 1973, was charged to Division 112-3, Item 09 - Vocational training and adjustment, and credited to the Trust Fund in 1973-74. The Auditor-General's Office felt that this was not an appropriate head of expenditure under which to charge these administrative expenses and referred the matter to the Department for comment. P.P. 13 of 1974

524. The Department told the Committee that Ministerial approval for the Government to meet the administrative expenses of the Aborigines Benefits Trust Fund was given on 16 April 1973. Since no provision had been made in the Original or Additional Estimates for 1972-73 to meet this new commitment, it was arranged that the Fund would continue to meet its administrative costs during 1972-73 on the understanding that the Fund would be reimbursed in the following financial year. Provision was subsequently made in the 1973-74 Estimates of an amount of \$18,000 under Item 112-3-09, "Administrative Expenses" to meet the retrospective and continuing administrative costs of the Fund. Exhibit 162/8

525. In July 1973 action was taken by the Department to charge Item 112-3-09 with the amount of \$6,880.23 mentioned by the Auditor-General. However, while the payment was in the course of being processed, the Appropriation item numbers were re-allocated and Item 112-3-09 was redesignated "Vocational training and adjustment" and "Administrative Expenses" was allocated Item 112-2-08. A correcting journal entry was processed on 1 October 1973. Exhibit 162/8

Loans to Church Organisations for Erection of Residential Accommodation

526. The Auditor-General commented as follows on page 28 of his report: P.P. 13 of 1974

"The Department's comments and advice was sought in relation to delays which occurred in the execution of mortgage documents covering loans to church organisations for erection of residential accommodation in the Northern Territory... It was understood that in certain cases, the buildings had been completed and occupied and substantial loans were involved."

527. The Department explained that at the time when the procedures were being developed to cover the administration of the loans, discussions took place with officers of the Attorney-General's Department which resulted in that Department producing a model mortgage document which has been used throughout the years that loans have been granted for this purpose. At the time the mortgage document. Exhibit 162/8

was produced, a section was included which clearly identified the full level of the loan provided by Government to any particular Church organisation. For this reason the Government has not at any stage completed a formal mortgage document against any loan under this scheme until such time as the project has been completed and the final costs identified. At no stage was it suggested by officers of the Attorney-General's Department that some other form of interim security should be held by Government throughout the construction stages.

528. However, during the period January to July 1974, the Department had further discussions with officers of the Attorney-General's Department with regard to producing the mortgage documents (at least as an interim form of security) at the time a loan has been approved. This has occurred in relation to the most recent loans approved. The Department stated that approvals to these loans had been notified to the Attorney-General's Department together with details of progress payments made to date. The Committee was told in November 1974 that due to pressure of work the Attorney-General's Department had not, at any stage, been able to provide the required mortgage documents.

529. Turning to the specific criticism made by the Auditor-General in his report, the Department stated that in one of the two cases referred to, the delay in the completion of the mortgage document arose through disagreements between the Church authority and the then Department of the Interior about certain terminology to be used in the mortgage document. Although final agreement was reached with the Church authority, there continued to be certain doubts about the terminology as far as the Attorney-General's Department was concerned. These have since been resolved and the mortgage has now been signed.

530. The delay in the second case was due to a dispute between the Church authorities and the Government on the actual loan and the terms relating to the property the Church was handing over. A further delay was caused by the fact that the land title document was mislaid. The Committee was told in November 1974 that these matters have now been resolved and that action was being taken to have the mortgage document executed.

Exhibit  
162/8 and  
Q. 1742

Exhibit  
162/8

Exhibit  
162/8 and  
Q. 1744

### Conclusions

531. The Committee notes that as a result of the Auditor-General's criticism instructions relating to the control of stores on Government settlements were issued on 13 August 1974.

532. The Committee is satisfied from the evidence presented that reviews had been made of the charges for meals for trainees and their families although the reviews undertaken did not result in any increase in those charges. The Committee notes that the training allowance scheme was phased out at the end of September 1974 and that the determinations under which the award rates are paid to Aborigines sets the rates for board and lodging provided by the Government. These rates have been promulgated to all staff working in Aboriginal communities.

533. In relation to charges for meals and accommodation provided at Aboriginal communities for Government officers and other visitors, the Committee considers that the Department should take immediate action, if this has not already been done, to review those charges which the Committee was informed were set in 1963.

534. The Committee has taken note of the problems encountered by the Department in exercising control over the issue and use of foodstuffs at Government kitchens in Aboriginal communities. In the circumstances the Committee accepts the Department's assurance that everything possible is being done to ensure due economy in the management of the kitchen/dining rooms consistent with the quality and quantity of the resources available.

535. It has been noted that the Department considers that its present staff resources will not permit a check of the accuracy of all history cards relating to Aborigines on Government settlements who have received training allowances. Because of its limited staff resources and the fact that the training allowance scheme has been phased out, the checks carried out so far have concentrated on ensuring the accuracy of the leave records etc. of Aborigines who were previously receiving training allowances and who are now on award wages. The Committee wishes to be informed of the present position in this matter and also what future action, if any, is proposed by the Department with regard to checking those cards not currently in use.



## CHAPTER 13

## ADMINISTRATIVE EXPENDITURE AND REVENUE

Salaries and Payments in the Nature of Salary

536. On page 29 of his report the Auditor-General stated:

P.P. 13  
of 1974

"Deficiencies noted during an audit of salaries and payment in the nature of salaries included:

- a) failure to submit detailed arrangements for the payment of salaries for approval of the Treasurer or his delegate (Treasury Regulation 107);
- b) weaknesses in internal controls and procedures and failure to nominate officers to carry out checks required by Treasury Directions;
- c) absence of important documentation from personnel files; and
- d) errors and other unsatisfactory features in pay variation advices, calculation of entitlements for salary, extra duty, higher duties allowance and in superannuation and provident account deductions."

537. In relation to (a) above the Department commented in its submission to the Committee dated July 1974 that the officers undertaking paying duties observe the requirements of Treasury Regulation 107(1) to (4). The submission went on to say that a revision of the detailed arrangements had recently been approved by the Treasury under Treasury Regulation 107. However, instructions to paying officers have yet to be written and referred to the Treasury for approval in terms of Treasury Regulation 108(5) and as the function was shortly to be transferred from the Personnel Section to the Finance Section instructions would be written at the same time. A departmental witness told the Committee in November 1974 that the matter of the procedures covering the payment of salaries was still under discussion between the Department and the Treasury because of a difficulty of interpretation of Treasury Direction 25/14 which relates to the Authority to Pay Agent forms. The Department feels that

Exhibit  
162/8 and  
Q. 1758

the implementation of the Direction in the way that it has been interpreted to them would be quite impracticable and clarification of this point is being sought from the Treasury.

538. With regard to the Audit criticism shown in (b), (c) and (d) above the Department has informed the Committee that pressures of work together with an inadequate staff situation did preclude the implementation of satisfactory internal checks and controls in the personnel administration area. With the stabilisation of the staffing position in the area, internal controls have been introduced and officers have been instructed to undertake a thorough review of personnel and salary records; e.g. all personnel files are being scrutinised for completion of documentation. The Department has stated that it is not expected that there will be a recurrence of the circumstances which gave rise to the Auditor-General's criticism.

Exhibit  
162/8

Freight Charges

539. The Auditor-General reported that:

P.P. 13  
of 1974

"Four separate instances were noted where accounts for freight charges had been paid and charged to Division 172-2, Item 05 although it was evident from the claims they had been incorrectly addressed to the Department by the claimants. Although the accounts totalling \$849 were clearly not payable by the Department they were certified correct for payment in September and November 1973 after each account was endorsed by an officer "Expenditure approved". The Department's attention was invited to this further evidence of deficiencies in its control of expenditure."

540. In reply, the Department advised that the matters raised were noted and would be rectified and that the officers concerned "were being counselled regarding their oversight". The Committee was informed that the errors referred to have been rectified and amounts totalling \$849 have been repaid to the Department.

P.P. 13  
of 1974  
and  
Exhibit  
162/8

Official Travel

541. Unsatisfactory features relating to the control over expenditure on travel for official purposes referred to the Department by the Auditor-General's Office included:

P.P. 13  
of 1974

- a) instances where a reference to a movement requisition approving the travel was not recorded on the travel warrant; a number of movement requisitions could not be located;
- b) inadequacies in the control of travel warrant books;
- c) unauthorised officers signing travel warrants;
- d) originals of cancelled travel warrants not attached to duplicates;
- e) airline fares paid although it appeared that certain persons for whom the tickets were approved, either did not travel or travelled by other means;
- f) certificates required by Treasury Directions incorrectly given, in cases mentioned in (e) above, to the effect that the travel for which the ticket had been issued had actually been undertaken; and
- g) two delegates from Melbourne to a conference in Canberra each were paid \$57 (the equivalent of air fares which were also paid as in (e) above) although there was evidence that they both travelled in the same motor vehicle."

542. The Department has advised the Committee that comprehensive instructions have been issued within the Department detailing the procedures to be followed in relation to official travel. Present controls are considered to be effective. The investigation of past deficiencies is proceeding, within the limits of staff resources available to the Management Services Branch. The prevention of recurrences of the unsatisfactory features reported by the Auditor-General has been given priority over a review of past transactions.

Exhibit  
162/8

Administrative Expenses - Miscellaneous

543. Other unsatisfactory aspects represented to the Department by the Auditor-General's Office included:

P.P. 13  
of 1974

- a) No evidence could be produced of any prior approval or funding for a payment on 12 November 1973 of \$99 for typing and duplicating services obtained at Townsville.
- b) Furniture had been purchased and incorrectly charged to Division 112-2, item 02 by the Department (accounts totalling \$584 paid in October 1973) instead of being obtained through the Department of Works (now Department of Construction). There was no evidence of quotations having been obtained for the furniture or for a typewriter purchased for \$250. No evidence was sighted of the items being recorded in a Register of Assets.
- c) An amount of \$186 was paid in September 1973 for rental and other charges associated with a telephone service installed at an officer's home.

No evidence was produced of:

- i) the authority for the expenditure being met as an official charge;
- ii) a record of the official calls included in the amount of \$99 for trunk calls paid as part of the account; and
- iii) action taken to recover from the officer the appropriate proportion of the amount paid on the account."

544. The Department indicated with regard to (a) above that the expenditure arose in relation to the enrolment of electors for the N.A.C.C. elections and that similar circumstances were not expected to arise again.

Exhibit  
162/8

545. With regard to (b) above the Committee was informed that the furniture and typewriter were purchased in order to set up an office for the N.A.C.C. co-ordinator. The Department agreed that departmental furniture should be obtained through the Department of Housing and Construction and the cost borne by the appropriation under that Department's control. It was pointed out, however,

Exhibit  
162/8

that the Minister has since approved of facilities, including office furniture being made available to N.A.C.C. members in their electorates. The expenditure resulting from the Ministerial approval was charged in 1973-74 to Division 112-3-02, Consultation and Liaison which contained provision for the expenses of N.A.C.C. members. For the 1974-75 financial year a new appropriation sub-division was established for these expenses. The Department stated that the items have been recorded in the Register of Assets.

546. In relation to (c) above the Department stated that the officer in whose residence the telephone was installed was an adviser to the former Minister. Advice from the Department of the Prime Minister and Cabinet indicates that the telephone service was a semi-official one and it is presumed that this was properly authorised. Action has been taken to recover from the officer the proportion of the account that is not an official charge.

Exhibit  
162/8

Control Over Receipt of Moneys.

547. It was reported on page 30 of the Auditor-General's report that:

P.P. 13  
of 1974

"An examination of the procedures for the receipt of moneys by the Department revealed a number of unsatisfactory features including breaches of Treasury Regulations and Directions. In particular the Department had not accounted for 3 cheques totalling \$894 recorded as received between October 1972 and July 1973".

548. The Department reported to the Committee that the attention of the officers concerned has been drawn to the requirements of the Treasury Regulations and Directions relating to the receipt of moneys. Of the three cheques referred to in the Auditor-General's Report two have been satisfactorily accounted for. The third cheque, for \$5, was received with a request for publications which are issued without charge. The officer who handled the cheque has stated that it was returned to the sender with the publications but without any record being made. As the sender's present whereabouts are not known it has not been possible to confirm that he received the cheque.

Exhibit  
162/8

Control Over Temporary Cash Advances

549. On page 31 of the report of the Auditor-General it was stated that:

P.P. 13  
of 1974

"Audit examination of the control over temporary cash advances to officers of the Department revealed a most unsatisfactory position. Particular aspects referred to the Department (Appendix C provides further details) included:

- a) Approval had not been obtained from competent authority for certain advances (Treasury Regulation 74).
- b) Instances of advances made but not recorded in a register of advances (Treasury Regulation 77).
- c) Many advances, including some for substantial amounts, remained unadjusted for long periods (Treasury Regulation 78). No evidence was produced to show that the Authorizing Officer had informed the Chief Officer of the instances of apparent failure to adjust advances within the prescribed periods (Treasury Regulation 79).
- d) Some advances were deposited in bank accounts opened without approval of the Treasurer or his delegate (section 18 of the Audit Act).
- e) Certain advances were made to officers without adequate direction regarding the specific purposes for which the advances were to be expended.
- f) Receipts, other necessary information and references to approvals covering payments made by officers from advances had not been submitted when adjusting certain advances.
- g) Errors made when some advances were being adjusted, resulted in overpayments to officers.
- h) Hotel and motel accounts had been paid for officers although they had previously received an advance against, or allowances for, travel entitlements for the related periods".

550. The Department in correspondence with the Auditor-General's Office advised that:

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of 1974

- a) It agreed that a most unsatisfactory position existed.

- b) At least three quarters of the temporary advances recorded as outstanding related to earlier periods when the Office of Aboriginal Affairs was part of other departments which had control over the advances. Compounding the position, in excess of 800 additional advances had been made between 1 July and 31 December 1973.
- c) The remedial action in course included:
- i) The total position of temporary advances had been reviewed.
  - ii) Details of all outstanding advances had been submitted to competent authority as required by Treasury Regulations.
  - iii) Efforts were being made to obtain statutory declarations where officers involved in earlier advances insisted they had acquitted their advances.
  - iv) An instruction had been circulated that, unless acquittals or statutory declarations were received, no further advances would be made to the officers concerned.
  - v) Oral instructions had been issued to all branches covering requirements relating to temporary advances and the opening of bank accounts.
  - vi) Oral and written instructions had been issued to the Authorizing Officer on action to be taken regarding the acquittance of advances.
- d) Specific written instructions were not issued to temporary or permanent advance holders. The Finance Officer and an officer on secondment from the Treasury were preparing instructions for distribution to departmental officers.
- e) Where vouchers appear to be defective within the provisions of the Audit Act, application would be made to competent authority to have those vouchers admitted under the Audit Act.

551. The departmental submission to the Committee reported that the instructions relating to official travel referred to in paragraph 542 also cover procedures for making and adjusting temporary advances of travelling allowance, the purpose for which most advances are made. The Department has stated that the present position is regarded as satisfactory and that action is being taken to investigate past transactions.

Exhibit  
162/8

Cheque improperly held by Department

552. It was stated in the Auditor-General's report that during P.P. 13  
Audit examination on 29 January 1974 of departmental papers of 1974  
relating to a grant intended to cover fares and accommodation expenses for 2 young Aboriginal boxers it was noted that the related cheque for \$450, drawn on 16 January 1973 payable to "Sports Scholarships", was filed on a departmental file. The Auditor-General's Office referred the occurrence to the Department for investigations as indicating a lack of security over public moneys.

553. The departmental reply to the Auditor-General's Office was P.P. 13  
to the effect that the officer concerned was being advised of his of 1974 and  
responsibilities. In a submission to the Committee the Department Exhibit  
stated that it had nothing to add to the reply recorded in the 162/8  
Auditor-General's Report.

Financial Administration

554. The Auditor-General also mentioned on page 32 of his report P.P. 13  
that in correspondence with the Department his Office had emphasised of 1974  
the important function of the Register of Commitments and of the relevant provisions of the Audit Act, Treasury Regulations and Directions relating firstly to the funding of commitments and secondly to the processing of accounts for payment. The Department in reply advised the Auditor-General's Office that:

- a) Since 1 July 1973 the Department's Authorizing/Certifying Officer had been taking full advantage of the Automatic Data Processing System to maintain the Register of Commitments.
- b) The Public Service Board had concurred with a recent re-organisation proposal to increase the size of the accounting cell from 3 to 7. The Department's capability in this area should be enhanced.
- c) Officers in operational branches have been personally counselled with regard to liaison and co-operation with the Finance Sub-section.

- d) In the past through lack of financial knowledge and because of the pressure of work, some officers in functional branches did commit the Department. As a result of the actions outlined above repetition of such acts is not expected".

555. In commenting upon inadequacies in the control over expenditure against approvals the Department also advised that the problems were again largely attributable to the situation of under-staffing and also to the tremendous administrative burden imposed on it through the creating of the National Aboriginal Consultative Committee. Details of the problems encountered by the Department in relation to the N.A.C.C. elections are set out in Chapter 7.

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of 1974

556. The Department also advised the Auditor-General's Office that the Public Service Board team undertaking an examination of its administrative procedures had tentatively suggested the inclusion in the Operations Division of a Project Management Unit, comprising Management Arrangements and Project Control. The Department stated that it believed such a unit could do much to remove the types of weaknesses in control which Audit officers had identified and it was the Department's aim to achieve the establishment of such a unit as soon as possible.

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of 1974

557. The Committee was advised by the Department that the Public Service Board team had completed its examination of administrative procedures and as a result the Central Office of the Department has been extensively reorganised. The Department stated that it will inevitably take some time for the reorganisation to be reflected in fully staffed Branches and Divisions and for the new division of responsibilities and functions to be documented in detail and to become fully operational. In the meantime the Committee was told financial administration throughout the Department had been strengthened by the secondment of two senior officers from the Treasury and proposals for additional positions in the Management Services Branch have been made to the Public Service Board. Additional information relating to the reconstruction of the Department and details of its staff establishment will be found in Chapter 3.

Exhibit  
162/8

Internal Audit

558. The Report of the Auditor-General stated on page 34 that:

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of 1974

"In November 1973, reference was made to the understanding of my Office that, although approval for an internal audit establishment of 3 positions was obtained in July 1973, the section had not yet commenced to operate. The Department was informed that, having regard to the various weaknesses and other matters raised by Audit, the delay in arranging for the commencement of internal auditing was a matter for concern.

The Department replied it was aware of the importance of the role of internal audit. In November 1973 it stated that because of understaffing and unexpected pressure arising from the N.A.C.C. operation, it had no alternative at the time except to divert officers from the internal audit team to assist in processing accounts. The Department expected internal audit officers to be free of this responsibility by mid-December 1973.

On 31 January 1974, the Department advised that the officers in the Internal Audit Section were, as from 2 January 1974, withdrawn from the Finance Section and had begun the task of preparing their audit manuals and programmes, with the assistance of an officer on loan from the Treasury. One officer had, however, been promoted to another area of the Department, one had been absent on sick leave and one had received a provisional promotion to another department. The institution of adequate internal audit would thus regretably be further delayed".

559. The Department in its submission agreed that the absence of an effective internal audit within the Department contributed to the unsatisfactory features reported by the Auditor-General. The Committee was advised that an internal audit establishment for Central Office and for the control of internal audit activities in the Department's State Branches, Northern Territory Division and Regional Offices has been approved by the Public Service Board. The Department also stated that two positions had been filled by provisional promotions, including that of Chief Internal Auditor, who will assist in the selection of other staff and that internal audit had commenced within the limits of present staffing.

Exhibit  
162/8

Conclusions

560. It appears from the evidence that in most cases action has been taken to remedy the deficiencies in the Department's financial control over administrative expenditure and revenue as reported by the Auditor-General.

561. In this context the Committee notes that at the time of the Inquiry the matter of the procedures covering the payment of salaries was still under discussion between the Department and the Treasury. The Committee hopes that this matter has since been resolved and that all the detailed arrangements for the payment of salaries have now been approved by the Treasurer or his delegate as provided under the Treasury Regulations.

562. In relation to control over expenditure on travel for official purposes and temporary cash advances, the Department has stated that action is being taken to review past transactions within the limits of staff resources available to the Management Services Branch. The Committee would be interested to know the present position of this review.

563. The Committee notes that the Department is aware of the importance of the role of internal audit and that an internal audit establishment for Central Office and for the control of internal audit activities in the Department's State Branches, the Northern Territory Division and Regional Offices has been approved by the Public Service Board. The Committee trusts that since the Inquiry the Department has taken action to staff all internal audit positions and brought the audit coverage into full operation.

CHAPTER 14RELATIONSHIP BETWEEN THE FORMER MINISTER AND THE PERMANENT HEAD OF THE DEPARTMENT

564. As stated in the Introductory Chapter to this Report, the Committee's main concern with the relationship between the former Minister or his Office and the Permanent Head of the Department was to ascertain how this relationship and any problems engendered by it affected the financial administration of the Department during that period, and the extent to which the relationship caused the deficiencies in financial control referred to by the Auditor-General in his Report.

565. The Committee realised at the beginning of the inquiry that an examination of the relationship between the former Minister (Mr Bryant) and the Permanent Head of the Department (Mr B.G. Dexter) must necessarily involve consideration of the duties and responsibilities of Ministers and Permanent Heads and particularly the interpretation placed on those duties and responsibilities by the two persons concerned.

566. The Committee therefore, did not consider it necessary for the purposes of this inquiry to delve too deeply into the general constitutional and statutory principles involved in the relationship between a Minister and his Permanent Head nor to discuss the doctrine of ministerial responsibility. A great deal has already been written on these subjects by well qualified and eminent people. Most of this reference material has been collated and suitable extracts quoted in the comprehensive background paper "The Permanent Head" prepared by the Public Service Board in April 1974, copies of which were submitted by the Board to the Royal Commission on Australian Government Administration.

567. Ministers of State are appointed pursuant to section 64 of the Constitution which states:

"The Governor-General may appoint officers to administer such departments of State of the Commonwealth as the Governor-General in Council may establish,

Such officers shall hold office during the pleasure of the Governor-General. They shall be Members of the Federal Executive Council and shall be the Queen's Ministers of State for the Commonwealth".

568. Permanent Heads are appointed by the Governor-General in Council under section 54 of the Public Service Act 1922. However, the main provision in the Public Service Act relating to the duties and responsibilities of the Permanent Head, is section 25(2), which states:

"The Permanent Head of a Department shall be responsible for its general working, and for all the business thereof, and shall advise the Minister in all matters relating to the Department."

569. Mr Bryant included in his first submission to the Committee his personal observations on and his interpretation of the respective duties and responsibilities of a Minister and a Permanent Head and related them to the difficulties he experienced in his relationships with his Permanent Head during the period he was Minister for Aboriginal Affairs. Mr Dexter conveyed his views on these matters to the Committee in the course of giving evidence in relation to the Department's submissions and in supplementary submissions to the Committee. The Committee proposes to use as much of the material presented to the Committee by way of submissions or evidence relating to the relationship between the former Minister and the Permanent Head as is necessary to illustrate how this relationship and the resultant problems affected the financial administration of the Department.

570. Mr Bryant included the following general statements regarding his relationship with his Permanent Head, in his first submission:

Paragraphs 2 and 3

"... a course was adopted in this case both in correspondence with the Auditor-General and in evidence of seeking to deflect on to the Minister of the day, namely myself, the quite proper criticisms made of the Department and of Departmental procedures by the Auditor-General. These suggestions, repeated in the Report of the Auditor and in turn by the Permanent Head before this Committee, secured widespread currency throughout this country and have resulted, at least in some quarters, in a feeling that in my administration of the Department of Aboriginal Affairs I deliberately and irresponsibly

adopted an unorthodox approach to finances, bypassing, as a matter of deliberate policy, officers of the Department and placing them in an embarrassing position with respect to Treasury Regulations and Directions. In short, it was alleged that to a very real extent (although not entirely) I had created the problems of which the Auditor complained in his report and which initiated the enquiry before this Committee.

"I categorically deny the suggestion made. It came to me as a complete surprise when I first read the report of the Auditor-General."

Paragraph 11

"I fear that at the root of much of the dissension that patently arose in the administration of the Department of Aboriginal Affairs was a fundamental difference between the Permanent Head which was exhibited in his actions in relation to myself and my staff and articulated in the correspondence which found its way into the Auditor-General's Report."

Paragraph 13

"In essence, a fundamental difference arose from the very outset between myself and the Permanent Head of the Department of Aboriginal Affairs as to the importance to be attached to the constitutional obligation imposed upon me to "administer" the Department. Let it be conceded at once that no Minister would want to be involved in every detail of the day to day administration of the Department's operations. However, as I conceived my duty, it was to be concerned that there were effective and useful policies which were implemented efficiently and expeditiously by the Department. Especially when one is dealing with a subject matter such as Aboriginal Affairs, one that is deeply involved with personal likes and the position of a depressed people, there is more to the obligation to "administer" than simply giving policy directives and then sitting back leaving the matter entirely in the hands of departmental officers. It seemed to me to be vitally important that the Minister should concern himself directly with what was happening. I was clearly of the view from the outset that the principles upon which the Government operated were principles of social justice, of equality and of raising the quality of life and removing discriminatory provisions in administration and in society itself. I regret that I formed the view quite early that the Permanent Head of the Department of Aboriginal Affairs resented this attitude. That he resented it is made clear in the submissions made by him to the Auditor-General and to this Committee."

Exhibit  
162/25

Paragraph 29

"It is clear from the evidence before the Public Accounts Committee that the Permanent Head has sought to respond to the comments on the financial maladministration of the Department by blaming the Minister."

571. Mr Dexter replied to the comments made by Mr Bryant in his submission which alleged that the Permanent Head had blamed the former Minister for the matters criticised by the Auditor-General in his report by pointing out to the Committee that the Auditor-General had correctly stated the matter on page 3 of his report, where he said:

"In certain cases the Department has sought to excuse its non-compliance with established procedures on the grounds that it became aware of Ministerial decisions involving expenditures only when the accounts for the expenditures concerned were received within the Department or too late for it to follow the approved financial procedures."

572. Mr Dexter drew the Committee's attention during the inquiry to the use of the words "In certain cases" in the Auditor-General's Report when he said "in other words, we are not saying that this is the cause of all our problems." He also told the Committee at a later date that he thought that a reading of the departmental submission and the evidence given at the hearings would disprove the contention in paragraph 29 of Mr Bryant's submission that the Permanent Head had "sought to respond to the comments on the financial maladministration of the Department by blaming the Minister."

573. In Chapter 2 of this Report a number of extracts from the Auditor-General's Report are quoted in which references were made to actions and ministerial decisions which the Department claimed had affected its financial administration. In addition to those references other statements made by the Department in its submission that reflected on the actions of the Minister, or the staff of his private Office were:

Exhibit  
162/25 and  
Q. 4 and  
Committee  
File 1974/4

Qs. 6 and  
Committee  
File 1974/4

P.P. 13 of  
1974 and  
Exhibit 162/1

Paragraph 4

"...on a number of occasions commitments had been made either without the Department being informed or without sufficient notice to allow the required financial and accounting procedures to be observed;"

Paragraph 29

"A major diversion was the necessity to cope with, and make up for delays caused by, intervention by the Minister's Office in matters falling within the statutory responsibility of the Permanent Head."

Paragraph 96 (in relation to expenditure on the ex-Taiwanese trawler Yung Yuen 21)

"It is important, however, that the actions of the Northern Territory Division are considered against the background of the conditions operating at the time. They were subjected to constant and very strong personal pressure from officers in the Minister's Office, which, together with their unfamiliarity with Trust Account transactions, led them to undertake actions which were, as is now clear, breaches of the Treasury Act, Regulations and Directions in an attempt to meet a very close deadline for the trawler's departure."

Paragraph 97

"There were other cases of the ordering of supplies without the Department being given an opportunity to certify the availability of funds, or record the commitment."

Paragraph 99

"Apart from the Department's lack of precise information about what was intended or required in relation to the trawlers, officers at various levels received peremptory orders from officers of the Minister's Office and a consultant, and this added to the confusion."

Paragraph 100

"At no time was the Department in a position properly to investigate the project (ex-Taiwanese trawlers) or to control expenditure on it."

Paragraph 101

"It is now evident that negotiations were under way to acquire the two confiscated Taiwanese trawlers located in Darwin from early March 1973 at the latest. However, the Department did not become aware of this until towards the middle of April, and then only peripherally."



Paragraph 102

"The comments of the Auditor-General at page 24 are concurred in. There was no consultation between the Minister's staff and the Department before the Minister's staff engaged the nursing sister."

574. The Committee questioned Mr Dexter and other departmental witnesses in regard to the various statements made in the Auditor-General's Report which were attributed to the Department, and in its submission, concerning the actions of the Minister, his consultants and/or the staff of his Ministerial Office. Mr Dexter provided the Committee with details, including documents in many cases, of a number of instances where a commitment of funds was made before the Department was able to establish or certify that funds were available and enter the commitment in the commitment register. Mr Dexter stated that all cases referred to, occurred in the period between December 1972, when the Department was established, and October 1973, when Senator Cavanagh became the Minister for Aboriginal Affairs. He also stated that he had not encountered such problems prior to or subsequent to that period. Details of the instances referred to by Mr Dexter are:

• Acquisition of luggers

575. Reference was made in the Department's submission to the purchase of three luggers by the direction of the Minister on the recommendations of his marine consultant Captain Benson. It was also mentioned that the Minister originally gave an oral direction that the purchase should be made initially by Applied Ecology Pty Ltd. Only one lugger was purchased by this company apparently due to lack of funds. The Minister subsequently directed that the Torres Strait Co-operative should purchase the two remaining luggers and directed that a grant be made to the Co-operative for this purpose. Later the Minister decided that the luggers should operate on "loan or lease" to the Co-operative and subsequently approved that the purchase should be made by the Department. This necessitated an approach to the Treasury for funds after the offer to sell had been accepted by the Department and the seeking of a Certificate of Inexpediency from the Commonwealth Stores Supply and Tender Board.

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1974 and  
Exhibit 162/1  
and Qs. 7 and  
19.

Exhibit  
162/1

576. The Department informed the Committee that the confusion and problems that arose over the purchase of the luggers was caused by the fact that it was never fully privy to the intention to purchase these luggers, to the purpose for which they were to be obtained or to the negotiations for their purchase. (Full details relating to the purchase of the luggers are contained in Chapter 8).

• Expenditure on Refitting and Movement of ex-Taiwanese Trawler

577. The Department claimed in its submission that expenditure commitments were entered into by Captain Benson, consultant to the Minister, for the refitting and movement from Darwin to Maryborough of the ex-Taiwanese trawler Yung Yuan 21, and that the Department had no knowledge of them until it received the accounts. There was also reference to the fact that spare parts for the trawler were ordered from the Minister's Office without the Department being given the opportunity to consider proper tendering procedures or to certify that funds were available. A copy of a letter originating from the Minister's Office supporting this latter statement was provided to the Committee by the Department.

578. However, Mr Bryant in his submission stated that the letter tabled by the Department had been dated 19 July 1973 and he provided copies of a minute from his Private Secretary to the Permanent Head of the Department dated 6 July 1973 requesting that an order for the spare parts should be forwarded urgently to the supplier. A footnote to the minute mentioned that the supplier was contacted by telex and that the order could be telexed to them that day (6 July). A copy of a further minute to the Department from the Minister's Private Secretary dated 16 July asking for a written request and order number to be forwarded to the supplier was also provided to the Committee.

579. Mr Dexter subsequently informed the Committee that the existence of the minute of 6 July did not affect the evidence he had previously given. He stated that in that minute the Department was asked to

Exhibits  
162/1, 162/25,  
162/26 and  
Committee  
File 1974/4

telex an order to the supplier on that day without information as to the cost and without having investigated the possible necessity of calling tenders. Information on the cost was supplied in the Private Secretary's minute of 16 July. Mr Dexter maintained that his point was still valid that the order for the parts was placed direct by the Minister's Private Secretary in her letter of 19 July to the supplier. In an attempt to regularise this action, the Department issued a covering purchase order on 5 September for the parts. (Relevant documents in Mr Bryant's submission are Documents Y11 to Y13.)

580. The Department stated that from its point of view, the whole ex-Taiwanese trawler project was surrounded by the greatest confusion and difficulty. The Committee was also told that apart from the Department's lack of precise information about what was intended or required in relation to the trawlers, officers at various levels received peremptory orders from the Minister's staff and his consultant, and this added to the confusion. (Detailed information on the trawler project can be found in Chapter 9 of this Report.)

• Engagement of a Nursing Sister

581. The Committee was informed that the Minister's Office, on the Minister's authority, arranged for a nursing sister to be recruited to work for a period on Palm Island and the Department was not given an opportunity to comment on the proposal. The co-operation of the Queensland Health Department had not been sought in advance which created difficulties when the nursing sister finally arrived at Palm Island. It proved to be impracticable for the additional nursing service to be implemented and the nursing sister's services were terminated. (Chapter 10 gives further information relating to the recruitment of the nursing sister.)

• Expenditure Associated with the Establishment and Election of the National Aboriginal Consultative Committee

582. In the submission from the Department it was stated that proposals for expenditure on the various stages of the N.A.C.C. project were generally not made known to the Permanent Head,

Exhibit  
162/1

Exhibit  
162/1

the Head of the Management Services and Projects Branch and the Finance Section, and were approved by the Minister without any prior certification as to the availability of funds and any recording of the commitment in the commitment register. Special mention was made by Mr Dexter in his evidence of the regional conference for the establishment of the N.A.C.C. and its first interim conference. (Further information on the N.A.C.C. project will be found in Chapter 7.)

• Appointment of Consultants by the Minister

Q. 7

583. Mr Dexter said that frequently the Department was advised that certain consultants had been appointed by the Minister. In some cases the consultants had been engaged weeks or even months before and on no occasion had the Department been able to investigate whether funds were available to meet the cost of the consultants or to record the funds commitment.

• Overseas Visit by Mrs Faith Bandler

584. Mr Dexter cited an instance "where payment was approved to enable the overseas visit by Mrs Faith Bandler although the matter had not been to the Overseas Visits Committee". He went on to say that the Department subsequently sought the sanction of the Committee but it refused to look at the matter because the visit had already been approved.

585. Mr Bryant included comment and documentation on this matter in his submission. It appears that the payment was to enable Mrs Bandler to extend a previously arranged lecture tour so that she could study the Museum of Anthropology in Mexico and the Cultural Museum in Nadi, Fiji.

586. When the Department became aware of the proposal the Minister was informed that it was necessary to submit the proposal to the Overseas Visits Committee.

Exhibits  
162/25,  
162/26 and  
Qs. 7 and  
Committee  
File 1974/4

587. Although it was not the normal practice, the Minister wrote to the Prime Minister seeking and obtaining his approval to the proposal. However, the Prime Minister in giving his approval included the following paragraph in his letter:

"I should point out for the future that cases like Mrs Bandler's are the concern, in the first instance, of the Overseas Visits Committee and I would not expect to be involved unless there was disagreement which otherwise could not be resolved."

588. Mr Dexter drew the Committee's attention to the fact that the above paragraph of the Prime Minister's letter was not included in the advice forwarded to the Department by the Minister's Office. He considered that it was most important that the Department should have been made aware of this paragraph in view of the guidance contained in it relating to the Department's future dealings with the Overseas Visits Committee.

• Federal Council for the Advancement of Aborigines and Torres Strait Islanders

589. Mr Dexter instanced another case relating to a request for a grant to enable 2 members of the Federal Council for the Advancement of Aborigines and Torres Strait Islanders to attend a world youth festival in East Berlin. The Minister approved that a grant should be made for that purpose before the Department had been able to examine the proposal to note the commitment or ensure that funds were available. It seemed to the Department that a proposal for an overseas visit must be submitted to the Overseas Visits Committee but the Committee refused to consider the matter because the Minister had already approved the payment. Both the Special Minister of State, who was responsible for the Overseas Visits Committee, and the Prime Minister refused to give approval for the trip because the matter had not been put through that Committee. Mr Bryant in his submission stated that in this case he gave his preliminary approval and withdrew it after consultation with Senator Willesee.

Exhibits  
162/25,  
162/26 and  
Q. 7

• Provision of Typewriters to the Young Christian Workers Hostel

590. The Committee was informed of a further case where funds were committed before the Department became aware of it. This involved the ordering of disposal typewriters by the Minister's Private Secretary from the Department of Supply to be given to the Young Christian Workers Hostel at Morningside. Documentary proof of this was provided to the Committee. The typewriters were ordered without reference to the Department and the Department subsequently had to issue a purchase order for them. No approval had been sought as required from the Treasurer for the gifts to be made and the Department had to subsequently seek this approval. No consideration was apparently given at the time of purchase to the quality of the typewriters and it was understood by Mr Dexter that the typewriters were all virtually unserviceable. The typewriters were subsequently returned to the Department of Supply and the charge was written back.

Exhibit  
162/3 and  
Q. 9 and  
Committee  
File 1974/4

• Purchase of Tarpaulins

591. Evidence was given by Mr Dexter that following a visit by the former Minister to Warburton in Western Australia, the staff of the Minister's Office, early in July 1973, authorised the purchase of 200 tarpaulins, to be distributed to the Aborigines at Warburton, without reference to the Department to establish if funds were available. The matter was passed to the Department on 27 July by the Minister's Office with instructions to pay the cost of the tarpaulins which amounted to \$10,000. Funds were not available so the Department drafted a letter to the Treasurer seeking funds approval and approval to make the gift which was signed by the Minister on 7 August 1973. The Treasurer's approval was given on 20 August and the official order for the tarpaulins was issued on 23 August 1973.

Exhibits  
162/4,  
162/25 and  
Q. 9

592. Mr Bryant in commenting on this matter in his submission pointed out that it was an urgent matter, the official order was finally issued through the Department of Aboriginal Affairs,

and that a senior officer of the Department "had been in the field and had seen and been satisfied of the need for urgent action" and could have informed the Department if he had considered it necessary.

• Purchase of Blankets

593. The Committee was informed by Mr Dexter early in the inquiry that 8,427 blankets had been ordered by the Minister's Office during a particular period from the Department of Supply and that none of the orders had passed through the Department to establish that funds were available.

Exhibits  
162/5,  
162/8,  
162/25 and  
162/26 and  
Q. 9, 272  
and 344 and  
Committee  
File 1974/4

594. Mr Bryant in his submission pointed out to the Committee that the facts were quite different from those presented by Mr Dexter. He stated that during his term as Minister for Aboriginal Affairs, the Department had learned of a need for blankets to be issued to Aborigines in Central Australia. He had subsequently become aware that the Department was negotiating with commercial suppliers to purchase blankets at a cost of \$5 or \$6 or more each and had intervened at that stage as he was aware from past experience that blankets could be obtained from the Department of Supply from surplus stocks. This was done and blankets were obtained for \$1 each.

595. He also provided documents to show that most of the blankets were ordered through the Department in the normal way. However, there was documentary evidence to show that at least 400 blankets had been ordered by the Minister's Office without reference to the Department.

596. Mr Dexter subsequently informed the Committee that he had re-examined the departmental file in the light of Mr Bryant's submission and agreed that in some respects his evidence in relation to the blankets had been too sweeping. He acknowledged that it was clear that many of the blankets that he had referred to had been ordered through the Department. Nevertheless, he maintained that it remains true that particularly in the early stages of the program, quantities of blankets were ordered by the Minister's Office without reference to the Department.

• Mrs Ruth Wallace - Fact-finding tour

597. Another case mentioned by Mr Dexter concerned a fact-finding tour of the Gulf of Carpentaria which was undertaken by a Mrs Ruth Wallace at the request of the then Minister. The Minister's approval to meet the expenses of the tour had been conveyed to her in a telegram from Mr King, the Minister's adviser, dated 13 August 1973. Apparently the first the Department knew of the matter was when Mrs Wallace wrote to Mr Dexter on 22 November 1973 requesting payment of the expenses. Documentary evidence to this effect was provided by the Department.

Exhibit  
162/6 and  
Q. 10

• Grants to Kununurra Aboriginal Progress Association, the Mirima Council at Kununurra and the community at Utopia Station

598. A document was submitted to the Committee which showed that on 8 October 1973 the Minister had approved grants of \$20,000 to the Kununurra Aboriginal Progress Association to travel to Canberra after visiting Aboriginal housing projects throughout Australia; \$10,000 to the Mirima Council at Kununurra to travel to Canberra to see the Minister about their sacred sites and \$7,000 for food and financial support for the community at Utopia Station. The Committee was told that the Department had no foreknowledge of these grants so that funds could be provided or a commitment recorded.

Exhibits  
162/7,  
162/25,  
162/26 and  
Q. 10 and  
Committee  
File 1974/4

599. Mr Bryant stated in his submission that the facts in relation to Utopia Station were that a telegram was received from Dr Kalokerinos advising of an urgent problem at Utopia. This was followed by a telephone call from the Doctor who said that 200 Aborigines on the Station were without food. The Minister's Private Secretary notified officers of the Department in Darwin and Alice Springs of the situation. The officer at Alice Springs advised that he had funds available but would require the Minister's approval. The Minister's approval was given and a telex was despatched by the Minister's Office to the Department's Offices at Darwin and Alice Springs in the following terms:

"Please advise if there is any impediment to the implementation of this decision."

No impediment was signified to the Minister or his Office by departmental officers at those centres.

600. Subsequently Mr Dexter has informed the Committee that the facts differ from what has been stated by Mr Bryant. He went on to say that the Acting Director of the Northern Territory Division of the Department, who had been contacted by the Minister's Private Secretary by telephone, objected to the grant on the grounds, inter alia, that there was adequate food at Utopia Station, and that in these circumstances if a grant of \$7 per person per week was to be made to the Utopia Aborigines it should equally be made to all other Aboriginal communities. He said that he would not send the \$7,000 of supplies to Utopia Station until he had the opportunity of sending an officer there to investigate and of discussing the matter with his Permanent Head. The Minister's Private Secretary replied to the effect that the Minister had approved of the grant and the Acting Director therefore must send it to the community. Advice of the grant was reported in the press the next day. Mr Dexter stated that it was clear therefore, that there was never any scope for departmental officers to affect the decision.

• Proposal to purchase ex-Army landing craft

601. Mr Dexter outlined for the Committee another instance where he claimed funds were committed without reference to the Department. He informed the Committee that apparently on 26 February 1973 the then Minister (Mr Bryant) approached the Minister for the Army and the Minister for Supply to purchase two ex-Army landing craft which had been advertised for sale. Mr Dexter said that his Department had first been informed of the proposed purchase in June 1973 by which time the acquisition had already been committed. On 2 July the then Minister publicly announced the acquisition of these craft and because funds had not been approved the Department prepared a letter to the Treasurer to obtain his approval which was signed by the Minister on 13 July 1973. Mr Dexter went

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on to say that on 18 October 1973 he received a memorandum from the Department of Supply making information available that the Department of Supply stated had previously been made available to the former Minister (Mr Bryant). The essence of the advice was that the landing craft had actually been declared as "beyond economic repair" and that the cost of repairing and refitting the craft would be approximately \$120,000. The Department of Supply also pointed out that the craft would be difficult to operate especially in remote localities, would need skilled crews and would require regular and continuous maintenance.

602. The Department subsequently wrote to the Department of Supply to advise that in the circumstances it no longer wished to proceed with the acquisition.

603. Mr Bryant pointed out in his submission that a formal minute, which mentioned the intention to acquire the landing craft, had been sent to the Permanent Head of the Department on 5 March 1973. A copy of the minute was provided to the Committee and the landing craft was one of a number of matters covered in the minute. He also provided copies of a letter he received from the Minister Assisting the Minister for Supply dated 10 April 1973 which referred to the Minister's wish to obtain the landing craft. Mr Bryant stated that a copy of this letter was forwarded to the Department and that it was clear from a consideration of this letter that no commitment had been made in March 1973 to purchase the craft as had been stated in evidence.

604. Mr Bryant also provided copies of his letter to the Minister for the Army and Minister for Supply dated 28 February 1973 which had been mentioned in evidence by Mr Dexter and on which was an endorsement indicating that a copy had been forwarded to the Department. He also provided copies of a letter of 28 February 1973 he sent to a Ministerial adviser which also indicated that a copy had been sent to the Department and a copy of a telegram from Mr Bryant, sent on 12 April 1973 to the Minister Assisting the Minister for Supply confirming his desire to acquire the two craft.

605. Mr Dexter subsequently informed the Committee that his evidence given earlier to the Committee to the effect that the Department had first become aware of the proposed acquisition in June 1973 had been incorrect. He stated that he did receive a copy of Mr Bryant's minute of 5 March 1973 and should have recalled its reference to the Minister having commenced negotiations to acquire the two ex-Army landing craft. He apologised for this error in his evidence. He also stated that no matter what endorsements appear on Mr Bryant's copies of his letters of 26 February 1973 to the Minister for the Army and Minister for Supply, 28 February to the adviser and 10 April from the Minister Assisting the Minister for Supply, copies were not received in the Department. He went on to say that he could say this categorically as at that time he was personally receiving all correspondence from the Minister's Office. In fact, he said that the Department still does not have copies of these papers and had seen them for the first time in Mr Bryant's submission. (Documents in Mr Bryant's submission relating to the landing craft are Documents Y1 to Y10).

606. A number of statements were made during the inquiry both by the former Minister and the Permanent Head which sought to outline for the benefit of the Committee the duties and responsibilities of a Minister and a Permanent Head as interpreted by Mr Bryant and Mr Dexter and to show how the respective interpretations were put into practice in relation to the Department of Aboriginal Affairs. Some of these statements have already been quoted in this and other Chapters of this Report to illustrate particular aspects of the relationship. Others of a more general nature that the Committee feels are of sufficient importance to record in this Report are either reproduced or referred to in the following paragraphs.

607. Mr Dexter was asked specifically by the Committee what he considered were the functions of a Minister as compared with his own functions as Permanent Head. He stated that in his view a Minister is in full control of his Department, both formally and in practice, with the exception of certain staffing matters. He added that, although Ministers are not generally involved in the day-to-day details of the activities of departments, he would regard it as essential for a Permanent Head to submit the more important questions relating to the administration of his Department to his Minister and that, for his part, he had always made a practice of doing this. He went on to say that he believed that a Minister has the right to seek alternative advice if or wherever he chooses and quoted portion of the text of a minute he had written to his former Minister on 26 January 1973 where he said:

"Second, I believe it proper for you to obtain advice where you desire, though I would hope that you will always give me the opportunity to comment on outside advice."

He also said that he thought that no public servant would question the extent of a Minister's responsibility for policy and his right to decide on financial commitments within his own authority as granted by the Government and the Parliament.

608. In relation to his functions as Permanent Head, he referred to section 25(2) of the Public Service Act which sets out the responsibilities of Permanent Heads. He said that this section of the Act seems to give a Permanent Head 3 principal functions - adviser on policy to the Minister; administrator of the policy as determined by the Minister or the Government and manager of the Department under the Minister, including certain responsibilities

Exhibit  
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Qs. 82 and  
86

Q. 86

under the Audit Act either as Permanent Head or as Chief Officer in relation to financial management.

609. In regard to the first function as policy adviser to the Minister he said that he believed that a Permanent Head is obliged by the provisions of the Public Service Act to advise his Minister in all matters and that he must do this whether the Minister likes the advice or not. He stated that the Permanent Head must, in pursuit of this function, marshal the resources of the Department, particularly the views of senior officers. He must ensure that these views get to the Minister either through himself or through senior officers but he must also ensure that this is done in such a way that he, the Permanent Head, retains his final responsibility to the Minister for the operations of the Department and for stating to the Minister the Department's views on policy questions. Q. 86

610. He thought that, constitutionally, the Permanent Head and officers of the Department must obey the Minister in the last resort unless this brings them into conflict with legislation. If that situation arose he believed that the Permanent Head should inform the Minister that the action that he has directed is improper, or perhaps even illegal. If the Minister then holds to his decision, then he considered that the position of the Permanent Head would be very difficult indeed. Q. 86

611. Again, in relation to the Minister's right to determine policy Mr Dexter stated that although he did not think it was the Department's function to establish policy he considered that it was a departmental function to consider policies that might be followed and advise the Minister, and hence the Government, of these. He considered that the Minister and the Government should decide what the policies should be and it was then the Department's function to carry them out. He stated that he did not think he stood against any of the former Minister's policies as such and that he believed in what the Q. 341

Minister was trying to do.

612. Mr Bryant's views on his Ministerial responsibilities were contained in his submission which included the following:

Paragraph 15

"It seems to me now, as it did from the outset of my Ministerial responsibilities that, important as the role of the Permanent Head is in our democracy, it cannot and does not in law over-ride the constitutional responsibility of the Minister to "administer" his department. So long as this country is governed on the principle of the sovereignty of Parliament elected persons who are the Ministers are obliged to direct government and decide policy for which they are responsible. Any suggestion by a permanent official that the authority to administer a department lies with him to the exclusion of the Minister in any area is in my view unacceptable and contrary to the spirit of our Constitution."

Paragraph 17

"Instances such as those which I have mentioned, and the case of the Department of Aboriginal Affairs underlines, in my mind, the importance in government under the Parliamentary system of rejecting the suggestion that officials should be able to decide every matter of day to day administration without the benefit of Ministerial opinion or direction. I concede at once that there is a fine balance between undue interference (on the one hand) and reasonable responsibility and acceptance of that responsibility (on the other). In the working out of this relationship, much will depend upon the personality of the persons involved. But in the ultimate it is of fundamental importance that the Minister of State should be able to exert his authority and policy without undue obstruction and disloyalty from his senior departmental officers. Unhappily, it is my opinion that the Permanent Head of the Department of Aboriginal Affairs exhibited in the performance of his duties less than that standard of loyal co-operation with the Minister of the day than that the latter was entitled to expect and, as I now know, does receive from the great bulk of departmental officers. I suggest that a fair reading of the transcript of the evidence and of this submission will result in the conclusion that, by actions and words, the Permanent Head of the Department of Aboriginal Affairs displayed a belief that initiative by the Minister, or by his staff with his imprimatur, in "departmental concerns" or the implementation of policy constituted "interference" and was therefore to be resisted."

Paragraph 54

"I am especially anxious not to intrude into the concerns of my colleague, the present Minister, but it is a matter for general observation that so long as Ministers are responsible for "policy" they should take the effective and initiating role in such policy and not simply adorn their offices for the purpose of giving a Ministerial imprimatur to decisions of the Department's own "policy division". I feel sure that that was the role which the Permanent Head had assigned to me in the Department of Aboriginal Affairs."

613. Mr Dexter subsequently informed the Committee that he rejected the descriptions of his alleged "belief" about so-called ministerial "interference" (paragraph 17), and of the "role" which he allegedly "assigned" to the Minister (paragraph 54). He maintained that the major point in these contexts had been the impossibility of the Department coping with its responsibilities if it is not privy at an early stage to the Minister's desires and intentions and if Ministerial staff undertake executive functions.

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614. The question of who was responsible for the financial administration of a Department was canvassed by both Mr Bryant and Mr Dexter. Mr Bryant in his submission referred to the background paper, "The Permanent Head" (Public Service Board, April 1974), where, on page 55 in the section dealing with "Financial Management", it was stated inter alia:

Exhibit  
162/25

"The financial management of a department must be exercised in accordance with the requirements of the Audit Act, Treasury Regulations and Treasury (Overseas Accounts) Directions issued thereunder, the Treasury Directions and such directions as are given from time to time under the authority of the Treasurer.

Rarely does this legislation specifically mention the Permanent Head - the Audit Act in particular imposes no specific responsibilities on a Permanent Head although frequent references are made in the subsidiary legislation to the duties of a Chief Officer. As a Permanent Head is a Chief Officer for the purpose of the Treasury Regulations and Directions, these duties fall on him insofar as he does not arrange for other Chief Officers in the department to carry them out.

But in general it can be said that the responsibilities of the Permanent Head for financial management form part and parcel of the general responsibilities which rest upon him under Section 25 of the Public Service Act..."

He went on to state in his submission that in the day-to-day administration of a department it is the duty of the Permanent Head to ensure compliance with the statutory provisions of the Audit Act, Treasury Regulations and Directions and to call to the attention of the Minister, at the time, and not in a belated submission to the Auditor-General, any significant alleged non-compliance with the rules governing the expenditure of appropriated moneys.

615. In regard to the above statement by Mr Bryant, which appeared on page 19 of his submission, Mr Dexter informed the Committee that he drew the attention of the Minister both orally and in writing, on many occasions as they occurred, to the problems which his style of administration caused Mr Dexter and officers in carrying out their statutory responsibilities. He gave as example the minute he wrote to the Minister on 24 August 1973 in relation to the N.A.C.C. project (Attachment I(2) of the Department's original submission) and the entries against the dates 5 and 18 July 1973 on pages 33 and 34 of that submission in relation to the trawlers.

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616. Attachment I(2) seems to be particularly significant and contained the following:

Exhibit  
162/1

"I note the Treasurer's letter to you regarding funds for the N.A.C.C. regional conferences and to the discussion you had later with Mr Hunter of the Treasury. You will recall that I have on previous occasions pointed out to you the problems which can arise in coping with the requirements of the Audit Act and Treasury Regulations in the face of decisions, actions and commitments by yourself and your personal staff entered into without prior consultation with the Department.

2. The Treasury system is based upon the recording of commitments for future expenditure against the funds appropriated. This is achieved by the use of a Requisition form. This is required to be completed for all purchases of supplies and requires the certification



by an Authorising Officer that "Funds are available" before a requisition is approved by the Minister or, normally his delegate. Departures from this recording of liabilities place us in danger of exceeding our appropriation.

3. Purchasing procedures are designed to ensure that "all potential suppliers have been given an opportunity to obtain Australian Government business and that in the selection of the supplier and the terms of the contract the basic criterion has been the best interests of the Government". This is why Treasury Directions lay down the need for public tenders and/or obtaining of quotes.

4. From the foregoing you will understand the problems which arise when the system is by-passed. I therefore, again ask that you ensure that the Department is informed at the earliest possible moment of any intention to accept a commitment or otherwise incur expenditure so that we can check the availability of funds and record the liability or possible liability; and that Departmental officers be permitted to handle the actual financial and purchasing problems."

617. The Minister replied to the Permanent Head's minute as follows:

Exhibit  
162/1

"I have read your minute of August 24 about financial procedures.

To avoid the possibility of expenditure exceeding the appropriation, please introduce a monthly summary detailing the amount voted by Parliament, the expenditure approved, the expenditure made, and the balance available under each heading.

I shall continue to exercise my authority and responsibility as Minister and I expect you to ensure the speedy and efficient implementation of my decisions."

Mr Dexter addressed the following minute to an officer of the Department on the bottom of the minute he received from the Minister:

"I think you already produce, and supply the Minister with, the sort of summary he seeks in para. 2? But such a summary, of course, can only be a guide - and a guide after the event at that - and can be no substitute for the arrangements established by the Act and Regs."

618. The position with regard to the statutory responsibility of the Permanent Head for financial administration of the Department, as set out in the background paper "The Permanent Head", seemed to be accepted by Mr Dexter early in the inquiry as he stated at the first day's hearing that he, as Permanent Head had some very onerous responsibilities in relation to the safeguarding of public funds. He went on to say that "If somebody else commits funds without this first being referred to me so that I can ensure that funds are available and that we have a proper record, then financial control becomes impossible."

Q. 82

619. Again, when asked by the Committee what he was referring to when he spoke of matters going through "normal channels", he stated that he had in mind that conformity with the Audit Act, the Treasury Regulations and Treasury Directions imposed upon the Permanent Head and departmental officers, and, he believed Ministers, a certain style of operation in financial matters. By this he meant that before a commitment is entered into the following matters should be considered:

Q. 163

- (i) Whether funds are available to meet that commitment;
- (ii) The commitment should be registered;
- (iii) The particular project should be investigated to see whether the item to be purchased is the best or an efficient item;
- (iv) Tenders should be called for if required or certificates of inexpediency obtained if necessary;
- (v) The Treasurer's approval should be obtained before gifts of Commonwealth stores are made; and
- (vi) If commitments relating to new policy areas were to be made against funds from the Aboriginal Advancement Trust Account, then the Treasurer's prior concurrence should be sought for those commitments.

620 On page 64 of Mr Bryant's submission is set out the procedure he stated was followed in relation to the approval of funds. The statement was made as part of his comment on the proposed overseas visit of two members of the Federal Council for the Advancement of Aborigines and Torres Strait Islanders (referred to in paragraph 589 of this Report). The procedure was stated to be:

"Upon receipt of an application at my office, I would indicate approval or disapproval and forward it to the Department for action. The Department would then prepare a submission with its recommendations and forward it to me for my final decision.

In this case I gave preliminary approval and withdrew it after consultation with Senator Willesee. This incident demonstrates the persistence with which the Permanent Head attempted to control the Minister rather than act upon his directions. There was no question of funds not being available."

621. Mr Dexter subsequently pointed out to the Committee that the above is precisely the procedure he was trying to outline to the Committee during the hearings. He stated that Mr Bryant's preferred style of working was to take a decision as to "approval" or "disapproval" before a proposal had been investigated or even sighted by the Department. Thus the Department's advice was effectively excluded. He added that it would be an extreme case indeed when a Department, having received an indication of the Minister's approval or disapproval, would prepare a recommendation to the contrary. In any case, he told the Committee, it was never indicated to the Department that the Minister's decisions were preliminary only, and subject to the Minister's "final decision". He went on to say that, in fact, the business of the Department under Mr Bryant did not ordinarily operate in the way he has suggested as regards "preliminary" and "final" decisions.

622. In paragraph 20 of his submission Mr Bryant commented that it seemed to him that the proper way of carrying out the relationship between a Minister of State and his Permanent Head on financial matters is that expressed by Sir William Armstrong, Head of the U.K. Home Civil Service, in giving evidence to the Select Committee on

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Parliamentary questions. In the extract quoted was included the following:

"It may happen that an Accounting Officer disagrees with his Minister on a matter of importance affecting the efficient and economic administration of his department and thus the Accounting Officer's duty to Parliament. In such a case, the Accounting Officer is expected to place on record his disagreement with any decision which he considers he would have difficulty in defending before the Public Accounts Committee as a matter of prudent administration. Having done so he must, if the Minister adheres to the decision, accept it and if necessary support his defence of the action taken by reference to the policy ruling of the Minister. Alternatively, the matter of the Accounting Officers' disagreement and his protest may be one which involves his personal accountability on a question of the safeguarding of public funds or the formal regularity or propriety of expenditure. In that case he should state in writing his objection and the reasons for it and carry out the Minister's decision only on a written instruction of the Minister overruling the objection."

623. Mr Dexter subsequently informed the Committee that he was very much in favour of the provision mentioned by Sir William Armstrong whereby in the U.K. Civil Service an officer can be exonerated from his personal accountability if the Minister overrules his objection by confirming his decision in writing. Mr Dexter stated that unfortunately such a provision is not available in the Australian Public Service and the position was that there existed no means for him to be exonerated from personal accountability for actions taken by the Minister or his staff of which he was unaware or which he knew to be in conflict with his or his officers' statutory responsibility.

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624. A number of references were made by Mr Bryant in his submission to the relationship between the ministerial consultants and the Permanent Head of the Department. He said, in effect, that it was obvious from paragraph 29 of the Department's submission that there was considerable resentment by the Permanent Head to the policy advisers engaged by him. Paragraph 29 of the Department's submission stated:

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162/25

"A major diversion was the necessity to cope with and make up for delays caused by intervention by the Minister's office in matters falling within the statutory responsibility of the Permanent Head: an example is given as Attachment B."

625. Attachment B(1) to that submission was a copy of a minute dated 12 January 1973 from Mr W. King, adviser to the Minister, to the Secretary, Department of Aboriginal Affairs which included the following:

Exhibit  
162/1

"Before he left Canberra, the Minister discussed a number of matters with me, some of which need your attention and some which are referred for your information. I set out hereunder a brief summary of the matters discussed:"

and

" Organisation of the Department - The Minister is insistent that the structure of his Department should be an efficient vehicle for the implementation of Government decisions. He has written in these terms to the Prime Minister and he has asked me to undertake the initial work associated with the identification of functions and divisional structure. As soon as the first draft of this is completed I would appreciate the opportunity to discuss the task with you. In the meantime it would be appreciated if the establishment of the positions and occupants of the groups as they existed in the former Department could be forwarded for perusal."

626. Mr Bryant stated that Attachment B was an attempt by him through Mr King to secure early discussion about the structure of the Department. However, Mr Dexter said that he considered that the task the adviser had been asked to undertake fell within the Permanent Head's statutory responsibility under the Public Service Act and his reply to Mr King's minute included the following:

"...The functions of my Department have already been determined by the Government. Its organisation,

establishment and duties are matters for resolution between myself and the Public Service Board in accordance with the provisions of the Public Service Act and Regulations. I am not aware of any arrangement between the Minister and the Prime Minister limiting my responsibilities in this field, and would in any case believe that under the Act I am not in a position to delegate my powers and responsibilities. On the other hand, as I mentioned to the Minister in discussions last week, I am more than happy to receive suggestions on matters within my sphere of responsibility from any quarter and will therefore be happy to receive any suggestions you might wish to make."

627. In further substantiation of the statement made in paragraph 29, the Department quoted from a further minute dated 14 May 1973 from Mr King to the Secretary of the Department which stated:

Q. 312

"Will you please prepare a recommendation as a matter of urgency for one of your officers to be stationed at Thursday Island as soon as possible: (1) to act as a liaison point for the Minister; (2) supervise activities the Minister is currently considering, and to handle problems now arising in the area. The officer is to report directly to the Minister."

628. The points made by Mr Dexter in relation to the above minute were that Mr King had issued an instruction to the Permanent Head in the minute which he had no power to do and that there was no indication in the minute that Mr King was passing on the Minister's thoughts in relation to this matter. Mr Dexter said that in fact, the minute did not reflect the discussions he had already had with the Minister. The Committee was told that the position was that the Department had already made arrangements with the Public Service Board for the establishment of an office at Thursday Island. Mr Dexter said that Mr King's intervention did not contribute anything. It meant that the minute had to be answered and Mr Dexter had to find the means of informing the Minister that his demands for that Office were already being met.

Qs. 273,  
317 and  
325

629. A further minute from Mr King to the Secretary to the Department dated 17 April 1973 was also produced as evidence and the last paragraph read as follows:

"The Minister wishes to be advised what arrangements have been made to locate officers of the Department at the centres mentioned, including Rockhampton, Mackay, Townsville, Palm Island, Cairns, Cooktown, Weipa and Thursday Island."

630. Mr Dexter had written on the bottom of this minute:

"This is a curious minute indeed - so curious I doubt very much whether it was written at the Minister's direction for:

- (a) The Minister knows that we are discussing the transfer of functions and staff in Western Australia, South Australia and others which would give us immediate presence in the capitals;
- (b) The Minister knows that I have approached the Public Service Board in respect of offices in Brisbane, Townsville, Cairns, Thursday Island and Rockhampton and that progress is being made;
- (c) The Minister never mentioned Mackay, Palm Island, Cooktown and Weipa - though I have mentioned Mt Isa to him."

631. Mr Dexter agreed that a minute in this form emanating from Mr King would seem to indicate that there was a lack of liaison between the Minister and Mr King on the one hand and the Minister and the Permanent Head on the other. In answer to a question from the Committee Mr Dexter said that he had believed at that time that these and other minutes from Mr King were introducing a real complication into his work and were leading to a very dangerous situation where things could get out of his control.

632. Further criticism of the Permanent Head's relationship with the Minister's adviser, Mr King, was made by Mr Bryant in

Exhibit  
162/11 and  
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and 326

Exhibit  
162/11

Exhibit  
162/25  
and  
162/26

Exhibits  
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and  
162/26

paragraph 44 of his submission where he illustrated the resentment he claims Mr Dexter showed Mr King by referring to a telegram he received from Mr Dexter on 27 March 1973 which included the following:

"I am disturbed about aspects of Bill King's apparent visit to Torres Strait Island and wish I could discuss with you on telephone.... Firstly I am disturbed that I have no official information on the visit. Secondly Bustard's deputy Hunt reports King has just used on telephone somewhat threatening language about non-availability for his personal use of Bustard's boat. Department rang me.... saying King had asked Hunt for use of Bustard's boat this week for some undisclosed purpose in accordance with agreement between King and me.... As King has never spoken to me on the matter I had no reason to interfere with tight and important schedule Bustard had set for the boat.... If conversations have been reported to me I am most disturbed at the use of my name in attempt to secure use of facilities which are in any case not under my control. Am also disturbed that visit mounted in secrecy from me."

633. In relation to the visit and incidents mentioned in the telegram, Mr Bryant stated on page 49 of his submission that he had found there was no substance whatever in the complaints mentioned in the telegram. He went on to say that he had rejected the continuing attempt from the Permanent Head to prevent him from finding the real facts of the situation in the Torres Strait. He saw it as part of the Minister's function to obtain as much information as possible about matters surrounding the Minister's responsibilities. He also stated that in his view it is just not enough to make pious utterances about the Minister's right to secure information from whatever source he chooses and then to seek in every possible way to frustrate and prevent such information being secured.

634. In paragraph 47 Mr Bryant commented further on the relationship between his personal staff and the Department where he

Exhibit  
162/25

Exhibit  
162/25

made the following observations:

"Unfortunately, Departmental officers were frequently unable to find methods or personnel to achieve the results which were readily available if they had only asked for my advice and assistance or utilised the staff which I had available. It is entirely fatuous for a Department to believe that its Minister must operate as a dependent body, only to be consulted on a subject when the Department has reached a final view on the matter. I believe that this attitude is entirely wrong, not least because of the change of Government and therefore the change of policy and philosophy. It is just not possible to interpret another man's thoughts without consultation. Continuous consultation between the Minister, his departmental heads and his own staff is the best way of securing decisions which are appropriate and efficient. However, the Permanent Head refused categorically to discuss questions of policy in the presence of my staff and plainly resented their presence."

635. Mr Dexter informed the Committee in relation to these comments on his relationship with the Minister's personal staff, that he possessed no scope to "frustrate and prevent" the Minister from securing information as had been stated in paragraph 44 of Mr Bryant's submission, even if he had wished to do so. He added that notwithstanding the statement to the contrary in paragraph 47 of the submission, he did discuss questions of policy with the Minister's personal staff, and they occasionally attended meetings in the Department. He summed up his attitude briefly by stating that he had, and can have, no objection to the Minister engaging policy advisers. However, the main point he had been making during the inquiry was that when such Ministerial advisers go beyond the role of advisers and seek to become executive officers, then departmental officers will be confronted with problems of a serious nature in relation to their statutory responsibilities.

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636. Mr Bryant in his submission referred to the circumstances surrounding the establishment of a co-operative at Darnley Island in the Torres Strait to illustrate the Department's inflexibility and slow pace in coping with problems. Mr Bryant stated that:

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"The Department had been working some 18 months or more with Darnley Island to establish a co-operative there. The enterprise had cost a great deal of money. Solicitors had been employed in Cairns. They had been up to the area on a number of occasions and although I cannot detail the exact cost, the exercise was a protracted one and its cost must have been substantial. I then asked my colleague, Senator George, because of his long experience in the co-operative movement in Queensland, and also my colleague, Senator Murphy, to make available an officer of his Department so that a co-operative could be established without further delay on Thursday Island. As a result of this intervention, a co-operative was established in less than four weeks. Contrast with this the complete inability of the Department to command the prompt utilisation of the facilities at the disposal of the Government."

637. Mr Dexter provided the following comments on Mr Bryant's statement: Committee  
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"The denigration of the Department as having 'complete inability...to command the prompt utilisation of the facilities at the disposal of the Government' does not take account of the very substantial use made by the Department and its predecessor of departments and agencies of Government over a number of years. In relation to the particular issue, namely the incorporation of the remote Darnley Island community in the Torres Strait, it should be noted that the Department has - and at that time, already had - assisted scores of communities to incorporate as co-operatives or in other forms. There are obviously problems when one is dealing with remote communities such as the Darnley Island group. It is relevant to comment that the establishment of the Torres Strait Co-operative on Thursday Island was no solution for the situation of the outer Islands to which Darnley Island belongs, and these Islands have preferred not to collaborate with it. It is also relevant to point out that the Department always seeks to

allow the particular communities seeking incorporation all the time they desire to decide the form and purpose of their incorporation.

The allegation that 'the Department had been working some 18 months or more with Darnley Island to establish a co-operative there' cannot be sustained. On 24 July 1972 the Department received a copy of the Prime Minister's acknowledgement of a letter from the Chairman of the Darnley Island Council seeking assistance in forming a company to undertake certain projects. The Department then commenced assisting the Darnley Island Council to incorporate. At the time Mr Bryant writes about, when Senator Georges undertook the formation of a co-operative in Thursday Island, only some nine months had elapsed on the Darnley Island exercise.

Equally unsustainable is the allegation that this exercise 'had cost a great deal of money' and that 'solicitors ... had been up to the area on a number of occasions'. The facts are that the Cairns solicitor visited Darnley Island only twice, and that \$1,260 was paid out. This is not 'a great deal of money' when one is dealing with very remote communities."

638. Reference was made in paragraph 49 of Mr Bryant's submission to the fact that large operations were frequently undertaken by the Department without any consultation whatsoever with the Minister. The conference with the Torres Strait Islands Councillors was mentioned as being in this category. Mr Dexter commented that he had no knowledge of large operations being frequently undertaken without any consultation with the Minister. He said that he presumed that the reference to the Torres Strait Islands Councillors' conference is to the one held in Canberra in June 1973, which has several times since then been criticised as an alleged example of Mr Dexter or the Council for Aboriginal Affairs having arranged something important without the then Minister's knowledge or authority.

Exhibit  
162/25 and  
Committee  
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639. Mr Dexter maintains that the facts in relation to the arranging of this conference are as follows:

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"that the Prime Minister, when he was Minister for Aboriginal Affairs from 5 to 19 December 1972, initiated instructions to the Council to explore the wishes of the Torres Strait Islanders concerning the border. The Council informed Mr Bryant of this pre-existing instruction when it met him on 20 December 1972, the day after he was sworn in, and discussed with him means of carrying it out. The Council discussed the matter further with Mr Bryant on 11 January 1973 and he agreed inter alia to a meeting being arranged between the Council and the Islander Chairman and Group Representatives. The Council raised the matter in subsequent discussions with Mr Bryant. On 12 April, for instance, the Council proposed that the meeting take place early in May, but Mr Bryant asked that it be deferred until after his forthcoming visit to the Islands. During that visit I put it to Mr Bryant that, given the Prime Minister's and his own busy schedules, a meeting at which they could both appear would best be held in Canberra, and he concurred in this. The Department proceeded with arrangements for 42 elected representatives to come to Canberra. In May Mr Bryant started putting up additional names of Islanders who might attend. These were submitted to the elected representatives and in most cases rejected by them, but they were nevertheless brought to Canberra, where they were excluded from the meeting by the elected representatives. It can then be seen that the Islanders' conference was by no means arranged by me "without any consultation whatsoever" with Mr Bryant; rather, after full discussion between the Council and Mr Bryant, I sought to arrange the conference in accordance with what I and the Council understood to be Mr Bryant's desires."

640. Mr Bryant referred, in paragraph 50, to the fact that the real weakness of the Department of Aboriginal Affairs, and at the heart of the matters which are now the subject of complaint against the Minister by the Permanent Head, was a complete inability of the Permanent Head to communicate with and consult with the Minister. Other comments relating to the question of the Permanent Head communicating with the Minister were contained in paragraph 52 where Mr Bryant stated that he found it impossible to accept the statement

Exhibit  
162/25  
and Q. 169

made by the Permanent Head who when asked by the Committee if he had a different policy attitude to that of the Minister replied:

"No, I would not think it means that at all. As I have said, I believe the Minister has an absolute right to decide how he wishes and on the basis of what advice he chooses to obtain. However, the question was asked whether there was a breakdown and to some extent there was in that I found it very, very difficult to place my advice before the Minister on some occasions and on some matters. Also I was not privy to a number of policies he was pursuing or decisions that he made committing funds."

641. Mr Bryant commented on this statement by Mr Dexter as follows: Exhibit 162/25

"I regret to say that this is a totally untrue distortion of the facts. I was always available to the Permanent Head. I say emphatically that it is he who failed to discuss these matters with me and moreover resisted every attempt by me to properly, effectively and informally discuss and organise these financial matters."

In paragraph 88 of his submission in relation to the turtles and crocodiles project Mr Bryant stated that it was always a simple matter in the ultimate to give advice.

642. In regard to Mr Bryant's reference to the complete inability of the Permanent Head to communicate with and consult with the Minister, Mr Dexter said he considered it relevant to point out to the Committee that although in the early months of Mr Bryant's ministry he was able to see him more or less as necessary, although there was very frequently someone else present in the room at the time - from about May 1973 onwards it became increasingly difficult for him to obtain appointments, and he was lucky if he was able to have one half-hour per week with the Minister. Mr Dexter informed the Committee that this situation was not of his choosing and it was simply not correct to say, as Mr Bryant stated in his submission, that he was always available to the Permanent Head or that it was always a simple matter in the ultimate to give him (the Minister) advice. Exhibit 162/25 and Committee File 1974/4

643. Another project that was advanced by Mr Bryant to illustrate a lack of co-operation by the Department was the proposal to acquire properties in Redfern to house Aborigines. In relation to the project Mr Bryant stated in paragraph 71 and 72 of his submission that:

Exhibit 162/25

"I examined the project carefully. After due consideration I concluded that the purchase of 41 houses involved would be a beneficial step. At this stage, the Department of Aboriginal Affairs had no officers in Sydney and in fact it was many months before anybody was placed in Sydney as a departmental officer. A member of my personal staff, Mr Dick Hall, was based in Sydney. The choice was before me of waiting until the Departmental establishment filled the requisite position or assigning the management of the project to Mr Hall. I do not suggest that the fault in the slow development of the Department is to be laid entirely at the door of the Department but the Redfern project illustrates acutely the problems of liaison and relationship which existed.

Of course, in normal circumstances, with a fully established department and long traditions, one would clearly expect that departmental officers would be able to handle a situation such as the one in hand. In the situation of the Department of Aboriginal Affairs, there was simply nobody available nor, it was clear would there be anyone available for a good period of time. It seemed to me that the project was of such an order that it should be done as directly as possible. Accordingly, I wrote a minute to the Secretary on 13 February 1973 in the following terms:

'Redfern

The Redfern group placed before me a proposal to acquire a block of some 69 or 70 houses. They are old Sydney houses which could be quite attractive with an opportunity to develop a community life of their own...I have asked the sponsors to give me full details of the properties, the number of people involved, and the ideas they have. As the families are very large, it could easily involve between 500-700 people and like Wiluna Desert Farms carry social overtones which probably cannot be measured in money. I support this project.

Mr Dick Hall, who has joined my staff and will be opening a Sydney office on my behalf, will concentrate on this for the time being."

Included in Mr Dexter's reply to the Minister's minute was the following:

"The approach you have outlined, involving direct intervention by your own staff, seems to me to risk both the ignoring of the substantial knowledge and experience of the Department in both areas and the development of programmes which will be found to be incapable of implementation subsequently. This is an aspect of your minute which I would like to discuss with you thoroughly as soon as the opportunity arises."

644. Mr Dexter informed the Committee that he did not share the judgment that there was simply nobody available in the Department to undertake investigations of the proposition in relation to Redfern. He stated that, in fact, there were officers in the Department who knew Redfern very well indeed, who had had continuing contact with it, and who could have been made available to develop the proposal. He pointed out that his views as to whether an officer or officers could be made available were never sought. He was merely told that Mr Hall of the Minister's personal staff would handle the Redfern project. In view of this decision Mr Dexter said that he went to Sydney to collaborate with Mr Hall, accompanied him on an inspection of all the proposals in Redfern and gave him every possible support.

#### Conclusions

645. It appears to the Committee from the evidence presented that there were no large areas of disagreement in theory between Mr Bryant's and Mr Dexter's interpretation of the duties and responsibilities of a Minister and a Permanent Head. Their respective views were also in general agreement with the views expressed in the background paper "The Permanent Head" mentioned earlier in this Chapter.

646. However, despite the similarity in views, in practice problems and difficulties began to arise from the outset caused to a large extent, the Committee believes, by a lack of liaison and effective

communication between the Minister and his Office on the one hand and the Permanent Head and the Department on the other. The Committee considers that the importance of establishing and maintaining an efficient means of communication between the Minister, his Office and the Department should have been obvious to all concerned. The fact that this was not done at an early stage caused many of the problems that subsequently arose.

647. The Committee agrees with various eminent writers who have stressed the importance of keeping the relationship between a Minister and his Permanent Head as flexible as possible to permit the necessary adjustments to be made to take account of the personalities concerned. In the Committee's view the spirit of co-operation was lacking from the outset in respect of the Department of Aboriginal Affairs. Although the Committee does not believe that complete incompatibility resulted in this case, certainly a degree of antipathy and antagonism was generated which prevented the development of the close and harmonious relationship so necessary to an efficient administration.

648. The Committee also recognises that the relationship between a Minister and his Permanent Head is personal and can be very delicate, but regular contact would seem to be an essential ingredient to a successful relationship, particularly where the establishment of a new department is involved. In the Committee's opinion there was insufficient personal contact between Mr Bryant and Mr Dexter during the period they served together to allow a proper airing of points of view in relation to questions of policy, the administration of the Department or even how the relationship should be developed.

649. It is difficult for the Committee to decide exactly where the fault lay in this regard because of the conflicting evidence presented. Mr Bryant claimed that he was always available to the Permanent Head while Mr Dexter stated that from about May 1923 onwards it became increasingly difficult for him to see the Minister and a period of one half-hour per week was mentioned. The Committee considers that it is essential for a Permanent Head to have direct and reasonable access to

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his Minister to enable him to carry out his responsibilities towards his Minister. Wherever the fault lay, the Committee feels that Mr Dexter should have been more persistent in his efforts to see the Minister and if he were unsuccessful, committed his lack of success to paper.

650. The Committee believes that the minute dated 12 January 1973 from the then Minister's adviser addressed to the Permanent Head relating to the organisation of the Department and the reply to that minute, demonstrate that a proper relationship between the Minister, his Office and the Permanent Head was not established from the Department's inception. The Committee considers that it would have been preferable for the minute to have been signed by the Minister. It may also have helped to achieve a better understanding of the respective roles of the Minister and the Permanent Head regarding the Department's organisation if Mr Dexter had discussed the whole question with the Minister at that time.

651. At no time during the inquiry did Mr Dexter suggest that he was not primarily responsible for the financial administration of the Department. Indeed it was this very responsibility that caused him to take issue with the Minister and his Office in those cases where he considered information was not channeled back to the Department to enable him and other departmental officers to meet their statutory requirements under the Audit Act, the Treasury Regulations and Treasury Directions.

652. In relation to this financial responsibility, the Committee shares the view expressed by the Auditor-General that from the outset the Department failed to organise itself so as to control the expenditure of large amounts of public money in a satisfactory manner. As it is the duty of the Permanent Head to organise, supervise and control the day-to-day financial administration of his Department, he must assume the responsibility for this failure. However, to place this matter in its proper perspective it is appropriate to mention the extreme

pressures the Department was under early in its development to achieve substantial progress towards implementing the policies of the new Government relating to the advancement of Aborigines. There were also the special problems created by the decision to have matters relating to aboriginal affairs moved from the former Office of Aboriginal Affairs to the new Department. In addition, the Department was, at this stage, also trying to recruit staff in competition with many other departments. Nevertheless, the Committee feels that stronger representations should have been made by Mr Dexter both to the Public Service Board and to the Minister to highlight the difficulties he was experiencing in coping with the functions of the Department because of the lack of experienced staff.

653. It appears to the Committee that there were signs, at a very early stage in the Department's development, that problems would almost certainly occur in relation to financial matters. In the Committee's opinion Mr Dexter attempted to point out to the Minister some of the difficulties he was experiencing and sought his help. There is evidence to suggest that on the Minister or his Office

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was causing the Department and the extent to which the Department's meagre financial staff resources were being stretched. Here again, the Committee believes that there was insufficient communication between the Minister and his Permanent Head to allow their respective points of view to be discussed. Had there been more frequent contact allowing for a frank exchange of views, the Minister may have been persuaded to adopt a more sympathetic and realistic attitude towards the problems associated with the Department's establishment and allowed a more gradual implementation of Government policies to keep pace with the development of the Department's staff resources.

655. It is also the Committee's view that the Minister's preferred method of working, which in many instances had the effect of depriving the Department of essential information became a critical issue which led to a deterioration in the relationship between the Minister and the Permanent Head. Though each instance may have been small enough in itself, collectively a considerable additional administrative effort was necessary to correct matters so that the prescribed financial procedures could be followed. The Committee agrees with a departmental witness who stated that it is much more difficult to retrieve a situation than to follow the correct procedure in the first place.

656. The Committee also believes that some criticism for the failure of important financial information to reach the appropriate officers in the Department should be directed towards the departmental officers who were present when decisions were made by the Minister or his consultants that involved financial commitments. These officers should have been aware of their responsibility to keep the Department informed on these matters, especially as the information was not always being made available through the Minister's Office. These omissions by those officers point to a lack of instruction by senior departmental management and reflects upon the administration of the Permanent Head.

657. A further observation the Committee wishes to make is that the Minister by his chosen method of operation virtually sealed himself off from much of the expertise that was available in the Department. It is the Committee's view that although it is desirable that the Minister should seek advice from as wide a field as possible, the advice obtained from sources such as Ministerial advisers and consultants should supplement, and not replace, advice that is available from the Permanent Head and officers of his Department.

658. In this context the Committee considers that the Minister and his Office should have made greater use of the expertise available within the Department to evaluate policy proposals before they were implemented. This would also have provided an opportunity for the Department to point out any financial pitfalls inherent in the proposals and to record a financial commitment and make provision for the necessary funds. The evidence shows that there were a number of instances where a great deal of abortive administrative effort would have been avoided had proposals been forwarded to the Department for appraisal before Ministerial approval was given or executive action taken by the Minister's personal staff or consultants.

659. It appears to the Committee from Mr Bryant's submission that he was unduly sensitive to any suggestion that the Department should play a major role in formulating policy. This is borne out by his comments in paragraph 54 of his submission, where the creation of a Policy Division in the Department was used to illustrate his contention that the Permanent Head was assuming the Minister's role as policy maker. The Committee considers that a department has a very important part to play in the formulation of policy both in examining existing policies to assess whether they should continue or be modified and advise the Minister accordingly and also in advising the Minister on the formulation of future policy. Most departments have a policy group whose task it is to examine existing policy and future policy options and provide expert advice to the Minister through their Permanent Head or other senior officers. Nevertheless, the Committee believes that in accordance with the Westminster System, the ultimate responsibility for policy rests with the Minister.

660. It is the view of the Committee that Mr Dexter had cause to be concerned about the intrusion of the Minister's private staff into matters relating to the organisation, staff and establishment of the Department, matters which are clearly the responsibility of the Permanent Head under sections 25(2) and 29 of the Public Service Act. Nevertheless, the Committee considers that in those cases where Mr Dexter had reason to believe that the Minister's private staff were issuing instructions to him which were not conveyed by the direction of the Minister, he should have lodged a formal complaint with Mr Bryant. The Committee has received no evidence that he took this step.

661. It seems clear to the Committee that once the functions and activities of a Department are decided by the Government it is the statutory responsibility of the Permanent Head in conjunction with the Public Service Board to provide an organisation and staff to carry out those functions and activities efficiently. This statutory responsibility should, in the Committee's opinion, have been recognised and acknowledged by the Minister at an early stage and points of difference between the Minister and the Permanent Head regarding the organisation necessary to carry out the functions of the Department settled by negotiation and discussion. The Committee would expect that the Minister would be kept fully informed of the major organisational proposals, especially in the early stages of the Department's development, and that any expressed wish of the Minister in relation to the organisation of the Department would be given full consideration when organisational proposals were being formulated.

662. The Committee acknowledges the point made by Mr Bryant that the relative significance of the amounts and issues involved in those matters where the Minister was personally involved should be carefully weighed against the remainder of the items criticised by the Auditor-General. The Committee has given careful consideration to this aspect and has concluded that the matters in which the Minister was personally involved assumed an importance greater than they should because of the strained relationship between the Minister and the Permanent Head.

## CHAPTER 15

### CONCLUSIONS

663. The Committee considers it relevant to point out that this inquiry presented a number of problems that could be said to be exceptional and even unique. It was the first time, the Committee believes; that the relationship between a Minister and his Permanent Head had been aired in public before a Committee of the Parliament. It was also the first time that a Minister of State had appeared before the Public Accounts Committee. In addition there were occasions during the inquiry where conflicting evidence was given by witnesses on particular events that occurred in relation to the financial administration of the Department. This made it extremely difficult for the Committee to determine what had actually happened and, where this would have been considered appropriate, to apportion blame.

664. The evidence shows that from its establishment in 1968 the Office of Aboriginal Affairs experienced great difficulty with its parent departments in making satisfactory arrangements for dealing with its staffing and financial affairs.

665. Although the Department inherited these difficulties when it assumed responsibility for its own financial affairs on 1 July 1973, the Committee believes that the Department showed a lack of foresight at that time in its negotiations with the Public Service Board for the provision of adequate staff for its finance and internal audit functions.

666. Accordingly, the Committee shares the view expressed by the Auditor-General that from the outset the Department failed to organise itself so as to control the expenditure of large amounts of public money in a satisfactory manner. As it is the duty of the Permanent Head to organise, supervise and control the day-to-day financial administration of his Department, he must assume the responsibility for this failure.

667. It is apparent that the financial difficulties of the Department began with the decision of the Public Service Board that the Department would initially conduct its financial affairs through the Management Services Branch of the Department of the Environment and Conservation and the Australian Government Publishing Service of the Department of the Media. In the Committee's opinion the Department of Aboriginal Affairs should have been given an adequate finance branch from its inception.

668. The Committee acknowledges that the Department faced tremendous difficulties early in its development when it had to work under extreme pressure with insufficient experienced staff to carry out the allotted functions of the Department efficiently. Nevertheless, it is the Committee's belief that had the Permanent Head taken more positive steps from the outset to secure a suitable establishment, the staff resources of the Department may have expanded at a rate more closely related to the work-load imposed by the functions allotted to it.

669. The Committee has no doubt that the former Minister, Mr Bryant acted with compassion in regard to the poverty and suffering which he witnessed among the Aboriginal people and that he believed that the "Public Service System" was unable to respond quickly enough to such needs.

670. Notwithstanding the above comments, the Committee considers that Mr Bryant should have adopted a more sympathetic and realistic attitude towards the problems associated with the Department's establishment and allowed a more gradual implementation of Government policies in keeping with the development of the Department's staff resources.

671. The Committee is concerned that the operations of projects such as the turtle and crocodile farms were conducted so as to remove them from the scrutiny of the Auditor-General's Office. The Committee is strongly of the view that all Government-owned companies should be subject to the scrutiny of the Auditor-General. The Committee is also of the opinion that consideration should be given by the appropriate authority to the question of a possible conflict of interest developing for officers of departments who are appointed directors of such companies.

672. With regard to the relationship between Mr Bryant and Mr Dexter, the evidence shows that the problems and difficulties which began to arise from the outset were caused by a lack of liaison and effective communication between the Minister and his Office on the one hand and the Permanent Head and the Department on the other. The Committee considers that the importance of establishing and maintaining an efficient means of communication between the Minister, his personal staff and the Department should have been obvious to all concerned. The fact that this was not established at an early stage caused many of the problems that subsequently arose. The Committee also believes that there was insufficient personal contact from the outset between the Minister and the Permanent Head which would have allowed a proper airing of points of view in relation to questions of policy, the administration of the Department or even how the relationship should be developed.

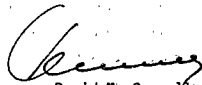
673. It is also the Committee's view that from the inception of the Department, although there were faults on both sides, the Minister's style of administration, which in some instances had the effect of depriving departmental officers of essential information, became an important factor contributing to the deterioration in the relationship between the Minister and the Permanent Head.

674. The Committee also considers that some criticism for the failure of important information to reach the appropriate officers in the Department should be directed towards the departmental officers who were present when decisions were made by the Minister or his consultants that involved financial commitments. That these officers seemed to be unaware of their responsibility to keep the Department informed on such matters points to a lack of instruction by departmental management and reflects upon the administration of the Permanent Head.

675. It is the Committee's view that the Minister and his Office should have made greater use of the expertise available within the Department to evaluate policy proposals before they were implemented. This would have provided the opportunity for the Department to point out any pitfalls inherent in the proposals and to record the financial commitment and make provision for the necessary funds.

676. In making the comments and criticisms that appear in this Report, the Committee has given due weight to the problems and difficulties faced by the Department, particularly in the early period of its development. Nevertheless, the Committee is not convinced that the Department's problems, unique as some of them may have been, could not have been overcome by a greater degree of co-operation between the Minister and his Permanent Head and handled expeditiously within the existing financial framework provided by the Audit Act, the Treasury Regulations and the Treasury Directions.

677. For and on behalf of the Committee,



David M. Connolly  
Chairman



P. Devine  
Secretary  
Joint Committee of Public Accounts  
Parliament House,  
CANBERRA  
14 January 1977

A P P E N D I X E S

LIST OF EXHIBITS

<u>Exhibit No.</u>	<u>Title</u>
1	Department of Aboriginal Affairs Submission No. 1
2	Memorandum of 4 July 1973 from Mr J. McGuinness to the Hon. G.M. Bryant
3	Memorandum of 27 August 1973 from Minister's Office to Department of Supply
4	Correspondence relating to purchase of tarpaulins for Aboriginal Community at Warburton, W.A.
5	Correspondence relating to purchase of blankets
6	Correspondence relating to payment of fares for travel by Mrs Ruth Wallace
7	Approval for payment of funds signed by the Hon. G.M. Bryant
8	Department of Aboriginal Affairs - Submission No. 2
9	Sales advice for the purchase of blankets from Department of Supply
10	Memorandum of 14 May 1973 from Minister's Office to Secretary, Department of Aboriginal Affairs
11	Memorandum of 17 April 1973 from Minister's Office to Secretary, Department of Aboriginal Affairs
12	Documentation and Control of Applications for funds from Aboriginal Organizations

<u>Exhibit No.</u>	<u>Title</u>
13	Memorandum of 13 April 1973 from members of the Aboriginal community residing on "Kildurk" Station to Secretary, Department of Aboriginal Affairs
14	Extract of valuation of "Kildurk" Station
15	Draft term of reference manual relating to the provision of Legal Aid Service for Aboriginale
16	N.A.C.C. elections - memorandum of 12 August 1974
17	Aboriginal News - February 1974
18	Allowance Claim Forms for delegates attending N.A.C.C. Conference
19	Memorandum of 12 June 1973 from Mr C.N. Perkins to the Hon.G.M. Bryant
20	Circular Memorandum No. AA27 of 13/8/74 - Stores Procedures on Communities
21	Northern Territory Aboriginal Housing Association Scheme
22	Circular Memorandum No. 103 of 1972/73 - Aboriginal Housing Associations
23	Australian National University Submission
24	Financial Authorisations, A.N.U.
25	Submission by the Honourable Gordon Munro Bryant, Former Minister for Aboriginal Affairs - Part I - Submission

<u>Exhibit No.</u>	<u>Title</u>
26	Submission by the Honourable Gordon Munro Bryant, Former Minister for Aboriginal Affairs - Part II - Attachments
27	Submission by the Public Service Board
28	Submission by Applied Ecology Pty Ltd
29	Submission by Captain S.J. Benson
30	Memorandum of 3 May 1973 from Captain S.J. Benson to the Hon. G.M. Bryant
31	Memorandum of 29 May 1973 from the Prime Minister to the Acting Premier of Queensland
32	Memorandum of 25 May 1973 from Captain S.J. Benson to the Hon. G.M. Bryant
33	Memorandum of 5 June 1973 from Mr E.J. Badger to Captain S.J. Benson
34	Memorandum of 5 July 1974 from Captain S.J. Benson to the Hon. G.M. Bryant
35	Memorandum of 9 August 1973 from Captain S.J. Benson to the Hon. G.M. Bryant
36	Memorandum of 2 August 1973 from Secretary, Department of Aboriginal Affairs to Captain S.J. Benson
37	Memorandum of 5 September 1973 from District Contract Board, Brisbane to Walkers Ltd
38	Memorandum of 21 November 1973 from Captain S.J. Benson to Secretary, Department of Aboriginal Affairs

Exhibit No.Title

39	Telex of 13 September 1973 from Secretary, Department of Aboriginal Affairs to Mr Moy
40	Comments by Milner and Melbye relating to trawler refit
41	Telex of 11 September 1973 from Mr McHenry to Mr Malone
42	Newspaper cutting re trawler re-fit
43	Newspaper cutting re Department of Aboriginal Affairs takeover of coastal barge operations
44	Comments by Mr L.A.J. Malone on Submission and evidence by Captain S.J. Benson
45	Comments by Mr T. Millikins on Submission and evidence by Captain S.J. Benson
46	Submission by Department of Transport
47	Extracts and comments on Navigation Act 1912-1973
48	Telex (undated) from Minister's Office, copied to Captain S.J. Benson
49	Telex of 9 July 1973 from Minister's Office to Mr T. Millikins

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**REPORT OF THE AUDITOR-GENERAL  
THE DEPARTMENT OF ABORIGINAL AFFAIRS**

MARCH 1974

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**REPORT OF THE AUDITOR-GENERAL**

UNDER

**THE AUDIT ACT 1901-1973**

**THE DEPARTMENT OF ABORIGINAL AFFAIRS.**

MARCH 1974.

**GENERAL SUMMARY.**

Section 51 (2.) of the *Audit Act 1901-1973* provides that the Auditor-General may prepare and sign a report supplementary to the Report made under section 51 (1).

Certain matters arising from the audit of accounts of the Department of Aboriginal Affairs were mentioned at paragraph 3 of my Supplementary Report dated 27 November 1973. Since preparation of that Report further audit examinations have been made and consideration has been given to replies to Audit observations received from the Department and The Australian National University. This Report deals with the principal matters which have been under audit query.

The Office of Aboriginal Affairs was established in 1967 and was financed from appropriations of the Prime Minister's Department. The function of the Office was, under the Minister-in-Charge of Aboriginal Affairs, to act as the Government's agency for co-ordinating policy issues affecting Aborigines and to attend to administrative matters for the Minister-in-Charge. The Aboriginal Advancement Trust Account was established by the Treasurer in October 1968 under section 62A of the Audit Act for the purposes of meeting expenditure on and in connection with programmes for the welfare and advancement of people of the Aboriginal race (particularly in fields of housing, education and health) that are approved by the Minister responsible for Aboriginal Affairs and the Treasurer. In December 1968, the Commonwealth Capital Fund for Aboriginal Enterprises was established under the *Aboriginal Enterprises (Assistance) Act 1968*.

In March 1971, the functions relating to Aboriginal Affairs were transferred to the newly created Department of the Vice-President of the Executive Council. In May 1971, the name of that Department was changed to the Department of the Environment, Aborigines and the Arts.

In December 1972, the Department of the Environment, Aborigines and the Arts was abolished and the Department of Aboriginal Affairs was created to deal with enactments administered by the Minister for Aboriginal Affairs and other matters set out in the Administrative Arrangements Order of 19 December 1972. As a consequence, the Office of Aboriginal Affairs was raised to the status of a separate Department of State.

The Reports of the Auditor-General for the years 1967-68 to 1972-73 referred to financial transactions relating to expenditure on Aboriginal advancement. As the audit during 1973 of transactions of the Department disclosed deficiencies in the financial control over expenditure of moneys appropriated by the Parliament, audit investigation was made more intensive. As indicated in paragraph 3 of my Supplementary Report dated 27 November 1973, audit examinations had revealed apparent departures from the requirements of the Audit Act and Treasury Regulations and other defects which led to representations to the Department. Comments were also sought from The Australian National University in respect of unsatisfactory aspects of the financial administration of the turtle and crocodile projects.

Although replies to a number of particular aspects raised with the Department have not yet been received, I have concluded that it is desirable to transmit to the Parliament a Report covering the results of the investigation up to the present.

The Audit findings are covered in the body of the Report in some detail together with my comments where this has been thought appropriate. The Report includes references to a number of transactions which of themselves might not be considered sufficiently important to bring under notice. They have, however, been reported on this occasion mainly because they illustrate the types and extent of irregularities disclosed by the audit examination which, for obvious practical reasons, could not be extended to a complete and detailed check of all expenditures of the Department.

It seems to me that it would be helpful if I express at the outset my general conclusions on the situation as it is known to me. To the present I have no positive evidence of misappropriation of public moneys but there is ample evidence of unorthodox and irregular practices resulting, in many cases, in the non-observance of the requirements of the Audit Act, Treasury Regulations and Directions. In some instances, insufficient regard was given either to Treasury Regulation 93 (1.) which requires the exercise of due economy or to the application of normal financial prudence.

In the turtle and crocodile projects, there was an absence of proper liaison between the Department and The Australian National University in the control of the financial administration of the projects. The Department considers that this function was the responsibility of the University; on the other hand, the University has commented that the projects were not University projects and, as such, normal University procedures were not always applied. In my opinion, the Department was remiss in its overall supervision of the financial administration of the projects; the University, however, had the prime responsibility for the day to day control of the expenditure up to June 1973 when the projects were transferred to Applied Ecology Pty Limited.

As a direct consequence of the failure to define precisely the respective responsibilities of the Department and the University for expenditures on the turtle and crocodile projects a number of most unsatisfactory features was disclosed, during the audit examination, in the financial control of the outgoings on the projects. I have been informed that the Department has allocated an officer, assisted by an officer from the Treasury, to make a detailed retrospective examination, with the co-operation of the University, of all expenditures on the projects. The Department will advise me of the results of this examination when it is completed.

Non-compliance with accepted procedures was also evident in the control by the Department over expenditure on the establishment and election of the National Aboriginal Consultative Committee; temporary cash advances to officers; travel; and certain other expenditures from the Aboriginal Advancement Trust Account.

In correspondence, the Secretary to the Department has agreed generally with the Audit findings. In certain cases the Department has sought to excuse its non-compliance with established procedures on the grounds that it became aware of ministerial decisions involving expenditures only when the accounts for the expenditures concerned were received within the Department or too late for it to follow the approved financial procedures.

Whilst appreciating the difficulties confronting the Department in circumstances such as these, I must observe that the requirements of the Audit Act and associated legislation have been developed over a long period of years to ensure that proper safeguards are maintained, and seen to be maintained, in the expenditure of public moneys. These safeguards make adequate provision for circumstances where prompt implementation of a decision is considered essential and they should not therefore be put to one side on the grounds of urgency.

Broadly speaking, a Department of State comprises the Minister and the officers of his department. Consequently, unless there is proper liaison and co-operation between the elements of a department, situations may occur where commitments are made and expenditures incurred without full account being taken of all the considerations involved and without bringing into play the statutory machinery designed to protect the public purse. A direct consequence may be the incurring of unnecessary expenditure or the acquisition of an asset which can be used neither economically nor efficiently.

The inescapable conclusion is that from the outset the Department failed to organise itself so as to control the expenditure of large amounts of public moneys according to the tenets traditionally applicable. It is also apparent that the Department, while admittedly burdened with new initiatives which occupied the attention and energies of what it claims to be its inadequate, and in many cases, inexperienced staff, failed to take early and resolute action to ensure that proper financial controls were instituted throughout its organisation.

I have been informed the Department has recently obtained on loan the services of officers of the Treasury to assist in the establishment of proper accounting procedures and to provide advice on practical financial problems. I am also informed that officers of the Public Service Board are examining administrative procedures and the departmental organisation with a view to providing a suitable establishment for dealing with the responsibilities of the Department.

The Department has given assurances that remedial action is in train; the unsatisfactory matters will, I trust, be remedied as a result. I intend that my officers will re-examine each area in the Department which relates to my responsibilities as soon as it is appropriate to do so in order to evaluate the efficacy of remedial measures adopted.

Section 54 of the Audit Act provides that the Auditor-General may recommend any plans and suggestions for the better collection and payment of the public moneys and any improvement in the mode of keeping the public accounts.

It appears to me that the Department of Aboriginal Affairs has been somewhat less than rigorous in its control of expenditure of public moneys, in part because

It has had access to the Aboriginal Advancement Trust Account which has received progressively increased appropriations from the Parliament. The Trust Account was established in 1968-69 with an appropriation of \$10 million but for the current year the amount is over \$70 million. These funds have been provided each year by a 'one-line' appropriation.

It is true that the Department (and its predecessors) has been required to submit early in each financial year programmes of expenditure from this Trust Account for the approval of the Minister and the Treasurer and, at least in recent years, the Parliament has been informed of these programmes. Provided appropriate ministerial approvals were obtained, the Department has been in a position to recommend the switch of expenditure from one programme to another—a flexibility which was no doubt considered to be desirable if not essential when the Department in the earlier years was in large part feeling its way as to the areas in which financial assistance towards the welfare and advancement of Aborigines could be given most effectively. Now that the Department is more firmly established, the policies for which it is responsible should be better settled and consequently this need for flexibility would seem to be less compelling.

It is a matter for consideration whether, under the present framework for financing Aboriginal advancement, the existing procedures for approval of programmes and the provision of funds through the Trust Account should not be varied by subjecting the programmes of expenditure of the Department to the scrutiny and the more direct control of the Parliament at the time the appropriation is under debate in the Parliament.

This could be achieved by appropriating all moneys for expenditure by the Department in the same way as for many other departments, that is, by Division and Item. The various proposed programmes (other than grants to the States which are the subject of specific legislation) could be appropriated in this manner rather than through a 'one-line' appropriation to the Aboriginal Advancement Trust Account. Appropriations made in this way would of course lapse to the extent they were unexpended at the end of each financial year. Flexibility would not be inhibited as any new programmes approved in the course of a financial year could be financed, as is now the case with most other departments, by recourse to additional estimates or, if need be, to the 'Advance to the Treasurer'.

If this course were followed, expenditure under each programme in a financial year would be limited to the amount of the appropriation under each Division and Item. This, it is suggested, could assist in ensuring that expenditures by the Department were more effectively controlled by the Parliament.

## THE ABORIGINAL ADVANCEMENT TRUST ACCOUNT

### BACKGROUND

The Aboriginal Advancement Trust Account was established under section 62A of the Audit Act for the purposes of meeting expenditure on and in connection with programmes for the welfare and advancement of people of the Aboriginal race (particularly in fields of housing, education and health) that are approved by the Minister responsible for Aboriginal Affairs and the Treasurer.

Receipts and expenditure of the Trust Account for the years 1968-69 to 1973-74 (to 31 January 1974) were:

	RECEIPTS		EXPENDITURE	
	Amounts provided from Annual Appropriations		Grants to the States (Aboriginal Advancement Acts)	Other
	\$'000		\$'000	\$'000
1968-69 .. ..	10,000		3,650	*5,009
1969-70 .. ..	7,160		5,760	*1,812
1970-71 .. ..	10,400		7,000	4,209
1971-72 .. ..	14,830		9,200	4,766
1972-73 .. ..	32,410		22,000	7,944
1973-74 (Estimated full year) .. ..	(70,050)		(32,250)	(41,250)
1973-74 (To 31 January 1974) .. ..	40,540		22,323	11,525

\* Includes \$4,650,000 (1968-69) and \$89,126 (1969-70) paid to the Commonwealth Capital Fund for Aboriginal Enterprises.

Arrangements have been made for the States to provide the Department with statements, certified by State Auditors-General, of expenditure from the grants to the States.

### CONTROL OVER GRANTS

From the inception of the Trust Account in October 1968 a large number of grants has been made. It is the Department's responsibility to investigate fully all requests for grants to ensure they fall within approved purposes and the applicants have the capacity to control properly the expenditure of the moneys. After a grant has been approved and paid the Department has the responsibility of satisfying itself that the moneys have in fact been applied for the approved purposes. The normal means by which this is done is to require the grantee to furnish financial statements, usually audited; these financial statements are subject to examination by the Department.

In its audit of the transactions of the Trust Account my Office undertakes test checks to ascertain whether the Department has fulfilled these responsibilities. Audit representations to the Department following examination of a selection of grants, other than grants to the States, made from the Trust Account were:

- (a) Grants for substantial amounts had been paid to various Aboriginal organisations although it appeared that the amounts were either paid prematurely or were materially in excess of the requirements of the organisations at the time the payments were made. Reference is made in Appendix A to instances referred to the Department for comment.

The Department advised that the Audit criticism might be valid for the period prior to 1 July 1973. It stated that the former Office of Aboriginal Affairs had great difficulty over the years in obtaining valid information on finance matters from its parent Department and this resulted in a tendency to prefer the payment of the full grant when approved. This approach was stated by the Department to have been progressively amended from 9 January 1973 and, in particular, from 1 July 1973 when, for the first time, it obtained control over its own accounts. Grants are currently paid on the basis of actual need for funds.

In a further memorandum dated 31 January 1974 to the Department, Audit expressed the view that any difficulty experienced in obtaining valid information on finance matters from the parent Department should have been mutually resolved; and any such difficulty would not justify the payment of moneys before they were actually required by the recipient. Audit also provided further examples of payments for substantial amounts which apparently had been made prematurely since October 1973 to a number of Aboriginal housing associations in the Northern Territory.

The Department recently reiterated that grants to organisations are now being made only as they are required. The Department was seeking advice from its Northern Territory Division in relation to the payments to the housing associations.

- (b) Although the approved purposes of the Trust Account provide for the meeting of expenditure on and in connection with programmes that are approved by the Minister and the Treasurer, instances were noted where expenditure had been incurred without the prior approval of the Treasurer. Three examples were referred to the Department for comment where amounts totalling \$421,000 had been expended in August 1973 from the Account prior to receipt of the Treasurer's approval, dated 16 October 1973, to the programme submitted by the Minister in September 1973.

In reply, the Department advised that Treasury officers had in previous years indicated that in the initial stages of a new financial year, particularly before the level of funds to be provided from the Budget for the Aboriginal Advancement Trust Account is known, the Office of Aboriginal Affairs and the Department could continue to make payments within the headings and at the same rate as for the previous financial year. The Department stated that the 3 examples quoted by Audit were in this category. To clarify the matter the Treasury had been approached to agree formally to the procedure which has operated over the past 6 years and to ratify the previous years' operations.

In response to Audit enquiries the Treasury advised that the amounts included each year in the Supply Bill for payment to the Aboriginal Advancement Trust Account were determined with a view to ensuring that the amounts available for expenditure from the Trust Account during the Supply period were the minimum required to enable continuity in the Government's Aboriginal advancement programme. The inclusion of amounts in the Supply Bills had been on the understanding that expenditure would be confined to types of programmes previously endorsed by the Treasurer, at least until the Treasurer's concurrence in an annual expenditure programme had been obtained. The Treasurer indicated it had taken the view that as many Aboriginal advancement programmes are of a continuing nature and as the Treasurer's approval of such programmes was given on that basis, the approval provided appropriate authority for continuation of the programme in the 'interim' period of the new financial year and for the expenditure of funds on the programme at a rate not exceeding the rate of expenditure of the previous year.

To put the matter beyond doubt, the Treasury proposed to recommend to the Treasurer that the Minister be asked to seek his approval, in advance, to an interim programme of expenditure from the funds available for expenditure from the Trust Account during the Supply period, that is, funds appropriated for payment to the Trust Account in the Supply Act and unexpended balances in the Trust Account carried forward from the previous financial year. The Treasurer's approval to this interim programme of expenditure would provide authority for expenditure from the Trust Account in the early part of the financial year, pending approval by the Treasurer of the Minister's firm expenditure programme for the year.

- (c) Following an Audit review of grants from the Aboriginal Advancement Trust Account, a memorandum dated 13 August 1973 was addressed to the Department on its apparent failure to take adequate action to ensure the submission of audited financial statements covering expenditure from grants previously made. Various steps were suggested to rectify the deficiencies, including the issue of written instructions covering the application for, registration, processing, payment and follow-up of grants. Reference was also made to the need for consideration to be given to the Government retaining some form of control over equipment should it cease to be used for the purpose for which the grant was made.

In memoranda dated 7 November 1973 and 31 January 1974, Audit expressed the view that adequate remedial action had not been taken on these matters. The latter memorandum also referred to further deficiencies noted during the later audit examination. These included:

- (i) Further grants had been made to organisations although they had not complied with obligations arising out of earlier grants.
- (ii) Requests for submission of financial statements were often not specific on the nature of the statements to be submitted or on the time of their submission; follow-up of their submission was inadequate.

- (iii) Some financial statements submitted contained insufficient information.
- (iv) There were inadequacies or delays in departmental examination of financial statements submitted by organisations.
- (v) Action taken by the Department to ensure that satisfactory accounting and financial and administrative controls were operating within organisations receiving (or to receive) grants was inadequate or unduly delayed.

The Department advised my Office on 31 January 1974 that an officer had been seconded to the specific task of following up grants. To date all grants made in 1972-73 and certain earlier grants had been listed for follow-up action; organisations had been written to seeking audited financial statements. The Department said it would be impracticable and unrealistic at this stage to undertake 'the mammoth task' of searching through records of previous years' grants; as time and staff permit, appropriate action will be taken. Where necessary, approaches will be made to the Treasury for a dispensation from complying with the requirements of the relevant Treasury Direction.

The Department also advised that it had prepared procedures relating to the processing of submissions; an application form for grants; a combined register of applications received and decisions made; and a register of grants made, follow-up action and related data. The Department indicated that adoption of the abovementioned changes should be fully operational in the near future. A Grants Review Committee had been established within the Department to assess proposals for grants from the standpoint of policy, welfare, funds availability, etc.; and to make an independent recommendation.

- (d) Kildurk cattle station in the Northern Territory was purchased for \$829,000 with funds provided in April 1973 by way of grant from the Aboriginal Advancement Trust Account. It was intended to transfer the ownership of the property at a later date to an Aboriginal community. At the date of the purchase and at the date of recent Audit enquiries agreement had not been reached with the Aboriginal community on the proportion of the purchase price which was to be treated as a loan from the Commonwealth Capital Fund for Aboriginal Enterprises repayable by the community. Further details of this purchase are included in Appendix A.

The Department replied 'We believe that it is unrealistic to expect unsophisticated communities to execute formal documentation instantly, or even to comprehend fully the magnitude or type of the funds being provided; and this is a problem we have encountered in relation to the purchase of other properties.'

In regard to the proportion of the purchase price to be treated as a loan the Department advised it had endeavoured, with the Minister's endorsement, to retain some flexibility in regard to the division of the grant between a repayable loan and a grant. The main reason it did not propose a firm loan component of \$233,755 as recommended by consultants retained by the Department was that the Department believed the property was of such quality that the loan component could be increased thereby reducing the amount of the grant component. The

Department stated that events were bearing out its judgment in this matter and that in all cases, such purchases had been supported by the Capital Fund Advisory Committee and the community advised orally of the estimated loan/grant component.

#### Comment

Serious deficiencies existed in the Department's administrative and financial control over substantial expenditure from the Trust Account. The Department has assured my Office that it is no longer making payments of grants before the moneys are required. Advice has also been received of action taken or proposed to improve the departmental control over the expenditure by organisations, etc., of grants received from the Trust Account. It is a matter for concern, however, that the Department considers it impracticable and unrealistic at this stage to undertake the task of confirming that all grants made in previous years have been expended for the purpose for which they were approved. If the control over grants is to be effective it should be maintained on a current-basis.

#### TURTLE AND CROCODILE PROJECTS

The original concept, the organisation and progress of the turtle and crocodile farming projects were outlined in a submission to the Standing Committee on Environment and Conservation of the House of Representatives which is included in the official Hansard report of evidence taken before that Committee on 21 August 1973. The Committee took further evidence in September 1973 and presented a report on the turtle farming project to the House of Representatives on 22 November 1973. Two other reports on the turtle farming project were furnished to the Special Minister of State on 29 October and 1 November 1973 by private consultants; one report was on ecological implications and the other on organisation, management and market prospects. Both reports were tabled in the Parliament on 5 December 1973.

In these circumstances, comments in this Report are confined to those aspects of the turtle and crocodile projects that have been the subject of Audit query.

On 8 October 1970 the then Office of Aboriginal Affairs advised The Australian National University that an application for a grant had been approved for the turtle and crocodile projects, research projects under the direction and control of Dr H. R. Bustard. A cheque for the full amount of the approved grant of \$27,750 was forwarded to the University. The Office also advised the University that the funds were provided specifically for the two projects and, of course, should be used only for expenditure incurred by Dr Bustard in relation to these studies, the terms of which have been agreed between ourselves and him; also that 'I understand that the University Accountant will administer the funds in accordance with your normal practice'.

The University, in acknowledging on 19 October 1970 the receipt of the amount of \$27,750 stated 'I should be grateful if you would let me have a statement of the terms of the grant so that it can be administered in accordance with our normal procedures'.

The Office of Aboriginal Affairs, in a reply dated 19 November 1970 stated:

'... we are not particularly concerned that Dr Bustard should keep rigidly to the limits of expenditure on the individual projects which he has indicated in his document of September 1970 headed "Application

for a research grant from the Office of Aboriginal Affairs". It may be that as the two projects continue, he will find it necessary to spend more on one project and less on another.

"An arrangement whereby accounts are paid on his authorisation or are advanced to him for spending would be quite satisfactory from our point of view. We would expect to have from Dr Bustard about the middle of next year a statement of the progress of these two studies and an accounting for the expenditure of our grant up to that date."

Although the Office of Aboriginal Affairs arranged for the University to continue to administer the expenditure of grant funds subsequent to the expiry in August 1971 of Dr Bustard's appointment as a Research Fellow with the University, no evidence has been sighted by Audit of further written instructions to the University varying the general requirements set out in the letter of 19 November 1970.

From August 1971 until June 1973 when the University's association with the projects ceased, the University continued to receive grants from the Department (or its predecessors) and, on Dr Bustard's authority, made payments therefrom and employed staff. Grants to the University during the period October 1970 to June 1973 for purposes of the projects totalled \$374,730.

In June 1973, control over the projects and of expenditure thereon from grants provided by the Department was transferred to Applied Ecology Pty Limited, a company wholly owned by the Government. The company's accounts are audited by a firm of public accountants.

Unaudited statements of income and expenditure relating to the 2 projects were submitted from time to time to the Department by the University during the period October 1970 to June 1973. The statements disclosed amounts received from the Department by way of grants and expenditure therefrom under various headings.

As a result of Audit representations the Department, by letter dated 3 April 1973 to the Applied Ecology Unit of the University, raised with it questions on accounting guidelines; the absence of certification of the financial statements by an auditor; purchase and recording of capital items; comparatively high expenditure shown in the statements under the item 'freight and miscellaneous'; authority for overseas visits; and entertainment expenses. The Head of the Applied Ecology Unit (Dr Bustard) in replying to this correspondence gave firm assurances that proper controls were being exercised over expenditure from the grants.

On 7 November 1973 Audit informed the Department that the accounts and records of the University were under audit examination in relation to the projects. It was suggested that it would have been appropriate for the departmental instructions to the University to have been specific on such matters as:

- (a) the University's own responsibilities in relation to the authorisation of expenditure;
- (b) instructions on the nature and extent of expenditure on capital and non-capital items which could be incurred without express departmental approval;
- (c) the detail to be included in budgets submitted;
- (d) the nature and extent of detailed information to be included in financial statements to be submitted by the University; and
- (e) the respective responsibilities of the University and the Department in relation to the recording and control over assets procured with grant funds.

On 15 November 1973 my Office addressed a memorandum to The Australian National University on a number of matters arising from the audit of the University's accounts and records relating to the projects. That memorandum referred to the arrangements between the Office of Aboriginal Affairs and the University for the control of expenditure from the grants; overseas travel by staff attached to the projects; travel in Australia; charter of aircraft; terms and conditions of employment of staff of the Applied Ecology Unit; payments to turtle farmers and others; advances for field expenses; expenditure on a house; charter of a boat; entertainment expenses; electrical work; Darnley Island; and procurement of stores.

The University, in its reply dated 8 January 1974 to the Audit memorandum of 15 November 1973, commented that the University held the view that these projects were not University projects and, as such, normal University procedures were not always applied; the disposition of the funds made available for expenditure on the projects was within Dr Bustard's hands and for that reason the University was informing the Department of the queries raised by Audit which arose from decisions by Dr Bustard. In relation to certain of the queries raised by Audit the University furnished specific comments and/or advice of action proposed or taken.

Further reference to the matters discussed in the correspondence exchanged with the University is at Appendix B.

In the light of the advice from the University, my Office requested the Department of Aboriginal Affairs on 18 January 1974 to provide, as a matter of urgency, its comments on the various Audit queries referred to the Department by the University.

In this request my Office informed the Department that, having regard to advice received from the University and the Department, it appeared the expenditure, stated by the University to have been incurred on Dr Bustard's authorisation, was not adequately examined by either the University or the Department (or its predecessors). In the circumstances, it was important that arrangements be made by the Department for a detailed retrospective examination of all such expenditure. Audit considered it the responsibility of the Department to satisfy itself by appropriate means that all funds provided to the University had been properly expended for the purposes of the approved projects or otherwise satisfactorily accounted for.

The Department, in a reply to my Office dated 8 February 1974, advised:

- (a) In the light of correspondence exchanged by Audit, the Department and the University, it must agree that expenditure on the turtle and crocodile projects was not adequately examined by either the University or the Department or its predecessors and that other inadequacies existed. It was agreed further that this situation apparently arose from lack of clarity in the respective responsibilities of the Department and the University in relation to control over expenditure, though whether this resulted from inadequacies in the definition by the Department or its predecessors of the respective responsibilities was a matter for debate.
- (b) Until Audit brought the matter to its attention the Department had throughout believed that the University was administering the grants in accordance with the University's normal procedures. The Department contended that its letter of 19 November 1970, which was in response

to the University's letter of 19 October 1970, could only be read in the light of the statement in the latter that the grant would 'be administered in accordance with our normal procedures'.

- (c) The Department's understanding was that, in making payments of accounts authorised by Dr Bustard, the University would apply its usual procedures and checks in just the same way as it would in the payment of its normal accounts. This was, from the Department's point of view, as valid after Dr Bustard ceased to be a member of the University staff as before. No advice was ever received from the University which would have led the Department to assume otherwise.
- (d) It was the Department's understanding that the supporting documents would form an integral part of the University's accounting documents, which it would hold for its own audit, while it would furnish periodical statements of expenditure to the Department; also that the University could not furnish audited financial statements in respect of the grants, because the University accounts were subject to audit as a whole, and no separate audit of the grant accounts would be feasible. The periodical statements the Department received from the University merely summarised expenditure under various agreed heads. It studied these carefully against the budget but there were no indications of possible over-expenditure on any particular items or of expenditure unjustifiably incurred. Analyses of each periodical return from the University were available on departmental files.
- (e) In short the Department had no reason to believe that the 'normal procedures' of accounting responsibility were not applied by the University when making payments to Dr Bustard or at his request.
- (f) The Department could offer no explanation for the apparent breakdown in communication between itself and the University, though it must deplore that it could have occurred.
- (g) At the same time the grants should be seen within the context in which they were made. Dr Bustard and his staff were employees of the University, were housed in University premises, and were provided with all the administrative and other facilities of a Research Unit which was part and parcel of the University. The 'research' on the turtle and crocodile projects involved the technical aspect of determining the feasibility of commercially farming these reptiles, as well as the extension aspect of instructing and supervising Aborigines and Torres Strait Islanders to determine their aptitude and willingness to undertake an occupation of this nature. The social aspects of the project were considered to be as important as the technical and economic considerations. By its very nature, and the fact that the turtle farms were to be located in the Torres Strait Islands which are relatively remote and inaccessible, it was essential for the success of the project that there should be flexibility in its administration and control. This led to the decision to channel the funds for the projects through the University to be disbursed on Dr Bustard's authority, as he was responsible for the conduct of the projects.
- (h) In this regard, and with particular reference to the Audit query concerning the adequacy of its instructions to the University, the Department made the point that in the case of grants to institutions for

research, such as was the case in the turtle and crocodile projects, it had always sought to leave the maximum flexibility to the particular research officer within the 'normal procedures' applied by the parent institution. In this sense, the grants to the University for the turtle and crocodile projects had been no different to those it made to other institutions for other purposes, except in respect of size. Perhaps the Department should have taken greater cognisance of the size of the grants as they increased from year to year.

- (i) It would have been difficult to determine the criteria which should have applied for restrictions on the nature and extent of expenditure on capital and non-capital items given the experimental nature of the projects.
- (j) Budgets were prepared in the Department, in discussion with Dr Bustard, and forwarded to the University.
- (k) The financial statements were required to be, and in fact were, submitted under the budget headings.
- (l) The Department did not necessarily support the view attributed to the University that the funds were entirely within Dr Bustard's hands and that the Audit queries should therefore be answered by the Department.
- (m) Nevertheless the Department accepted the Audit request that it provide comments on the matters raised by Audit with the University and take remedial action. As the Department saw it, the various queries could only be answered after fairly extensive discussion between departmental officers, the University and, where necessary, Dr Bustard. The Department advised, however, that it was attaching a very preliminary statement in relation to them. The statement indicated that prior approval was not required of the University or the Department for the employment of turtle farmers; farmers could have been employed within the number approved in the budget in consultation with the Manager in Thursday Island of the Department of Aboriginal and Island Affairs, Queensland.
- (n) The task of undertaking a detailed retrospective examination of all expenditure on the projects would be a major one; the Department had no staff capacity to undertake a task of this magnitude but proposed to discuss with the Department of the Treasury the means by which such an examination might appropriately be undertaken.

Most of the Audit queries are as yet unresolved but the Department has undertaken to provide substantive replies on all outstanding matters.

#### Comment

It is evident that neither the Department nor The Australian National University has exercised adequate control over the expenditure of substantial amounts on the turtle and crocodile projects. Their failure properly to control the expenditure appears to have resulted primarily from a lack of definition of the respective responsibilities of each body.

The Department has agreed with the Audit conclusion that the expenditure was not adequately examined by either body and has undertaken to examine past expenditures. Some moneys have been recovered as a result of action initiated by the University following Audit representations. On the information

sighted to date by Audit it is not evident that certain other expenditure incurred was necessary or was a correct charge to the projects or properly authorised. Final conclusions must await the outcome of the departmental examination.

#### ABORIGINAL LEGAL AID SERVICES

Legal Aid Services operate in each State and the Northern Territory to provide legal assistance to Aborigines. The Services are funded primarily by means of grants from the Aboriginal Advancement Trust Account. Grants from the Trust Account to the various Services amounted to \$737,500 in 1972-73. An interim programme for expenditure of \$1,048,675 has been approved for 1973-74. Grants for the period 1 July 1973 to 31 January 1974 were \$633,115.

Matters relating to the scheme, which were represented to the Department on 7 November 1973 following an Audit review, included:

- (a) A paper titled 'The Aboriginal Legal Service Program', prepared to provide broad guidelines for the operation of the scheme and specifying certain criteria on the nature and extent of legal assistance which might be provided, did not contain specific limitations on capital and administrative expenditure. Audit suggested as a matter for consideration that some restrictions be specified along the following lines:
  - (i) the grant to be expended only on capital items, other than those of a minor nature, for which specific approval had been sought when the Service submitted its budget; and
  - (ii) the maximum salaries which might be paid to each category of staff (legal practitioners, field workers, social workers and administrative staff) and the proportion of funds which might be applied in relation to the employment of persons in the various categories to be specified.
- (b) Grants had been made to certain Services before the Department had received their expenditure budgets; also in advising such Services of the grants approved no conditions had been specified on the purposes for which the moneys provided might be expended.
- (c) Constitutions of certain Services had not been obtained and examined.
- (d) Although letters advising Services of grants approved required submission by each Service of annual financial statements and also quarterly returns, the form and content of the annual financial statements had not been specified and provision had not been made for the inclusion in the quarterly returns of details of actual expenditure on salaries (provision was made for rates only to be shown), capital expenditure, amounts and sources of receipts and cash balances.
- (e) Although it apparently had been envisaged that there would be a National Co-ordinating Committee for Aboriginal Legal Services with responsibilities relating to both the budgets and financial statements to be submitted by the Legal Aid Services, it was understood that the Committee had not been established. Advice was sought regarding action taken or proposed to expedite the establishment of the Committee in

view of the responsibilities envisaged for it; also on the nature of alternative interim measures taken by the Department in relation to the performance of the Committee's functions pending its establishment.

The Department in reply advised:

- (a) The initial arrangements made in the first half of 1973 were of a temporary nature only; they were designed to provide immediate implementation of Government policy of paying 'all legal costs for Aborigines in all proceedings in all courts'; and it had been intended to review them.
- (b) A meeting was convened in early December 1973 of representatives of the Department, all Legal Aid Services and the Attorney-General's Department. The main point emerging from this meeting was that no further grants beyond December 1973 would be given to the Services until:
  - (i) formal audited financial statements were submitted;
  - (ii) formal budgets were supplied; and
  - (iii) an overall assessment of the total Legal Aid Services was undertaken with a view to uniformity in operations, capital expenditure, budgeting, employment, etc.
- (c) Continual liaison between all the Legal Aid Services and the Attorney-General's Department is being maintained.
- (d) On receipt by the Department of all proposed budgets and financial statements for previous months' operations, the budgets and financial statements will be examined in detail and analysed.
- (e) An examination for the possible restructuring of the Services will be undertaken; in this regard it is intended to consider the establishment of a central secretariat to co-ordinate the activities of the Services.
- (f) Detailed guidelines for operations, expenditure, etc., will be laid down; it is anticipated that guidelines for periodical examinations of the operations of the Services will be implemented in the near future.
- (g) All rates of salary payments, fees charged, etc., will be examined, checked with the Attorney-General's Department and specified when funds are made available to the Services.
- (h) The constitutions of the various Legal Aid Services, where they had not been obtained and examined, are being obtained and will be examined in detail in conjunction with the Attorney-General's Department; the constitutions will also be reviewed in conjunction with the possible restructure of the Services.

#### Comment

Serious inadequacies in the control exercised by the Department over the substantial amounts provided to the Legal Aid Services were drawn to its attention in November 1973. Suggestions were made to rectify these shortcomings.

In December 1973 the Department met the Legal Aid Services to discuss these and other problems. The Department subsequently informed my Office of measures taken to institute proper administrative and financial controls over the expenditure of funds provided. Adherence to the measures proposed should lead to a satisfactory position in the future.



**EXPENDITURE ASSOCIATED WITH THE ESTABLISHMENT AND  
ELECTION OF THE NATIONAL ABORIGINAL CONSULTATIVE  
COMMITTEE**

The Department was advised on 7 November 1973 that Audit review and test checks of expenditure incurred on matters associated with the establishment and election of the National Aboriginal Consultative Committee (N.A.C.C.) had revealed inadequacies in the financial and administrative control over the expenditure in question. These included many breaches of the requirements of the Audit Act and Treasury Regulations.

Matters (further details at Appendix C) referred to the Department for comment, in addition to related aspects mentioned in other sections of this Report, included:

- (a) In certain instances, approved lists of delegates who were to attend conferences and be paid fees and/or allowances, etc., could not be produced.
- (b) In one case a list which was used as a basis for adjusting an advance purported to show delegates who had attended a conference. It was later ascertained to be the list of delegates invited to attend. It included, for example, the name of one delegate who later apologised for his non-attendance.
- (c) Delegates who were paid for their attendance at a conference exceeded the number for which the Minister's approval had been obtained.
- (d) Expenditure on regional conferences had been charged to the Appropriation, Division 112-3, Item 02 in 1973-74 although, at the time, the Treasurer had informed the Minister there was no proper authority for such expenditure.
- (e) Inadequate details were provided to support estimates of cost of supplies required when seeking approval for expenditure of \$13,500 on a regional meeting at Alice Springs in July/August 1973. Of an advance of \$13,500 made to an officer in connection with the meeting an amount of \$1,502 was later transferred without proper authority for use in connection with a conference at Thursday Island.
- (f) Instances were noted where some or all of the expenditure incurred under a specific approval had not been recorded against that approval—for example, approvals for regional conferences at Cairns, Perth and Port Hedland and for various committee meetings.
- (g) An officer on secondment from an Australian Government Department and another from a State Department both of whom were being paid salary by the Department of Aboriginal Affairs were also paid sessional fees, apparently incorrectly.
- (h) A number of persons, understood to be occupying temporary positions of Clerk (Class 5), were also paid travelling allowances on a continuing basis at \$25 a day, apparently without regard to whether or not they were absent from their head-quarters. It was not evident that the persons concerned were entitled to be paid travelling allowance at rates and under conditions more favourable than those applying under the Public Service Act.

- (i) Unsatisfactory aspects relating to the employment of some 240 enrollees, on a temporary basis by the Department in connection with the preparation of rolls for the N.A.C.C. elections, included:
  - (i) There was no evidence of approval by the Minister for the rates of 'salary' and 'allowance' paid.
  - (ii) Advances had been made to various persons against remuneration which would become payable to them if services in connection with the enrolment of electors for the N.A.C.C. elections were performed, apparently without in some cases firm arrangements being made and agreement reached with the persons involved; in a number of instances, certain persons to whom advances had been made did not in fact carry out the services and returned the advance payments made to them.
  - (iii) In respect of an agreement to pay \$100 per week 'salary' clear to each enrollee, it appeared that the provisions of the Income Tax Assessment Act had not been complied with to deduct tax instalments.
  - (iv) The procedures for engaging and certifying satisfactory performance of service by enrollees were not considered to provide a proper basis of internal control.
  - (v) Insufficient information was shown on some accounts to support their payment.
  - (vi) No evidence was produced of the issue of specific directions to the enrollees on the nature, extent and basis of incidental expenditure which they could incur subject to later reimbursement by the Department.

In reply, the Department agreed that, during the preparatory and enrolment periods of the N.A.C.C., some unsatisfactory features arose. These features were almost inevitable, given the pressure to have the elections completed in the shortest possible period, the inexperience of the staff involved and the task, with inadequate staff, of documenting financial procedures and instructions. The Department stated that on several occasions the expenditure of funds was approved without the Permanent Head or the Finance Sub-section having been consulted as to availability of funds or being informed of the approvals. As time permitted, additional officers have been seconded to undertake a detailed review of earlier operations.

Advice was also received from the Department:

- (a) All conferences are now covered by detailed lists of approved delegates, with such lists being strictly adhered to. If, during the review of expenditure incurred in the enrolment period, any overpayments are detected these will be the subject of appropriate recovery action; if any lists of delegates have been mislaid, these will be re-created, if possible.
- (b) Independent lists of delegates who actually attend conferences are now being obtained.
- (c) Cheques or payments due to persons outside the Department are now being forwarded direct from the Treasury to the payee.

- (d) It agreed that at the time payments were made for regional conferences, no proper authority existed to charge the costs to Division 112-3, Item 02; such charges were made in error and have been subsequently adjusted; on receipt of formal authority, further adjustments have been necessary and have been effected.
- (e) Estimates for conferences were previously prepared by the estimating officer in the operational branch as a final estimate but they are now being referred to the Finance Sub-section for checking and final estimating; such procedures should produce more accurate assessments of costs. Following a review of policy one change has been for delegates, wherever possible, to meet their own incidental expenses and to seek reimbursement.
- (f) It was agreed that in some instances recording of expenditure against approvals may not have occurred. The recording of expenditure against approvals had been maintained since the Finance Sub-section commenced formal operations in September 1973.
- (g) The Department had not determined whether officers on secondment from both Australian Government and State Departments were in fact paid sessional fees incorrectly; an investigation was in hand and should it be shown that overpayments were made, recovery action would be undertaken.
- (h) In respect of the lack of evidence of ministerial approval for the rates of salary and allowances paid to enrollers, co-ordinators, etc., the rates had the agreement of the Permanent Head and the then Minister had agreed in principle to the proposed rates of salary and allowances.
- (i) The Department admitted that it may not have complied with the provisions of the Income Tax Assessment Act as far as tax instalment deductions are concerned; the Department was seeking clarification and a decision from the Commissioner of Taxation.
- (j) In accordance with the Minister's policy of encouraging Aborigines to handle the bulk of the work involved in establishing the National Aboriginal Consultative Committee, the enrollers for the elections were appointed on the advice of Aboriginal State Co-ordinators; reasonably firm arrangements, largely of an oral nature, were made through the State Co-ordinators with the persons engaged as enrollers.
- (k) The main reasons for such shortcomings as occurred were the inexperience of officers concerned in compiling an electoral list coupled with the fact that no instructions were available; and the deadline for the actual enrolment, set by the then Minister, precluded any detailed procedures being implemented during the enrolment period; officers seconded from the Australian Electoral Office had recommended that the elections not be held until April or May 1974 instead of November 1973.
- (l) The Department, now that it is becoming established, is slowly implementing procedures which should eliminate any repetition of previous errors.

In a further memorandum dated 15 February 1974 the Department provided background papers to emphasise the problems encountered in planning meetings

for, and in making arrangements for the enrolment of voters and the election of members of, the N.A.C.C. The Department also stated that:

'Many of the decisions involving financial commitments were arrived at in personal discussions between the Minister and persons engaged in planning the project. Sometimes the result of these discussions was recorded in written approvals, though it was rarely that such approvals were preceded by reference to Finance Officers for an indication of funds availability and for recording in the commitments register. In many cases written approval had to be obtained ex post facto and, in the stress of trying to cope with work loads and deadlines, was sometimes forgotten.'

#### Comment

The Audit investigation revealed a most unsatisfactory position. The Department, while admitting to the existence of unsatisfactory features, has claimed that this was almost inevitable in the light of the need to have the elections completed in a short period. The Department also informed my Office of the difficulties which arose when on many occasions its Finance Sub-section became aware of expenditure having been incurred only when it received accounts for payment.

While the difficulties which arose because of the timetable set for the N.A.C.C. elections are appreciated it is not accepted that these difficulties excuse the breaches of statutory requirements which were disclosed by the investigations of my officers. The strict observance of these requirements in relation to the expenditure of public moneys is essential.

Following the Audit representations the Department has commenced a re-examination of the expenditure and has indicated that appropriate recovery action will be taken if any overpayments are detected. The outcome of the departmental action will be considered following receipt of its advice.

#### HIRE OF VEHICLES FROM PRIVATE FIRMS

Representations were made to the Department in relation to deficiencies noted in the financial and administrative control over expenditure associated with the hire of drive-yourself vehicles from private firms mainly to assist in the N.A.C.C. enrolment. The deficiencies, specific examples of which are set out in Appendix D, included lack of evidence:

- (a) of prior approval by competent authority for the hire of certain vehicles;
- (b) of the prior certification that funds were available for the purpose or of the recording of any funds commitment in the Register of Commitments;
- (c) to indicate that Government-owned vehicles would not have been available for the purpose in certain instances;
- (d) of quotations having been called for the hirings required or that the vehicles were being hired under existing contracts;
- (e) that the liability of the Department to meet charges for repair and/or supply of parts, tyres and tubes for certain vehicles had been properly determined;
- (f) on the accounts to explain why the basis of charges for the hire of a vehicle from 14 August to 21 November 1973 at a total cost of \$1,302 varied during the period of hire;
- (g) that the provisions of Treasury Directions had been adhered to in relation to expenditure on personal accident and vehicle damage insurance; and

- (h) that the drivers of the vehicles were required to maintain and submit a record of mileage travelled in the vehicles and the purpose of each trip.

The Department agreed there were deficiencies in the arrangements for the provision of vehicles for persons engaged on the N.A.C.C. enrolment project. The Department stated, however, that bearing in mind the target date set by the Minister; that the persons involved in use of the cars were ministerial consultants; and that the staff arranging the travel were, regrettably, unaware of the need to seek appropriate approval, the occurrence of the incidents was inevitable. Arising from experience more control was being exercised in the use of rental cars and the possibility of negotiating a period contract was being explored.

#### Comment

The procedures followed for the hire of vehicles from private firms constituted clear breaches of the Treasury Regulations. Inadequate consideration was given to the need for economy in expenditure.

The Department has given a general undertaking to review all items of expenditure which have been brought to its notice by my Office and to institute recovery action should this be appropriate. The outcome of the departmental review is awaited.

#### RENTAL OF OFFICE ACCOMMODATION, USE OF TELEPHONES, ETC.

Unsatisfactory features summarised below were referred to the Department following Audit examination of amounts totalling \$2,666 paid in connection with N.A.C.C. elections for the rental of temporary office accommodation in Perth for the period 23 August to 27 October 1973, and in Cairns for the period 24 August to 16 November 1973; and for the use of telephone and other facilities in Perth.

- (a) The Department of Services and Property had not been requested to arrange the temporary office accommodation in accordance with approved administrative procedures.
- (b) Prior approval had not been obtained from competent authority for rental of accommodation or the incurring of the expenditure.
- (c) Prior certification had not been given that funds were available for the purpose or that commitments had been recorded in the Register of Commitments.
- (d) When an account was certified for payment under section 34 of the Audit Act it had not been established that amounts exceeding \$1,600 for telephone, telegram and telex charges were all proper charges to be met by the Department.

The account for accommodation and telephones in Perth was endorsed 'Expenditure approved' on 19 December 1973 some 4 months after rental of the office accommodation commenced.

The Department in reply stated:

- (a) The office accommodation had been rented in relation to the enrolment of electors for, and the election of, the N.A.C.C.
- (b) The Aboriginal temporary employee renting the accommodation in Perth was the State Co-ordinator for the enrolment and the election of the Committee. He, like other hurriedly recruited Aboriginal temporary

employees, was unable to be fully briefed on departmental procedures because of the pressures on both him and the officers who might have given the briefing.

- (c) Most other State Co-ordinators made use of the facilities of existing Aboriginal organisations.
- (d) In the case of Perth, approval to pay for the office accommodation was obtained after the accounts from the hotel were received.
- (e) The people involved in the field work under the Perth State Co-ordinator telephoned in their reports whenever they could, mostly well after business hours.
- (f) The Co-ordinator made his accommodation arrangements without consulting the Department and in ignorance of the requirements of the Audit Act.
- (g) The office accommodation in Cairns was arranged by a temporary officer also; it was used for the enrolment exercise prior to the election of the N.A.C.C. Again, the first knowledge of this arrangement which the Finance Section received was when the account for payment arrived.

#### Comment

The rental of temporary office accommodation and the incurring of expenditure for the use of telephones and other facilities outlined above reflects a most unsatisfactory control over the expenditure of public moneys. No regard was given to the approved procedures for obtaining office accommodation. The payment of telephone and other accounts without establishing that they were all proper charges to the Department is also a matter for concern.

#### ADVERTISING

Two instances totalling \$4,582 were represented to the Department where expenditure on advertising in connection with the N.A.C.C. had been incurred without prior certification that funds were available for the purpose and without prior approval by competent authority to incur the expenditure. The Department's attention was invited to the breaches of Treasury Regulations 47 and 49 and the failure to exercise proper control over funds available for expenditure.

The Department replied that the first indication the Finance Section had of placement of advertising was receipt of the accounts from the advertising agency. All necessary procedures took place after the event. The officers, particularly N.A.C.C. officers, arranging the advertising did so in ignorance of the procedures required for the placement of advertising. These officers have since been instructed in the procedures to be followed.

#### ACQUISITION OF LUGGERS

Audit representations were made to the Department on the apparent breach of Treasury Regulation 52 which occurred when the Department agreed by letter of 2 July 1973 to Aucher Pearling Pty Ltd to purchase the luggers *Penguin* and *Felcon* for \$7,500 and \$6,000 respectively. Although tenders had not been called for supply of the vessels, a Certificate of Inexpediency under Treasury Regulation 52AA was not sought until 17 July 1973. The approval of the Treasurer to incur expenditure from the Aboriginal Advancement Trust Account was not obtained until 13 July 1973.

In reply, the Department explained that on 25 June 1973 the then Minister had directed the purchase of the 2 luggers to proceed with urgency. On 2 July 1973, the Minister had approved a grant of \$13,500 to the Torres Strait Co-operative Society Limited of Thursday Island to cover the purchase of the 2 luggers. In the belief that the purchase was to be made by the Co-operative from the approved grant the Department wrote hurriedly to the vendor on 2 July 1973 to ensure the vessels were not sold. On ascertaining subsequently that the Minister intended the ownership of the vessels to remain with the Government, the Department took steps to obtain the necessary approvals before it paid for the vessels on 9 August 1973.

The vessels are presently on loan to the Co-operative pending completion of a formal lease document.

#### Comment

The Department was in breach of statutory requirements in agreeing to purchase the luggers before approval of the Treasurer was obtained to the expenditure from the Trust Account and before the Department obtained a Certificate of Inexpediency under Treasury Regulation 52AA. My Office noted, however, that the necessary approvals were obtained before the Department paid for the vessels.

#### EXPENDITURE ON REFITTING AND MOVEMENT OF EX-TAIWANESE TRAWLER

The Department's Northern Territory Division incurred expenditure in connection with the refitting and movement of the ex-Taiwanese trawler *Yung Yuan No 21*. Examination of the relevant accounts revealed a number of unsatisfactory features including:

- (a) A bank account titled 'Taiwanese Fishing Vessel Account' was opened in July 1973 at the Darwin Branch of a private bank by officers of the Department; advances totalling \$20,000 from the Aboriginal Advancement Trust Account were paid into that account to cover expenditure on the refitting and movement of the trawler. No evidence was sighted of approval of the Treasurer or his delegate being obtained for the opening of the bank account (section 18 of the Audit Act).
- (b) Approval of competent authority was apparently not obtained before the advances were made to one of the officers concerned (Treasury Regulation 74).
- (c) A monthly reconciliation of the account was not effected, following the opening of the account in July 1973, until Audit representations were made in September 1973.
- (d) The Audit Act and Treasury Regulations were not complied with in relation to approval to incur expenditure from the advance; calling of tenders or quotations; issue of purchase orders; certification of the accounts as to the faithful performance of the services and their correctness. Audit enquiries indicated that equipment, etc., was ordered on a cash sale basis including several items each involving expenditure in excess of \$1,000.
- (e) The advances totalling \$20,000 have not been adjusted.

Audit examination of certain additional accounts paid by the Department from Canberra for supplies in connection with refitting and movement of the trawler also revealed unsatisfactory features, including:

- (a) Requisitions had not been prepared, funded and approved in relation to supplies obtained (Treasury Regulations 46, 47 and 49). Particular reference was made by Audit to 3 accounts totalling \$14,423.
- (b) Quotations or tenders had not been called nor was there evidence the supplies were being obtained under an existing contract (Treasury Regulations 51 and 52).
- (c) A certificate had not been obtained from competent authority, where it was considered impracticable or inexpedient to call tenders or quotations (Treasury Regulation 52AA).

In reply the Department advised:

- (a) In relation to the opening of the bank account, and the drawing of cheques thereon, no authority existed or was sought by the officers concerned, the reasons being both their ignorance of the instructions and their misconception that normal Treasury requirements did not apply to expenditure from the Trust Account; this misconception apparently arose because until then all expenditure from the Trust Account had been by way of direct grant. When confronted with the situation of making the trawler ready for sea in time to meet the then Minister's deadline, the officers concerned arranged for the funds to be made available to a designated officer to be expended as would a grant; the Department thought it probable that the officer did not even realise it was an advance.
- (b) The advance was made by the Authorising Officer of the Department of the Northern Territory and the Department of Aboriginal Affairs was unaware of his reason for making the advance.
- (c) The requirements of the Audit Act were not complied with in relation to the purchase of equipment because of the officers' misconception that these requirements were not applicable to expenditure from the Trust Account.
- (d) In relation to the accounts paid from Canberra, the commitments were entered into by a consultant to the then Minister and the Department had no knowledge of the commitment until receipt of the accounts; it was not therefore possible to carry out the normal requisitioning process nor to seek a Certificate of Inexpediency.
- (e) The Department understood that, although adequate acquaintance of the advance was submitted to the Authorising Officer of the Department of the Northern Territory in November 1973, he refused to accept the acquaintance unless Certificates of Inexpediency were obtained.
- (f) The Department was arranging to put full information regarding the transactions to the Treasury to see whether Certificates of Inexpediency should be issued or whether some other covering approval can be obtained.

The trawler is currently held at the shipyard of Walkers Limited of Maryborough, Queensland having been moved there from Darwin with the intention of undergoing further refitting. On 14 February 1974, the Department informed the Department of Supply of a decision by the Minister to declare the vessel for disposal. The Department stated it was no longer feasible to use the vessel in Torres Strait for the purpose originally intended.

*Comment*

This transaction indicates an apparent lack of adequate investigation of the use to which the trawler could be put before incurring expenditure in excess of \$40,000 on refitting and moving it from Darwin to a shipyard in Maryborough, Queensland. It is understood that the vessel has been held at the shipyard at the cost of the Department pending a final decision whether further work was to be carried out on it.

There is clear evidence that serious breaches of the Audit Act and Treasury Regulations occurred in connection with the incurring of the expenditure on refitting and movement of the vessel.

**EMPLOYMENT OF NURSING SISTER**

Expenditure of \$725 was incurred from the Aboriginal Advancement Trust Account and Division 112-2, Item 01 in 1973-74 on fees (\$450) and travelling expenses (\$275) in relation to the employment of an Aboriginal nursing sister during the period 1 to 19 October 1973. The nursing sister was recruited to assist, as a temporary measure, in improving the standard of health in an Aboriginal community. It transpired that it was impracticable for the contemplated nursing services to be undertaken. My Office informed the Department that it appeared the expenditure could have been avoided if, before any commitment was made, the proposal had been adequately investigated.

In reply, the Department advised that the nursing sister was recruited on the then Minister's authority before the Department was given the opportunity to comment. From a paper forwarded with the Department's reply it is evident that, before the nursing sister proceeded to the area, the Department was aware that final arrangements had not been made to facilitate the provision of the nursing services. The Minister approved a departmental recommendation dated 26 September 1973 that the nursing sister travel from Melbourne to Townsville on 30 September 1973 and be attached to the Legal Service and be paid consultant's fees until the situation was resolved.

The services of the sister were terminated as from 19 October 1973.

*Comment*

The circumstances of this case again emphasise the need for adequate prior investigation of proposals involving expenditure of public moneys.

**COMMONWEALTH CAPITAL FUND FOR ABORIGINAL ENTERPRISES**

The *Aboriginal Enterprises (Assistance) Act 1968-1973*, under which the Fund was established, provides, among other things, for the Fund to be controlled and administered by the Minister for the object of enabling persons of the Aboriginal race of Australia to engage in business enterprises that have prospects of becoming or continuing to be successful; and for the moneys in the Fund to be kept in an account opened at the Commonwealth Trading Bank of Australia for the purposes of the Fund.

Moneys available for the purposes of the Fund have been provided mainly from the Aboriginal Advancement Trust Account (a total of \$4,739,126 was provided in 1968-69 and 1969-70). According to departmental records, payments made from the Fund as loans and investments and for incidental purposes totalled \$1,716,845 in 1972-73 (\$1,303,113 in 1973-74 to 31 January 1974).

Following audit examination of the accounts and records of the Fund, the Department's comments were sought on certain aspects to which reference is made hereunder and in Appendix E.

- (a) In certain instances (Appendix E.1 refers) it appeared to Audit that moneys had been provided from the Capital Fund for the purpose of making loans or investments before the Aboriginal enterprises concerned required or were capable of utilising the moneys.

The Department replied it was satisfied that the moneys were provided at the time it was estimated that the particular enterprises required them but unforeseen circumstances had arisen.

- (b) It appeared that moneys had been made available as a subscription for shares in one company and as a loan to another before it had been established that the companies involved were legally able to issue shares or to borrow to the extent of the amounts approved and paid (Appendix E.2 refers).

The Department advised that a loan or an investment was never made before it was established that the recipient was legally capable of receiving the amount for the purposes stated or was taking steps to amend the Articles of Association or Rules to ensure this. Sometimes the intended amendments did not occur as quickly as had been hoped but in all such cases the funds had been adequately safeguarded in the intervening period. The Department also advised that the loan referred to by Audit had been released on the direct instructions of the then Minister.

In response, Audit expressed the view that no moneys should be paid out by way of a loan or investment until all necessary action was finalized to enable the loan or investment to be legally made and/or received. Reservations were also expressed whether the Capital Fund's interests had been adequately protected in the intervening periods in the instances concerned.

The Department recently advised that it was investigating these aspects.

- (c) Moneys approved for distribution as loans to Aboriginal enterprises were paid, in certain cases, to private firms acting as agents for the Fund; the moneys were held by the agents pending distribution to the Aboriginal enterprises as required or after certain, specified conditions were met.

Following Audit review of selected loans, the Department was advised that some reservations were held whether the Capital Fund's interests were adequately safeguarded in all cases where moneys were advanced to private firms acting as agents; also it was not evident why it was necessary, in all such cases, for the moneys to be held by these agents. Particular reference was made to the case of a loan of \$132,000, approved for an Aboriginal enterprise in the Northern Territory, which was distributed through a private firm acting as an agent (Appendix E.3 refers).

In reply, the Department referred to the implied power of the Minister to engage agents of any necessary kind. It further stated agreement had been reached with banks that they would act as agents for the Fund, but not exclusive agents. In many instances, including the case referred to by Audit, the agent with the required expertise was a firm of public accountants or consultants.

The Department also advised that it and, in major projects, the Capital Fund Advisory Committee had been satisfied that moneys from the Capital Fund, paid to private firms acting as agents, have been safe. Moneys were only paid out to responsible and accredited legal, accounting or consulting firms. All moneys paid to agents were covered by strict instructions including the conditions that the moneys be credited to the agent's trust account and only released subject to the terms of approval of the loan. The Department indicated it was reviewing the total procedures in relation to both accounting and operations of the Capital Fund, including the use of agents, and new instructions to departmental officers, agents, State Branches and State District Offices would be issued as soon as possible. It is intended that, as State Offices become fully functional, they will take over some functions of agents and obviate the need to have moneys held by agents.

- (d) Audit representations were made on the desirability of re-allocation within the Department of responsibilities for carrying out accounting functions associated with the Fund's activities with a view to improving the internal controls.

The Department advised it had been decided to re-allocate the accounting function for the Capital Fund. Additional changes might be instituted following review by the Department's Finance Officer.

*Comment*

The main issues raised related to the premature payment of certain moneys from the Fund either before they were required by Aboriginal enterprises or before action had been taken to enable the loan or investment to be legally made or received; and to the desirability of the re-allocation within the Department of certain responsibilities for accounting functions of the Fund.

In my view, moneys should not be paid out of the Fund as a loan or investment until all legal requirements have been met and the Fund's interests clearly safeguarded. The re-allocation of certain accounting responsibilities within the Department should lead to improved internal control.

## NORTHERN TERRITORY—OTHER SERVICES AND CAPITAL WORKS AND SERVICES

### SUPPORT OF ABORIGINALS AT GOVERNMENT SETTLEMENTS

Following an Audit review of the controls and procedures operating in the Department's Northern Territory Division in relation to food supplied for the support of Aboriginals at Government Settlements, the following unsatisfactory features were referred to the Department:

- (a) There did not appear to be any written accounting or stores procedures covering operation of bulk food stores at the settlements.
- (b) No evidence could be produced of approval by competent authority of the charges made for meals supplied to other than trainees and their families.
- (c) The charges for trainees and their families were apparently last determined in 1969. There was no evidence of a review of the charges since that date.
- (d) No evidence could be produced of a policy determination in respect of the issue of free meals or of a delegation to officers to approve the issue of free meals.
- (e) Departmental records indicated that issues by settlements materially exceeded the approved ration scales on various occasions. It was not evident that adequate follow-up action was taken in these cases.

The Department recently advised that it had referred the matters to its Northern Territory Division for report.

### TRAINING ALLOWANCES TO ABORIGINALS AT GOVERNMENT SETTLEMENTS

Following an audit of expenditure incurred in the Northern Territory on training allowances paid to Aboriginals at Government Settlements and charged to Division 112-3, Item 05 in 1973-74, unsatisfactory features were noted and oral representations made to the Department's Northern Territory Division. Later, the Department's attention was invited particularly, by memorandum dated 31 January 1974, to the high incidence of errors in records of leave entitlements of Aboriginals receiving training allowances. As it appeared that the errors were widespread, the Department's proposals on remedial action were sought.

The Department recently advised that it had referred this matter to its Northern Territory Division for report.

### TRAINING ALLOWANCES TO ABORIGINALS ON MISSIONS

An Audit review and limited test check were made of reimbursements, charged to Division 112-3, Item 07 in 1973-74 by the Department's Northern Territory Division, of training allowances paid by Missions to Aborigines. As a result, representations were made to the Department concerning overpayments of material sums which apparently had occurred as a result of the Missions being reimbursed for allowances paid to trainees in excess of the approved establishment for each Mission.

The Department recently advised my Office that the matter had been referred to its Northern Territory Division for report.

### ABORIGINES BENEFITS TRUST FUND—ADMINISTRATIVE EXPENSES

An amount of \$6,380 was charged to Division 112-3, Item 09—*Vocational training and adjustment* and credited to the Aborigines Benefits Trust Fund in 1973-74 by the Department's Northern Territory Division. The amount transferred was described as administrative expenses of the Aborigines Benefits Trust Fund accrued in 1972-73 as from 20 February 1973.

From Audit enquiries it was understood that the transaction was based on approval by the then Ministers for Aboriginal Affairs and the Northern Territory to a recommendation by the Advisory Committee of the Aborigines Benefits Trust Fund that the administrative costs of the Fund be met by the Government rather than by the Fund as previously. The Committee had expressed the view that the administrative cost might be met by the Government, resulting in savings which could be passed on to Aboriginal communities.

Section 21(6) of the *Northern Territory (Administration) Act 1910-1973* provides, among other things, that moneys standing to the credit of the Fund may be expended to meet the expenses of administering the Fund.

As it was not evident that the appropriation under Division 112-3, Item 09 was an appropriate head under which to charge the expenses of administering the Aborigines Benefits Trust Fund, the Department's comments were sought.

The Department recently advised that it had referred the matter to its Northern Territory Division for report.

### LOANS TO CHURCH ORGANISATIONS FOR ERECTION OF RESIDENTIAL ACCOMMODATION

The Department's comments and advice were sought in relation to delays which occurred in the execution of mortgage documents covering loans to church organisations for erection of residential accommodation in the Northern Territory (Division 805-3, Item 01 in 1973-74). It was understood that, in certain cases, the buildings had been completed and occupied and substantial loans were involved. Reference was made to earlier Audit representations which had been made to the Department's Northern Territory Division.

The Department recently advised it had referred this enquiry to its Northern Territory Division for report.

#### Comment

Comments from the Department are awaited on the separate matters relating to the Department's activities in the Northern Territory. Indications are, however, that the financial administration of these activities should be improved.

## ADMINISTRATIVE—EXPENDITURE AND REVENUE

### SALARIES AND PAYMENTS IN THE NATURE OF SALARY

Deficiencies noted during an audit of salaries and payments in the nature of salary included:

- (a) failure to submit detailed arrangements for the payment of salaries for approval of the Treasurer, or his delegate (Treasury Regulation 107);
- (b) weaknesses in internal controls and procedures and failure to nominate officers to carry out checks required by Treasury Directions;
- (c) absence of important documentation from personnel files; and
- (d) errors and other unsatisfactory features in pay variation advices, calculation of entitlements for salary, extra duty, higher duties allowance and in superannuation and provident account deductions.

The Department recently advised that the matters were being investigated. It referred again to the lack of adequate procedures and systems and of trained staff.

### FREIGHT CHARGES

Four separate instances were noted where accounts for freight charges had been paid and charged to Division 112-2, Item 05 although it was evident from the claims they had been incorrectly addressed to the Department by the claimants. Although the accounts totalling \$849 were clearly not payable by the Department they were certified correct for payment in September and November 1973 after each account was endorsed by an officer 'Expenditure approved'. The Department's attention was invited to this further evidence of deficiencies in its control of expenditure.

In reply, the Department advised that the matters raised were noted and would be rectified. The officers concerned were being counselled regarding their oversight.

### OFFICIAL TRAVEL

Unsatisfactory features, relating to the control over expenditure on travel for official purposes, referred to the Department for comment included:

- (a) instances where a reference to a movement requisition approving the travel was not recorded on the travel warrant; a number of movement requisitions could not be located;
- (b) inadequacies in the control of travel warrant books;
- (c) unauthorised officers signing travel warrants;
- (d) originals of cancelled travel warrants not attached to duplicates;
- (e) airline fares paid although it appeared that certain persons for whom the tickets were approved, either did not travel or travelled by other means;

- (f) certificates required by Treasury Directions incorrectly given, in cases mentioned in (e) above, to the effect that the travel for which the ticket had been issued had actually been undertaken; and
- (g) two delegates from Melbourne to a conference in Canberra each were paid \$57 (the equivalent of air fares which were also paid as in (e) above) although there was evidence that they both travelled in the same motor vehicle.

The Department recently advised that these matters were being investigated and indicated that the causes were the lack of adequate procedures, systems and trained staff.

#### ADMINISTRATIVE EXPENSES—MISCELLANEOUS

Other unsatisfactory aspects represented to the Department by my Office included:

- (a) No evidence could be produced of any prior approval or funding for a payment on 12 November 1973 of \$99 for typing and duplicating services obtained at Townsville.

The Department, in reply, indicated that this expenditure arose in relation to the enrolment of electors for the N.A.C.C. election and similar circumstances were not expected to arise again.

- (b) Furniture had been purchased and incorrectly charged to Division 112-2, Item 02 by the Department (accounts totalling \$584 paid in October 1973) instead of being obtained through the Department of Works (now Housing and Construction). There was also no evidence of quotations having been obtained for the furniture or for a typewriter purchased for \$250. No evidence was sighted of the items being recorded in a Register of Assets.

The Department recently advised that these matters were being investigated.

- (c) An amount of \$186 was paid in September 1973 for rental and other charges associated with a telephone service installed at an officer's home. No evidence was produced of:
  - (i) the authority for the expenditure being met as an official charge;
  - (ii) a record of the official calls included in the amount of \$99 for trunk calls paid as part of the account; and
  - (iii) action taken to recover from the officer the appropriate proportion of the amount paid on the account.

The Department recently advised this matter was being investigated.

#### CONTROL OVER RECEIPT OF MONEYS

An examination of the procedures for the receipt of moneys by the Department revealed a number of unsatisfactory features including breaches of Treasury Regulations and Directions. In particular the Department had not accounted for 3 cheques totalling \$894 recorded as received between October 1972 and July 1973.

In reply to Audit representations the Department expressed concern regarding these 3 cheques and indicated that enquiries, which would include examination of the records of the Section previously responsible for its accounting, were proceeding. Remedial action had been taken regarding other unsatisfactory features raised by Audit.

#### CONTROL OVER TEMPORARY CASH ADVANCES

Audit examination of the control over temporary cash advances to officers of the Department revealed a most unsatisfactory position. Particular aspects referred to the Department (Appendix C provides further details) included:

- (a) Approval had not been obtained from competent authority for certain advances (Treasury Regulation 74).
- (b) Instances of advances made but not recorded in a register of advances (Treasury Regulation 77).
- (c) Many advances, including some for substantial amounts, remained unadjusted for long periods (Treasury Regulation 78). No evidence was produced to show that the Authorising Officer had informed the Chief Officer of the instances of apparent failure to adjust advances within the prescribed periods (Treasury Regulation 79).
- (d) Some advances were deposited in bank accounts opened without approval of the Treasurer or his delegate (section 18 of the Audit Act).
- (e) Certain advances were made to officers without adequate direction regarding the specific purposes for which the advances were to be expended.
- (f) Receipts, other necessary information and references to approvals covering payments made by officers from advances had not been submitted when adjusting certain advances.
- (g) Errors made when some advances were being adjusted, resulted in overpayments to officers.
- (h) Hotel and motel accounts had been paid for officers although they had previously received an advance against, or allowances for, travel entitlements for the related periods.

The Department, in replies which had been received by my Office at the date of preparation of this Report, advised:

- (a) It agreed with the comment by my Office that a most unsatisfactory position existed.
- (b) At least three quarters of the temporary advances recorded as outstanding related to earlier periods when the Office of Aboriginal Affairs was part of other departments which had control over the advances. Compounding the position, in excess of 800 additional advances had been made between 1 July and 31 December 1973.
- (c) Remedial action in course included:
  - (i) The total position of temporary advances had been reviewed.
  - (ii) Details of all outstanding advances had been submitted to competent authority as required by Treasury Regulations.
  - (iii) Efforts were being made to obtain statutory declarations where officers involved in earlier advances insisted they had acquitted their advances.
  - (iv) An instruction had been circulated that, unless acquittals or statutory declarations were received, no further advances would be made to the officers concerned.



- (v) Oral instructions had been issued to all branches covering requirements relating to temporary advances and the opening of bank accounts.
- (vi) Oral and written instructions had been issued to the Authorising Officer on action to be taken regarding the acquittance of advances.
- (d) Specific written instructions were not issued to temporary or permanent advance holders. The Finance Officer and an officer on secondment from the Treasury were preparing instructions for distribution to departmental officers.
- (e) Where vouchers appear to be defective within the provisions of the Audit Act, application will be made to competent authority to have those vouchers admitted under the Audit Act.

The Department also recently advised it was disturbed that certain of the unsatisfactory matters, mentioned above, had been noted by Audit subsequent to the exchange of correspondence in November 1973. These matters are being investigated by the Department.

#### CHEQUE IMPROPERLY HELD BY DEPARTMENT

During Audit examination on 29 January 1974 of departmental papers relating to a grant intended to cover fares and accommodation expenses for 2 young Aboriginal boxers it was noted that the related cheque for \$450, drawn on 16 January 1973 payable to 'Sports Scholarships', was filed on a departmental file. Audit referred the occurrence to the Department for investigation as indicating a lack of security over public moneys.

The Department replied that the officer concerned was being advised of his responsibilities.

#### FINANCIAL ADMINISTRATION

In correspondence exchanged with the Department my Office emphasised the important function of the Register of Commitments and of the relevant provisions of the Audit Act, Treasury Regulations and Directions relating firstly to the funding of commitments and secondly to the processing of accounts for payment.

The Department advised:

- (a) Since 1 July 1973 the Department's Authorising/Certifying Officer had been taking full advantage of the Automatic Data Processing System to maintain the Register of Commitments.
- (b) The Public Service Board had concurred with a recent re-organisation proposal to increase the size of the accounting cell from 3 to 7. The Department's capability in this area should be enhanced.
- (c) Officers in operational branches have been personally counselled with regard to liaison and co-operation with the Finance Sub-section.
- (d) In the past through lack of financial knowledge and because of the pressure of work, some officers in functional branches did commit the Department. As a result of the actions outlined above repetition of such acts is not expected.

In commenting upon inadequacies in the control over expenditure against approvals, the Department advised that the problems were again largely attributable to the situation of under-staffing and also to the tremendous administrative burden imposed on it through the creation of the N.A.C.C. The Department had been unable to anticipate the problems and volume involved in the intensive activity leading to the N.A.C.C. elections. The Department advised that, with a capacity to process some 400 cheques a month, it found itself having to process 400 a week, the addition being almost entirely due to N.A.C.C. requirements. In these circumstances the Department claimed it had 'little alternative but to cut corners in order to cope'. The same situation was not expected to arise again.

The Department also advised that the Public Service Board team undertaking an examination of its administrative procedures has tentatively suggested the inclusion in the Operations Division of a Project Management Unit, comprising Management Arrangements and Project Control. The Department believed such a unit could do much to remove the types of weaknesses in control which Audit officers had identified and it was the Department's aim to achieve the establishment of such a unit as soon as possible.

#### Comment

The Audit investigation revealed disturbing evidence of serious weaknesses in the financial administration of the Department. Some of the breaches and deficiencies in controls noted by Audit, while not involving substantial amounts, were contrary to accepted rules for the control of public moneys. The position of advances to officers is particularly serious; many advances, including some for comparatively large sums, have been outstanding for lengthy periods. The action taken by the Department to obtain acquittance of these advances has been extremely dilatory.

The Department has advised my Office of measures being taken to ensure that proper procedures are followed in the future. These include special action to review current systems in operation and to issue instructions covering financial procedures.

It is clearly the responsibility of departmental management to introduce, at the commencement of its operations or when new responsibilities are undertaken, appropriate internal procedures for financial administration. It is also the responsibility of management to ensure that departmental procedures and related internal controls and checks continue to operate satisfactorily. The Audit investigation revealed serious deficiencies in this regard.

Progress by the Department in rectifying the position will be kept under review.

### INTERNAL AUDIT

In November 1973, reference was made to the understanding of my Office that, although approval for an internal audit establishment of 3 positions was obtained in July 1973, the section had not yet commenced to operate. The Department was informed that, having regard to the various weaknesses and other matters raised by Audit, the delay in arranging for the commencement of internal auditing was a matter for concern.

The Department replied it was aware of the importance of the role of internal audit. In November 1973 it stated that because of understaffing and unexpected pressure arising from the N.A.C.C. operation, it had no alternative at the time except to divert officers from the internal audit team to assist in processing accounts. The Department expected internal audit officers to be free of this responsibility by mid-December 1973.

On 31 January 1974, the Department advised that the officers in the Internal Audit Section were, as from 2 January 1974, withdrawn from the Finance Section and had begun the task of preparing their audit manuals and programmes, with the assistance of an officer on loan from the Treasury. One officer had, however, been promoted to another area of the Department, one had been absent on sick leave and one had received a provisional promotion to another department. The institution of adequate internal audit would thus regrettably be further delayed.

#### Comment

The early establishment within a department of an effective internal audit, which is an integral component of the overall internal control system of the department, is essential. Management should look to its internal audit organisation for advice whether the financial policies, procedures and directives of management are being implemented in practice.

The absence of an effective internal audit within the Department has undoubtedly contributed to its failure to take early action to ensure that proper administrative and financial procedures were strictly adhered to by all concerned. It is essential, therefore, that the Department take action to ensure that internal audit becomes and remains an effective unit.

*D. R. Steele Craik*

D. R. STEELE CRAIK  
AUDITOR-GENERAL

Canberra, A.C.T.  
4 March 1974.

APPENDICES

## APPENDIX A

## GRANTS FROM THE ABORIGINAL ADVANCEMENT TRUST ACCOUNT

1. Payments made to organisations prematurely or in excess of their requirements.

Instances referred to the Department were:

- (a) A payment of \$465,000 was made in July 1973 to a Village Council in the Northern Territory for expenditure on the installation of a sewerage system. The full amount of the grant, approved in July 1973 on the basis of a preliminary estimate, was paid to the Village Council although it was evident that moneys to the extent provided were not required at the time of the payment.

Following oral Audit representations, the Department arranged for the amount to be repaid to the Trust Account on 5 November 1973.

In response to written Audit representations the Department advised that the payment had been made in error; the Secretary to the Department had taken action to recover the amount immediately he became aware of the payment. Amounts would be paid out to the community in the future only on a requirements basis.

- (b) Following approval for a grant of \$60,000 on 12 May 1972, a cheque for the whole amount was delivered to a company formed to establish a hostel for Aboriginal girls at Newcastle, New South Wales. In July 1972, the company advised that it had invested the full amount of the grant and was entering into negotiations for the design of the proposed hostel and the preparation of plans and specifications. In November 1972 it was reported nothing had been done. On 6 August 1973 a departmental minute mentioned tenders for construction had been called and one recommended for acceptance.

It was evident the grant had been paid to the company well in advance of the time when it was needed.

The Department agreed that in the light of subsequent events the amount was paid prematurely. At the time it was thought that the hostel, which was urgently needed, would be completed relatively quickly. There were, however, several subsequent changes of plans by the organisation. The Department also advised that payment of the full amount approved was a result of the difficulty of arranging for the then Department of the Environment, Aborigines and the Arts to make progressive payments.

- (c) The whole of an approved grant of \$130,000 was paid to a company on 7 June 1973 to assist it to acquire certain property on behalf of an Aboriginal community whereas the company had requested a cheque for \$13,000 only. On the evidence sighted by Audit, the balance of the \$130,000 would not have been required until shortly before 1 November 1973 when settlement of the purchase price and possession of the property were due to take place.

The Department recently advised that whilst settlement was formally set for 1 November 1973, it was understood and expected that payment for and occupancy of the properties would be finalised significantly before that date. The completion of the purchase was—and remained—delayed because of complications arising from the death of one of the 3 vendors after the funds were paid to the disbursing agent.

## 2. Purchase of Kildurk Station.

This property in the Northern Territory was purchased for \$829,000 with funds provided in April 1973 by way of grant from the Aboriginal Advancement Trust Account for subsequent transfer to the Aboriginal community resident in the area. The lease of the property is presently held in the name of a company which has since been re-named. The shares in the re-named company, according to advice from the Department, are held by 2 nominees on behalf of the Minister. In response to Audit enquiries the Department recently advised that Declarations of Trust were executed by departmental officers in favour of the Minister as he was considered to be the ultimate trustee for the community pending its incorporation.

Audit representations were made to the Department on a number of aspects relating to the grant:

- (a) A departmental submission to the Minister on 27 February 1973 sought and obtained approval for a grant of up to \$829,000 to negotiate a walk-in-walk-out price; the Minister was advised that a further inspection and report by a firm of pastoral consultants was regarded as essential before completing the purchase; following the consultant's inspection of the property and the negotiation of a satisfactory purchase price a recommendation regarding the level of loan moneys and technical guidance considered appropriate would be submitted to him.
- (b) On the same day as the approval was sought, the Department advised the vendor by telegram that the Minister had approved the purchase of the property for \$829,000 subject to further inspection.
- (c) No evidence had been produced of any further submission to the Minister, following receipt of the consultant's report, seeking his final approval for the purchase and for the level of loan moneys to be provided to finance part of the purchase price.
- (d) Although several attempts had been made to arrange for the incorporation of the Aboriginal community involved, this had not been completed; in the meantime the property is held in the name of the company as explained above.
- (e) Attention was drawn to the difficulties likely to be encountered by the Department in arranging, after the purchase was known to have been completed by use of grant moneys, for the Aboriginal community, when incorporated, to agree that an appropriate part of the purchase price should be treated as a repayable loan.

The Department in reply advised:

- (a) When the submission to the Minister had been drafted it still thought it might be possible for there to be a 'negotiation of a satisfactory purchase price' lower than \$829,000; however, by the time the Branch Head took the submission to the Minister a number of telephone calls including

calls from the vendor who was threatening to call the deal off, had made it clear that there remained no scope for further negotiation. The Minister was informed orally of this and, in approving the grant, he was aware there was by that stage no further scope for negotiation.

- (b) It had reached agreement with the Aboriginal community which wished to purchase the property and was prepared to enter into commitments for this purpose.
- (c) If the Department had not acted as it did the opportunity to purchase the property would have been lost.
- (d) All that was now required was for the community to be incorporated and the Department was satisfied the community would do this in the 'present wet season'.
- (e) With the Minister's endorsement the Department had sought to retain some flexibility in regard to the division of the grant between a repayable loan and a grant in order both to avoid committing the community in advance to a development schedule which it might in practice be unable or unwilling to maintain; and to retain for the Government the option of recovering some of the purchase price of the property if in practice it turns out to be a very profitable enterprise.

The Department also stated that, in all cases, such purchases have been supported by the Capital Fund Advisory Committee and the communities concerned advised orally of the estimated loan/grant component. The Aboriginal community in this case was informed that portion of the funding would have to be by way of loan on a basis to be determined later and the community understood and accepted this.

## APPENDIX B

## TURTLE AND CROCODILE PROJECTS

The following is a summary of matters raised with The Australian National University, by Audit memorandum dated 15 November 1973, in relation to the turtle and crocodile projects and of specific comments by the University on certain aspects.

## (a) Overseas travel by staff attached to the projects.

## Aspects raised included:

- (i) An unexplained inconsistency existed between the charging of costs (\$2,169) of an overseas visit by Dr Bustard against the grant and his earlier application for leave to attend overseas conferences wherein it was indicated that costs of the overseas travel, except for his salary, would not be a charge to the University.

The University commented that it 'took Dr Bustard's meaning to be that the cost of his attendance would not be a charge on the University's operating budget. In his requisition for travel he indicated that the cost was to be charged to the DAA (Department of Aboriginal Affairs) grant'.

- (ii) The purpose and justification for overseas travel were not always adequately stated.
- (iii) The actual itinerary undertaken differed from that approved on the requisition for travel in one instance and appeared inconsistent with the stated purpose of the overseas visit in another.
- (iv) Adequate evidence was not available to support certain salary and allowances paid during overseas visits.
- (v) There was no evidence that a proposed trip to Bangkok in August 1972 for which tickets had been paid for was actually undertaken or a refund of the fare of \$847 obtained.

The University advised '... tickets have never been used, and a credit is available'. A refund of \$847 was subsequently obtained from the airline and paid to Applied Ecology Pty Limited on 5 February 1974.

- (vi) There were not adequate reasons stated for the issue in March 1973 of a miscellaneous charges order for excess baggage of up to \$200 and no evidence whether the order had been used or a refund obtained.

The University advised that it informed Applied Ecology Pty Limited on 16 November 1973 that this advance had not been acquitted at the time of transfer of funds to the company in June 1973. The company subsequently informed the University that Dr Bustard had advised the miscellaneous charges order had not been used and had returned it to the company on 17 December 1973; action was taken to obtain a refund of the \$200 from the airline.

- (vii) An advance to Dr Bustard of \$765 in August 1972 for travellers cheques for \$US900 was not recorded in the register of advances; no evidence was sighted of the subsequent adjustment of the advance or follow up action by the University.

The University informed Applied Ecology Pty Limited on 16 November 1973 of the unacquitted advance. The company subsequently advised that Dr Bustard had confirmed that he held travellers cheques for \$US700 and that the balance of \$US200 had been expended and credited against expenses. On 17 December 1973 Dr Bustard forwarded the travellers cheques to the company which initiated action to obtain credit.

- (viii) The reason for the inclusion of Edinburgh, Scotland in the travel undertaken by Dr Bustard during 3 separate overseas visits was not evident.

## (b) Travel in Australia.

## Aspects raised included:

- (i) Requisitions for travel were not prepared and approved when travel was undertaken by project staff on scheduled airline services using tickets purchased from cash advances or when travel was by charter aircraft or car.

- (ii) There was no evidence of review of the rates of travelling allowances when paid for extended periods; or the reason for certain rates of allowance paid.

- (iii) The reason for a private hire car being rented for a journey Canberra to Brisbane and in Brisbane was stated to be in lieu of air fares for 2 but the name of the second person was not stated.

- (iv) It was not apparent whether Dr Bustard attended a Symposium for which an attendance fee and accommodation deposit had been paid.

The matter was referred on 16 November 1973 by the University to Applied Ecology Pty Limited as an advance not discharged at the time of transfer of funds. The company replied that Dr Bustard confirmed on 17 December 1973 that he had attended the Symposium and that the amounts had been expended for the purposes previously stated.

- (v) Some amounts paid by Dr Bustard, and reimbursed by the University, to project staff for travelling were not adequately supported.
- (vi) The reason for travel Canberra-Brisbane-Canberra on 21-24 September 1972 in addition to travel Canberra-Brisbane-Thursday Island on 28-29 September was not apparent from documentation sighted by Audit.

- (vii) Although it was understood that Dr Bustard had occupied a house on Darnley Island for some time it was not evident that cognisance was taken of this when determining his entitlements to travelling allowance.

The University advised that it 'had no knowledge of this'.

## (c) Charter flights.

Examples were quoted of accounts for charter flights which had been paid direct by the University or Dr Bustard's endorsement or by reimbursement of his cash advance; no requisitions approving the travel involved could be located.

## (d) Staff of Applied Ecology Unit.

It appeared:

- (i) Adequate directions were not issued by the University in relation to the terms and conditions of employment of staff after August 1971.

The University replied:

"Whilst Dr Bustard's academic future was uncertain and his salary was being paid by the University on behalf of the Office of Aboriginal Affairs, there was no reason why action should be taken in respect of supporting staff".

- (ii) Records of leave entitlement and leave taken were not maintained for all staff employed on the projects.

The University advised that as at 3 January 1973 there were only 4 members of the Applied Ecology Unit who had been appointed to University type appointments under Dr Bustard's financial grant. Leave records were not maintained by the University for people employed by the Applied Ecology Unit, other than those given University appointments, because the University's responsibility was merely to pay them.

- (iii) The payment of fares totalling \$873 Edward River-Adelaide-Edward River for an employee, his wife and son to visit home for a possible operation for the employee and subsequent reimbursement to him of \$322 for medical expenses did not appear to be a proper entitlement. Audit indicated that the person was apparently regarded by the University as a University employee but the normal University procedures for employee compensation did not appear to have been followed.

The University commented:

"A contract of employment existed between the University and Mr Bredl during the period 1 January 1972 and 31 May 1973, when Mr Bredl resigned from his University appointment to accept an appointment with Applied Ecology Pty Ltd. As an employee of the University, Mr Bredl would have been covered by the normal University procedures for compensation for injury sustained in the course of his work for the University during the period of the contract. However, the authorising officer believed him to be an employee of the Applied Ecology Unit, the University paying his salary as agent, not as employer. Ordinary procedures for compensation should have been used".

## (e) Payments to turtle farmers and others.

It appeared:

- (i) Prior approval was not obtained from the University or the Department before Dr Bustard placed turtle farmers on the payroll or engaged other casual staff.

- (ii) Payments totalling \$2,250 to a member of Dr Bustard's staff for disbursement to casual employees over the period 1 January 1972 to 31 March 1973 were not acquitted by the submission of evidence confirming that the persons concerned were actually paid.

- (iii) Adequate authority did not exist for half-yearly payments of \$1,000 (total \$4,000) for the period 1 January 1971 to 31 December 1972 to one person; for 2 payments of \$500 each to another (the nature of the services rendered was not stated); and for 3 payments totalling \$584 to a third.

## (f) Advances to Dr Bustard for field expenses.

From Audit review of the payments made by Dr Bustard from his advances it appeared that a significant proportion of the payments could have been made direct by the University, thus enabling the advances to Dr Bustard to be correspondingly reduced.

The University noted the Audit comment.

## (g) Expenditure totalling \$140 incurred on a house.

It was not clear that certain expenditure shown as expended from advances was of a nature which might reasonably have been expected to be incurred for purposes of the turtle project.

## (h) Charter of boat.

It appeared possible that 2 payments each of \$600 made to 2 different payees for the charter of a boat, might be a duplication.

## (i) Entertainment expenses.

Authority for Dr Bustard to incur expenditure from grant funds on entertainment had not been sighted. Five accounts for amounts totalling \$68 were quoted as examples.

## (j) Electrical work, Darnley Island.

Expenditure incurred from Dr Bustard's advance for the period December 1972 to January 1973 included amounts totalling \$862 paid in relation to electrical work on Darnley Island. In addition the University paid \$292 for air fares from Canberra to Thursday Island and return for the person paid from Dr Bustard's advance for carrying out electrical work. Although the requisition for travel to the Island stated the purpose was to install electricity at Darnley Island, no evidence was produced to show the installation of electricity was required for the purposes of the project or that quotations or tenders had been called for carrying out the work.

## (k) Procurement of stores.

Payments were made by the University direct to the Island Industries Board and by reimbursement of Dr Bustard's advance for miscellaneous purchases, including groceries, tobacco, cement, pipe, petrol, laminex table, chairs, gas stove, floor tiles, a bed and bedding. There was no evidence:

- (i) that quotations or tenders were called for the supply of the goods; or  
(ii) why items such as groceries, tobacco, laminex table, chairs, floor tiles, a bed and bedding were required for the project and were a proper charge thereto.

## APPENDIX C

**EXAMPLES OF UNSATISFACTORY FEATURES OF EXPENDITURE  
ASSOCIATED WITH THE ESTABLISHMENT AND ELECTION OF THE  
NATIONAL ABORIGINAL CONSULTATIVE COMMITTEE**

**1. Conference at Canberra, 3-4 May 1973.**

- (a) A delegate whose name appeared on a certified list of those who attended the conference apologised in a letter dated 5 May 1973 for his non-attendance. From Audit enquiries it is understood that the certified list was in fact a list of those invited; a cheque payable, as an advance to the abovementioned delegate against his entitlements was not repaid until some 4½ months later by the officer responsible for delivering cheques to the delegates attending the conference.
- (b) Test checks of accounts covering advances to the delegates revealed that they did not comply with requirements of Treasury Regulation 46—for example, reference was not made thereon to the approved requisition or other authority for the expenditure and details were not shown to support the differing amounts advanced.
- (c) Although advances were made on 2 May 1973 the list, referred to in (a) above, which was apparently intended to support the acquittance of the advances, was not certified until 13 September 1973.

**2. Conference at Cairns, 22-24 June 1973.**

- (a) An advance of \$5,000 to an officer for the purpose of meeting payments to delegates and other expenses associated with the conference was paid into a bank account opened in the name of the officer. Evidence of approval of the Treasurer or his delegate for the opening of an account for the abovementioned purposes could not be produced (section 18 of the Audit Act).
- (b) Approval of competent authority under Treasury Regulation 74 obtained on 25 June 1973 provided for the advance to be adjusted within one month of completion of the conference. The advance was paid on 19 June 1973 but was not adjusted until 22 October 1973; approval for an extension of time could not be produced.
- (c) The Minister was advised in a submission, which he approved on 14 June 1973, that there would be over 300 delegates to the conference including 150 official delegates. Approval was obtained for the payment of \$10 a day 'wages' to each official delegate but a list of official delegates entitled to be paid could not be produced, on request, for Audit examination.
- (d) Although approval was given for payment of 'wages' to 150 delegates only, a total of 196 delegates was listed on the acquittance as having been paid 'wages'. From Audit enquiries it was understood that the officer occupying the position of State Co-ordinator had nominated to the paying officer those delegates eligible for payment.

- (c) Three delegates were paid mileage allowances (\$260 in one case) for travel to attend the conference but details were not recorded on the adjusting voucher of the location from or to which the delegates travelled and whether they carried passengers; the basis for the mileage rate paid; or the reasons why public transport was not availed of by these delegates.

**3. Conference at Launceston, 22 July 1973.**

- (a) An advance of \$1,000 was made to an officer on 2 July 1973 in respect of the conference then scheduled for 5 August—later varied to 22 July 1973; the reason for the early payment of the advance was not apparent.
- (b) The advance had not been acquitted by 19 October 1973, the date of the audit examination nor by 18 February 1974 when further enquiries were made.
- (c) Approval of competent authority for making the advance could not be produced (Treasury Regulation 74).

**4. Regional Meeting at Alice Springs, 30 July to 1 August 1973.**

- (a) The submission, on which approval for expenditure of \$13,500 on the meeting was given, indicated that a list of the delegates was not then available; a copy of the approved list was not subsequently produced on request for audit examination. Estimated costs included provision for fees for 150 delegates of \$10 a day for 3 days (\$4,500).
- (b) The estimate submitted when seeking approval for the expenditure also referred to 'meals' \$2,600 and 'transport' \$6,000, without providing details of the bases on which the estimates were prepared.
- (c) A cheque for \$13,500 was drawn payable as an advance to an officer of the Department in connection with the meeting. The cheque was negotiated by the Commonwealth Trading Bank of Australia, Alice Springs; \$3,000 was paid in cash and \$10,500 was credited to a bank account styled 'National Aboriginal Consultative Council'. The bank statement available to Audit shows that at 12 December 1973 there was a credit balance of \$1,239. Action is being taken by the Department to arrange for the balance of moneys in the bank account to be paid to the Commonwealth Public Account.

The approval of the Treasurer or his delegate for the opening of the bank account was not obtained (section 18 of the Audit Act).

- (d) An amount of \$1,502 being portion of the advance for the Alice Springs meeting was transferred, without proper authority, from the bank account referred to in (c) above for use in connection with a conference at Thursday Island from 31 August to 1 September 1973.
- (e) No evidence of approval of competent authority for the advance was produced (Treasury Regulation 74).
- (f) The advance of \$13,500 had not been acquitted by 25 October 1973, the date of audit examination nor by 18 February 1974 when further enquiries were made.

5. Expenditure incorrectly charged to Division 112-3, Item 02 in 1973-74.

Substantial expenditure had been incurred (examples of accounts quoted by Audit were for \$1,000, \$6,200, \$300, \$5,000 and \$13,500) as a charge to Division 112-3, Item 02 on regional conferences, although at that time the Treasurer had informed the Minister that there was no proper authority for such expenditure.

6. Expenditure relating to enrolment of electors for the N.A.C.C. elections.

Sufficient evidence to support the incurring of expenditure was not recorded on certain accounts covering payments made to enrollers. Specific reference was made to an account dated 4 October 1973 for \$1,839 which was apparently based on telephonic advice to an officer; it was not evident from the account that the Department was in possession of information to justify the payment at the time it was made.

APPENDIX D

HIRE OF VEHICLES FROM PRIVATE FIRMS

Examples of deficiencies were:

1. Account for \$1,977 for hire of 5 cars—Darwin:

(a) No prior approval could be produced for hire of 5 cars for the period August/September 1973. The account was noted 'Expenditure approved' on 26 November 1973, more than 2 months after the service was rendered.

(b) No prior certificate had been given that funds were available for the purpose.

(c) No tenders or quotations had been called for the hire of the vehicles nor were the supplies obtained under an existing contract.

(d) The amounts paid included charges, in addition to time and mileage charges, for:

(i) damage cover fees and personal accident insurance. Evidence was not available to show that competent approval had been given for the expenditure or that the provisions of Treasury Directions in relation to the insurance of such risks had been observed; and

(ii) supply of a tyre for \$44. No evidence was available to explain why this charge should not have been met by the hiring firm.

2. Accounts (3) totalling \$1,237 for hire of a vehicle—Brisbane:

(a) The only order quoted on accounts for hire of the vehicle for the period 14 August to 21 November 1973 covered the period only to 14 September 1973. No prior approval for hire of the vehicle for any period subsequent to 14 September 1973 could be produced.

(b) Deficiencies similar to those in 1 (b) and (c) above existed.

(c) It was not evident consideration had been given to obtaining a Government-owned vehicle instead of a private hire vehicle.

3. Account for \$186 for petrol and oil, repairs, etc., to a vehicle—Kununurra, Western Australia:

There was no record of:

(a) prior approval of the various items of expenditure or of the hire of a vehicle in relation to which the expenditure had been incurred;

(b) a contract or order setting out, for example, particulars concerning the liability of the Department to meet charges for repairs and tyres and tubes; and

(c) action taken to establish the validity of all the charges against the Department (section 34 of the Audit Act).

4. Account for \$488 for hire of vehicles—Mount Isa:

In addition to deficiencies of a similar nature to those referred to in 1 (b) and (c) above, the order provided for the hire of 5 vehicles for the period 5 to 18 September 1973 but gave no indication of the extent of the use envisaged; the account paid also covered charges for 3 weeks—not 2 weeks as authorised by the order.



## APPENDIX E

## COMMONWEALTH CAPITAL FUND FOR ABORIGINAL ENTERPRISES

1. Instances where moneys appeared to have been paid from the Fund prematurely:

- (a) In March 1973, \$100,000 was paid from the Fund as a subscription for shares in Aboriginal and Islander Marketing Pty Limited. As \$75,000 of this amount was immediately invested and, according to recent enquiries, was still invested, Audit considered it had not been necessary to subscribe the full amount of \$100,000 in March 1973.

The Department advised it was not correct to conclude that only a minor part of the \$100,000 was required to finance the company's operations at the time the subscription for shares was made. The requirement was estimated on the basis of the company purchasing 5,000 turtles at approximately \$10 each and preparing them as curies at an average of a further \$10 each. However, unforeseen difficulties were experienced in the field in co-ordinating taxidermists and arranging for the killing of suitable turtles. A further factor since then has been the virtual freeze existing in the whole turtle project pending reconstruction of the company by the Minister.

- (b) An amount of \$28,000, approved in June 1972 as a loan to an Aboriginal enterprise, was paid in October 1972 to an agent bank to hold pending disbursement to the enterprise as required. Although the amount of \$28,000 was still held by the agent bank in July 1973 (and not earning interest for the Fund), a further amount of \$53,000 was paid to the enterprise as a loan in July 1973. It was not apparent to Audit why the further loan of \$53,000 had been provided when the earlier loan of \$28,000 had not been drawn.

In reply, the Department stated that in line with the development programme for the first year it was anticipated the \$28,000 loan would have been required. However, the enterprise did not accept a resident cattle adviser and as a result the development programme did not proceed as quickly as expected. The Department also stated that the original loan of \$28,000 was (and is) allocated towards the purchase of cattle and has not been fully expended, only because suitable stock was not (and is not) immediately available at a realistic price. The additional loan of \$53,000 represents development costs for the second year of the project and is to be expended progressively over the period July 1973 to June 1974. The Department believed it would be improper for the development costs to have been funded in part from the balance of the \$28,000 loan.

2. Instances where moneys appeared to have been made available before legal requirements were satisfied:

- (a) On 28 February 1973, a cheque for \$50,000 was handed to a representative of a firm of accountants to take up equity capital on behalf of the Fund in an Aboriginal enterprise which was in financial difficulties. At

that time it was known the company's Memorandum and Articles of Association provided for share capital of \$10,000 only and it was expected there would probably be some difficulty in arranging for the shares to be issued. According to departmental records the \$50,000 provided from the Capital Fund had been largely expended by 30 June 1973. The share certificate covering the \$50,000 issued on 31 August 1973 was not obtained by the Department until October 1973 following oral representations by Audit officers. No evidence was sighted by Audit of any security being obtained by the Department to protect the Capital Fund's interests during the period from 28 February 1973 when the moneys were paid from the Fund and the date of issue of the share certificate on 31 August 1973.

The Department advised that the accountants who received the cheque were the Capital Fund's unofficial receivers and managers and in this capacity they were instructed to undertake the necessary action to have the Memorandum and Articles of Association amended and for the share scrip to be issued. The Department also stated that no action was taken to obtain security documents to protect the Capital Fund's interest as it was not usual commercial practice to require security over application money for shares. The moneys were used by the accountants to pay creditors of the enterprise in order to preserve the business which would have collapsed if the moneys had not been paid. The Department advised that it now holds the share scrip in safe custody.

- (b) Following approval of the Minister on 4 February 1973 for a loan of \$13,650 to an Aboriginal co-operative, an agent bank was requested on 16 March 1973 to hold the amount in a special account to be opened pending completion of security and other documents by the co-operative. On 1 August 1973 the Department advised the agent bank that the loan might be disbursed when the bank received a signed undertaking from the co-operative that all security documents relating to the advance would be signed in due course. The bank advised on 3 August 1973 that it had transferred the funds and held a signed undertaking as requested.

A departmental file note dated 26 September 1973 recorded that the security documents to cover the loan of \$13,650 could not be prepared until the Rules of the co-operative, which limited its borrowings to \$5,000, had been amended.

Audit informed the Department that this case appeared to indicate:

- (i) inadequate investigation of the co-operative's capacity to borrow;
- (ii) payment to an agent before finally had been reached on the loan; and
- (iii) the transfer of funds to the co-operative before security documents protecting the Capital Fund's interests had been prepared and signed.

The Department in reply advised:

- (i) At the time the moneys were despatched it was anticipated there would be no undue delay in having the legal formalities completed to enable the loan to be made to the co-operative.
- (ii) The Rule concerned was finally amended by the co-operative and forwarded to the Registrar of Co-operatives for registration on 16 October 1973.

(iii) The loan moneys were released to the co-operative following a visit to the area by the Minister and receipt of advice that re-possession of the co-operative's plant was imminent and unless it received the funds quickly the cane cutting season would be missed. The loan had been released on the direct instructions of the then Minister.

(iv) The undertaking to execute loan documents was signed by co-operative members before the moneys were released.

(v) The action taken by the Department seemed reasonable in the circumstances.

Audit reiterated its reservations relating to the premature release of the moneys to the agent bank; the validity of applying moneys of the Capital Fund for the purpose of the loan before the co-operative was legally able to borrow to the extent of the loan; and the adequacy of the undertaking obtained, when the moneys were released, for the purpose of protecting the Fund's interests.

3. Loan of \$132,000 disbursed through a private firm acting as an agent of the Capital Fund.

Following approval on 25 May 1973 of a loan of \$132,000 to an Aboriginal enterprise, the full amount was forwarded on 22 June 1973 to a firm of accountants appointed to act as agents for the Capital Fund.

In memoranda addressed to the Department, Audit referred to a number of aspects relating to the loan including:

- (a) apparent inadequacy of instructions to the agent in relation to the nature of the trust account in which the moneys were to be held pending disbursement to the Aboriginal enterprise;
- (b) the necessity for the moneys to be held by the agent pending release to the Aboriginal enterprise;
- (c) apparent failure by the agent to inform the Department from time to time as moneys were disbursed to the borrower;
- (d) failure by the Department to follow up non-receipt of advice from the agent of disbursements made. It was only after Audit representations that the Department ascertained, by a letter received on 29 January 1974 from the agent, that \$128,929 of the \$132,000 had been progressively disbursed since 5 July 1973; and
- (e) recording of the whole amount of \$132,000 in the accounts of the Capital Fund as held by the agent although this had not been the true position for some time.

In reply, the Department advised:

- (a) It was acceptable to the Department that moneys be placed in the accountant's normal trust account, that is, a special bank account was not required and thus the instructions issued were considered adequate.
- (b) To facilitate the disbursement of the Capital Fund loans, an agreement had been reached with banks that they would act as agents for the Capital Fund, but not as exclusive agents. It was essential to be able to select the most appropriate agent for a particular task; in the instance of the loan under correspondence, the agent with the required expertise was a firm of public accountants which was better equipped and had more expertise for disbursement and supervision of the loan than a bank.

- (c) It was agreed that advice from the accountants on the expenditure of the moneys should have been obtained progressively and, if adequate staff had been available, the Department would have followed this up; however, officers were in contact orally with the agents and had been informed that the advice of expenditure would be forwarded when all funds available for capital items had been expended.
- (d) The adjustment of the accounts of the Capital Fund which would normally have been made upon receipt of progressive advice from the accountants, was now being made.

## JOINT COMMITTEE OF PUBLIC ACCOUNTS

## TRANSCRIPT OF EVIDENCE

(Taken at Canberra)

FRIDAY, 6 DECEMBER 1974

## Present:

SENATOR McAULIFFE (Chairman)	
Senator Gullfoyle	Mr Connolly
Senator Grimes	Mr Graham
	Mr Martin
	Mr Morris
	Mr Reynolds

## Observers:

Department of the Treasury: Mr A. M. Finch.  
 Auditor-General's Office: Mr W. H. Scott  
 Public Service Board: Mr D. G. Whetton

Honourable Gordon Munro Bryant, Minister of State for the Capital Territory and formerly Minister of State for Aboriginal Affairs, was sworn and examined.

1785 CHAIRMAN—The Joint Committee of Public Accounts will now resume the taking of evidence, as provided for by the Public Accounts Committee Act 1951-1973, into the financial administration of the Department of Aboriginal Affairs. Before I ask the witness to tender any signed exhibits, the Committee has a brief statement to read for incorporation in Hansard. It reads as follows:

Before asking the Minister to tender his submission to the Committee I wish to make some observations regarding the acceptance of the Minister's submission by the Committee at this public inquiry this morning.

The Committee received a letter yesterday from the Minister for the Capital Territory seeking to confirm the circumstances under which his submission relating to the Committee's inquiry into the financial administration of the Department of Aboriginal Affairs would be accepted by the Committee this morning.

His understanding of the arrangements was:

1. That he would appear before the Committee and table his submission, which would be accepted by the Chairman. The submission would then become privileged.
2. He would be invited to make a few remarks by way of explanation of his submission.
3. He considered that this would place him in the same position as other witnesses who have begun to give evidence. As a result, his submission would be freely distributable to persons present at the meeting and would be able to be generally released by the Committee and himself.

The Committee agrees with the arrangements as understood by the Minister, with the exception of the arrangements for distribution of the submission.

The Committee has decided that the Minister's submission should be distributed in the normal way by the Committee Secretariat and by the Committee Secretariat only. Copies will be available to interested persons attending the hearing today and copies will also be distributed to the representatives of the Treasury, the Public Service Board and the Auditor-General's Office who attend these hearings as observers to assist the Committee. Copies will also be available after the hearing from the Secretariat.

I now ask the Minister to tender his submission.

Mr BRYANT—I do so.

1786 CHAIRMAN—I now invite the Minister to make a statement, if he wishes, by way of explanation of his submission.

Mr BRYANT—Thank you, Mr Chairman. I must say that on this morning of all mornings your sitting on this occasion is a courtesy beyond the call of duty and I deeply appreciate it. First of all, my appearance here is basically to place on record what I believe to be the true situation as far as the administration of the Department of Aboriginal Affairs during the periods in which I was the Minister, is concerned, to clear up some misconceptions that have arisen, and to place before the Committee areas in which I believe errors in fact have been placed before the Committee. But there were other matters as well. For instance, to assist in a proper evaluation of some of the work that was launched at that time there is just one simple demonstration, the elections to the National Aboriginal Consultative Committee. I want to say this and I say it publicly: If there was one thing in the Auditor-General's report which worried me, almost to the point of indignation, it was the publication of the statement the election was held to meet the deadline set by the then Minister. This was an assumption that I had set a deadline the Department could not meet. The Auditor-General did not say whether that was true or whether it was not true; whether that was the case or it was not the case. It was not the case, but it is taken by people who read it as part of my operations.

There are other matters that occurred out of those elections. I do not think a proper appreciation has been placed on record of the magnitude of the task that was undertaken or the success of it. I just put that in as an instance of what I feel about it.

I feel that my appearance here this morning is my demonstration that I believe that the Parliament is the sovereign power as far as the Government of this country is concerned. While I am a Minister, I am still first of all a member of the Parliament and my character comes from my membership of the Parliament. To that extent, the duty that the Committee has imposed upon it is paramount. It is my duty to place myself at your disposal. I am not sure it has been the custom in the past, in fact I have been informed that it is not so. But I think that Ministers have to become more

closely associated with the functioning of the Parliament in this way.

1787 CHAIRMAN—You have rewritten the history books. You are the first Minister to appear before this Committee.

Mr BRYANT—There is one issue which I will raise directly and on which, perhaps, we should have worked closely together before. Several issues have been placed, I think, in the arena as a result of your investigations or inquiry into the Aboriginal Affairs Department and in the evidence and submissions placed before you by the Department itself. There seems to me to be one principal issue: There was the duty of the Minister to lie, what were his rights, what was his power, what was his duty? If you read—and you will have done so—the transcripts and you think it over, I think you will see that the Department placed before you the suggestion—it was almost an assertion—that the Minister did not have the power to initiate action. I believe that it is the Minister's duty to carry it out. Therefore, many of the aspects placed before this Committee seem to me to be irrelevant in the parliamentary context. Because there was a very large public coverage through the media of the meetings of your Committee I felt the impact it had made. I know what impact it has made on the community and its attitude to Aboriginal affairs, and incidentally perhaps to myself. But I regard myself—whatever might be one's reputation in this matter—as incidental. It is of such a magnitude that I must try to reverse the attitude that had developed towards Aboriginal affairs.

I have a few comments to make to direct the attention of the Committee towards the structure of my submission. I had a very long experience in Aboriginal affairs before I became the Minister. Back in 1957, I think it was, we established the Aborigines Advancement League in Victoria and I became its first chairman. I was one of the founding members of the Federal Council for the Advancement of Aborigines and Torres Strait Islanders. I was its senior vice-president for many years. At the 1974 conference the Council made me its first and only life member. During the course of my parliamentary duties here, I had taken an active interest in the situation. My first emotions were stirred in the matter by the plight of the people in the Warburton Ranges in about 1957. I moved a motion in the House

—an urgency motion as we call it—arising from that, although it was not particularly developed. The impetus to my motion came from the particular campaign about the Warburton Ranges at that time. Subsequently I took an active interest as a parliamentarian. In 1963, for instance, I was on the Virrkala Committee, the one that examined the grievances of the people there. That arose from a visit to Virrkala by the Minister for Education and myself, on a petition to this Parliament. On that occasion I entered an appearance of an objection in the court to the granting of mining leases up there. That may well have been one of the first occasions on which the legal right of the Aboriginal people of Australia to their land was taken up in the courts. And in the parliamentary area I have continued that. I was the national campaign director for the referendum in 1967 and therefore

I would say that I entered the area of Aboriginal affairs with a broad experience, a lengthy experience and possibly in some ways a wider experience than almost anybody in the field. I was not any novice in the matter. I will say that I felt that on many occasions the Department and its senior officers did not pay me the courtesy of presuming that I might know as much as anybody else in many matters.

The issues as you will find, through the submission—and I hope it is clear enough—are these: Firstly, the question of organisation. I interested myself in the establishment of the Department from the very beginning but the Permanent Head of the Department maintained that this was his prerogative. You will find plenty of evidence there that that was the case. Out of my experience in Aboriginal affairs I was certain that we needed an organisation on the ground of a particular type, but it also needed to be structured in such a way that it would overcome many of the difficulties that I foresaw would happen that is, not enough Aboriginal participation. Therefore something had to be done about that. As to having a very strong financial structure, you will find through the documents, despite what has been said and despite what evidence has been placed before you, that not only was I not irresponsible in the handling of finances but I was insistent—I attempted to insist—that the structure be established in order to do that. The question of financial control bothered me from the very beginning because, as I say, I had had a long experience in Aboriginal

In launching the Department and the Minister for Aboriginal Affairs, the Australian Government elected on 2 December 1972 faced a peculiar situation inasmuch as the Australian Public Service is not geared to change. That does not mean that public servants are not,

but the system and the structure itself is not geared to change. I will quote one simple instance. In his policy speech for that election the Prime Minister had said that we would open offices for Aboriginal Affairs in the mainland capital cities. At the same time, of course, the people of Australia knew that we were going to recognise Peking. We managed to get an embassy started in Peking many, many months before we got offices established for Aboriginal Affairs in Brisbane, in Melbourne or anywhere else. The structure of government here is not geared to carry out much of the tasks that Aboriginal Affairs had to undertake. Another one was the time and effort to create positions—and this is demonstrated throughout the documents. I felt that the Department was not active enough in many of these respects. So, many of the procedures are not capable of answering the problems of new departments, particularly ones with great demands upon them such as was the situation of Aboriginal Affairs. Another one is the tendency for the Minister to be isolated from the departmental structure. It is an issue that is important to us as parliamentarians and is implicit in some sections of the Public Service Act. But, as I explain there, I think that the constitutional position overrides that.

So, the issues as you will find, through the submission—and I hope it is clear enough—are these: Firstly, the question of organisation. I interested myself in the establishment of the Department from the very beginning but the Permanent Head of the Department maintained that this was his prerogative. You will find plenty of evidence there that that was the case. Out of my experience in Aboriginal affairs I was certain that we needed an organisation on the ground of a particular type, but it also needed to be structured in such a way that it would overcome many of the difficulties that I foresaw would happen that is, not enough Aboriginal participation. Therefore something had to be done about that. As to having a very strong financial structure, you will find through the documents, despite what has been said and despite what evidence has been placed before you, that not only was I not irresponsible in the handling of finances but I was insistent—I attempted to insist—that the structure be established in order to do that. The question of financial control bothered me from the very beginning because, as I say, I had had a long experience in Aboriginal

affairs and I knew the difficulty that an Aboriginal affairs organisation to which we would make grants would have in handling the situation. If you make a grant of \$10 000 to a group of people you do not want to be a big brother but you have to have some system by which they handle the matter correctly. I think now that possibly that was the stage at which I should have come to this Committee and asked for advice on how this should be handled. I did talk to various people in the Treasury—I am not certain about the Auditor-General's Office—at the time, and I certainly attempted to insist that the Department get tighter control and make more frequent payments rather than large lump sums and so on.

The other question, which you will find throughout the documents, is my insistence on Aboriginal involvement and the attempt to create an Aboriginal core which would be able to handle matters on the ground. I think this is the burden of my submission, and I am quite certain that my efforts to have that kind of organisation, financial control and Aboriginal involvement established were supported by my staff and by my colleagues in the Parliamentary Labor Party's sub-committee on Aboriginal affairs. I am here this morning to give you, in a sense, a memorandum rather than a defence of anything I have done. I think history can speak for itself, but there are a few matters I will comment on before I finish.

I mentioned earlier the Warburton Ranges situation. It was 1957 when that first came into the public eye. It was 1973 when I visited the place and it was not all that much different. This was most disturbing. I was on those grounds that I issued orders that tarpaulins and so on be obtained for the people. I visited Papunya in January last year and issued what I suppose is a directive—certainly a statement on what the Department and I felt ought to happen. A few weeks ago I saw a newspaper article which indicated that things remained much the same. In these areas, scattered throughout the 400 communities in Australia where Aboriginal people are, there was a great need for initiatives of all sorts. I felt it was my duty to do it, to try to have them implemented, and I am quite confident that the things that were done ought to have been done. In very few of them was there a waste of money. In fact the record is probably there for anybody who has the time to go and see. I think that the Aboriginal affairs situation needs new

initiatives and new dynamics. I hope they will carry on.

There are one or two other points. The Permanent Head of the Department who had been long involved in the situation himself and against whom I have no personal grudge whatsoever, had a different view about many things. He said things to you about my performance or my attitudes which I think were not correct. He suggested it was difficult to give me advice. I give instances there of my own views about this. What I think he meant on that occasion is that people do not mean they give you advice; what they mean is they give you directions, in effect. In one or two instances I am quite confident that the fact that I did not take the advice—and I quote several instances there—was good for the Aboriginal people and the control of public accounts as well.

As I say, I think that procedures which gave rise to the report of the Auditor-General need examination. I specify this in my submission, but perhaps I had better say it here in public. I am a member of this Parliament. Once I handed over my ministry I was in duty bound to be silent in the public area. That is the way I felt about it. I had some inkling that, arising out of matters that we had raised ourselves—I had written to the Auditor-General saying I was concerned about some areas of it—there was an inquiry going on. As a result of this, the Auditor-General's Office writes to the Aboriginal Affairs Department; the Aboriginal Affairs Department writes back; and this communication goes on at the official level. I find now, obviously, that the Department was saying things about my work and attributing many of the errors—if they were errors, and I am not even certain that they were in this regard—and difficulties to me. Nobody communicated that to me to me. On the day the Auditor-General's report was tabled in Parliament, I knew it was coming. We had made big efforts to see what was the score, but we were told—I respected the procedures—that the Auditor-General prepares his report, hands it to the Speaker in a sealed envelope, and then it is handed down. At no stage did the Auditor-General or any of his officers or anybody else communicate with me and say: 'These are things that are being said. You are involved. Have you anything to say?' So you sit there in the House at the end of question time and suddenly you are under fire. I do not think that ought to be allowed to continue. I do not blame anybody for it: We

are all parts of the system; we are all prisoners of procedures. But I would suggest, with respect to the general procedures, that anybody who becomes involved in such a way that he may well become the subject of public criticism ought to at least be brought into the act. This comes back to the general question of the Parliament and relationships with officials and so on in this area. I regard the Parliament as the executive instrument of the Australian people and I suggest that we have to get officialdom much closer to the Parliament itself. I submit that the very important duties that you carry out on behalf of the Parliament will be advantaged if we examine some of these procedures. If it is not presumptuous of me, at this stage let me just say that there are a few financial procedures that I think is apparent, arising from difficulties in Aboriginal Affairs, ought to be changed. For instance, there is the question of the transfer of property, whether it is a barge or a trawler, and the necessity that a certain sum be paid over to the Treasury even although the property is being passed from one branch of the Public Service to another. And in the case of

Aboriginal Affairs, various financial procedures which enable payments to be made to organisations around the country could be streamlined.

I just want to say that I am very grateful for the courtesy that you have paid me this morning. I am conscious of what this means in so many ways. My real objective is to clear the air and make the community and the Parliament see that Aboriginal affairs is not a dead area. It is a difficult area, but a great deal has been achieved and a great deal is still to be achieved, and we will continue to make progress only when people see the constructive side of it rather than the continual destructive criticism which has prevailed.

At this stage I suppose all I can do is to wish you the compliments of the season, Mr Chairman and members of the Committee.

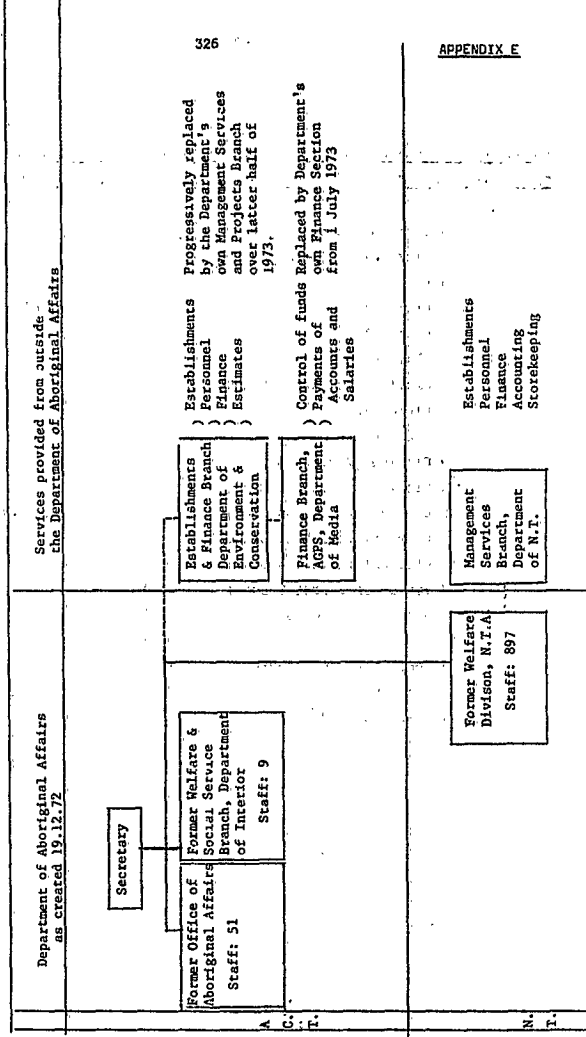
1788. CHAIRMAN—May I say, on behalf of the Committee, that we reciprocate your good wishes. This public inquiry stands adjourned until a date to be determined.

Committee adjourned

Composition of Establishments and Finance Branch, Department of the Environment, Aborigines and the Arts as at 1 December 1972

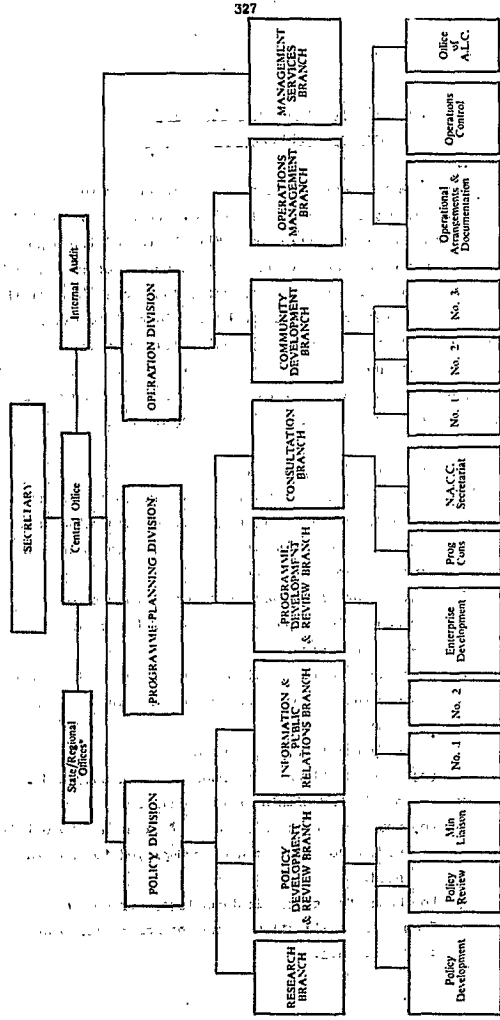
1 Director Class 10	
1 Clerk Class 9 - Management Projects	
1 Clerk Class 8	)
1 Clerk Class 6	) Personnel and Finance
1 Clerk Class 5	)
1 Clerk Class 4	)
1 Clerical Assistant Grade 2	)
1 Clerk Class 8	)
1 Clerk Class 5	)
1 Clerical Assistant Grade 6	)
1 Clerical Assistant Grade 4	)
2 Clerical Assistant Grade 3	) Property and Office Services
1 Clerical Assistant Grade 2	)
2 Clerical Assistant Grade 1	)
1 Typist-in-Charge Grade 1	)
2 Stenographer Grade 1	)
4 Typist	)
1 Senior Internal Auditor Grade 1	)
1 Clerk Class 4	) Internal Audit
1 Clerk Class 2/3	)

DEPARTMENT OF ABORIGINAL AFFAIRS - ADMINISTRATIVE STRUCTURE  
FROM 19 DECEMBER 1972



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APPENDIX E



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\* State and Regional Offices (incl. Darwin) will have similar structures to Central Office.

Organisational structure for the Department of Aboriginal Affairs

A Brief Outline of Procedures for  
Handling Establishment Proposals

1. Establishment reviews are normally initiated within a department. A review may arise from a cyclical programme of establishment inspections or from a need identified by a "line" area of the department. Such a review may indicate a need to re-organise work-procedures, redeploy staff, create or abolish positions, re-classify positions etc. If the department considers establishment action by the Board is desirable (e.g. action to create, abolish or re-classify positions) or if it is proposed to alter the duties of the position in a manner which might affect its classification, a report to the Board in terms of Section 29 of the Public Service Act is prepared. The report covers the following matters.

- (1) the variations proposed.
- (2) general comments relevant to the Board's examination of the proposal. They might cover such matters as functions, authorisation, need for change, and the aims of re-organisation.
- (3) a statement of the duties to be performed by the occupant of each position proposed for creation or re-classification.
- (4) justification for additional positions. The Board expects this to be based on work measurements whenever possible.
- (5) where appropriate, an assurance
  - (a) that additional positions are necessary and can be staffed within staff ceilings
  - (b) that work procedures are efficient and no existing vacant positions can be redeployed to meet the need.
- (6) the bases for classification levels proposed. General classification standards and criteria are known to departments.

(7) a chart showing the manner in which positions are to be organised.

2. The proposals are examined by the Board's officers and if it is concluded that the proposal is not justified in all its aspects, it is normal for discussion to take place between departmental and Board's officers in the course of which an attempt will be made to reach agreement on an appropriate establishment and, if necessary, on organisational arrangements.
3. The Board's Office then advises the department formally of the establishment variations which the Board is prepared to either recommend to the Governor-General (creation of positions) or to make under its own powers (reclassification of positions).
4. The department then approaches the Department of the Treasury for approval for funds to cover salaries for any new positions or re-classifications agreed to by the Board (the Postmaster-General's Department and the Departments of Defence and Supply have somewhat different funding arrangements).
5. On receipt of the required Treasury advice the department informs the Board's office that funds have been made available to cover establishment variations agreed to by the Board.
6. The Board (or its delegate) then issues a formal Recommendation to the Governor-General for the creation or abolition of positions, or a Certificate re-classifying existing positions. These documents are forwarded to the department.
7. Recommendations for the creation or abolition of positions are referred by the Minister administering the department concerned to the Governor-General in-Council for approval. Reclassification Certificates issued by the Board are held by departments.
8. The assessment and processing aspects of procedures outlined above generally apply also to the provision of temporary positions. There is, however, no requirement to issue formal recommendations to the Governor-General to establish temporary positions and prior advice of funds availability is not required.

To All Staff

Staff Circular No. 74/183

The Re-Structuring of the Department  
(Circular No. 2)

I am sorry that this second circular in the series has been delayed for reasons beyond my control. In the first circular on this subject (Staff Circular No. 74/129), I outlined the reasons for the re-structuring of the Department and the philosophy underlying it. In this circular, I propose to explain in some detail the functions of the various Divisions and Branches of the Department and their inter-relationships with one another in the conduct of our operations.

2. The original basis on which the Office of Aboriginal Affairs was established was that it would seek to ensure the implementation of Government policies relating to Aborigines by co-ordinating the activities of various governmental and other agencies already in the field, rather than by undertaking these activities itself. The Department will continue to operate in precisely the same way. Its proper role is to ensure that facilities provided by Governments to all Australians are brought within the reach of Aborigines despite difficulties such as social and physical isolation, and also to ensure that special facilities are provided, where necessary, to overcome handicaps suffered by the Aboriginal population in general or by particular groups of Aborigines. Thus, in the fields of housing, health, education and employment, and in the provision of community amenities and services, the Department will seek to use Australian Government and State Departments and agencies, as well as Aboriginal and non-Aboriginal organisations, to achieve its objectives, rather than attempt to do this itself or by setting up new agencies. The proposal to absorb the State Departments dealing with Aboriginal Affairs (under which the organisations in South Australia and Western Australia are now part of the Department) was not intended to give the Department a new functional role, but rather to enable it to perform its co-ordinating and stimulating role more effectively by more direct involvement in the identification and interpretation of Aboriginal needs - (and also, of course, to eliminate duplication of effort). This is an important point to note, because on it will depend a proper understanding of how we should function.

3. By the very nature of things, the first and normal point of contact between Aborigines and the Department will be our Area Offices in the various States and the Northern Territory. These offices will, therefore, be the eyes and ears of the Department in interpreting the needs and priorities of Aborigines in their respective areas. For all practical purposes, therefore, our State and Territory Branches and our Area Offices should be regarded as extensions into the field of the several Divisions and Branches of the Central Office of the Department, with functions and responsibilities similar to those of the Central Office.

Primary Division of Responsibilities.

4. Appendix 1 contains an organisation chart setting out the structural organisation of the Department in its present form. Under the new arrangements, the primary division of responsibilities, in Central Office, is into policy-making, programming and operations, so that emphasis can be given to Aboriginal needs in their entirety

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rather than separately by function (health, education, welfare) or by the source or nature of the funds provided. This means that work-flows within the organisation will tend to be horizontal rather than vertical and will require that officers from the different Divisions and Branches work closely with one another, often in teams, to determine the best approach to a particular proposal or problem that may arise.

The Development of a Planning & Programming Environment

5. Another most important change is that the Department will plan further ahead in an attempt to foreshadow Aboriginal needs.

6. In the long term, instead of the majority of proposals being received in an ad hoc stream, examined one by one, and funded from what general funds may then be available, Aboriginal needs will be researched in the widest context and identified or anticipated in advance, for inclusion in the three years of the forward estimates. The Department will thus develop and progressively refine a rolling 3-year program. Broad policy objectives will be established, funding levels sought will reflect needs and, to the extent practicable, estimates will identify specific projects which will meet objectives, will have been scrutinised before inclusion in the estimates and, when budget approval is received, may be funded promptly.

7. Clearly, it will not always be practicable to identify and scrutinise, in advance, every specific project designed to meet a particular broad policy objective and some broad items will appear in the Department's program against which specific applications will be subsequently sought or received, either in a later year in the program or in the funding year itself.

8. Also, although unprogrammed items will be reduced considerably as time goes by, it will always be necessary to be able to provide general funds for the unforeseen and urgent need.

9. Thus the Department's program will consist of

(a) some specific items  
and

(b) some broad items to meet particular objectives  
and, when funds are provided, they will include contingency amounts to cater for ad hoc proposals (i.e. unprogrammed but urgent needs) arising in the funding year.

10. A primary objective will be to include as many specific items in the program as is practicable and, by adequate forward planning, to reduce the stream of ad hoc proposals to a trickle. In effect, this means that the receipt, examination and funding of projects, which is now largely concentrated in the funding year, will be handled over a four year period (the funding year and three years of forward estimates). When that objective is achieved, the Department's activities will be better stabilised and some of today's crises and hurried decision-

...3/



making hopefully avoided. It will, however, require concerted effort by all concerned to advance our work to the stage where we can commence looking at particular Aboriginal needs well before the funding year.

#### Role of the Policy Division

11. Within the above framework the role of the Policy Division will be to make a significant contribution to the identification and review of the Department's policy objectives, the broad nature and volume of the assistance required for the advancement of Aborigines and the criteria by which applications for assistance may be judged. In doing so, the Division will obviously consult with and be advised by other Divisions and Offices of the Department and by outside agencies.

#### Role of the Program Planning Division

12. The program will consist of a series of sub-programs, received, for example, from Head Offices\*, State Governments and national bodies, and it will be the responsibility of the Program Development and Review Branch, supported by the Consultation Branch, to identify the boundaries of the various sub-programs, ensure that adequate data is received with respect to each and fashion them into a national program which, over the three year period of the forward estimates, best achieves the objectives sought within the likely limit of available funds.

13. The Program Development and Review Branch will also have the responsibility for preparing a Central Office sub-program in the same way that a Head Office would prepare such a sub-program.

14. Because most proposals for assistance will be initiated in the field, the task of anticipating Aboriginal needs, identifying specific proposals and, where practicable, scrutinising them prior to inclusion in either their own or the Central Office sub-program will fall heavily on the shoulders of staff in the States or Northern Territory. For this reason, the Program Development and Review Branch will have a "staff" relationship with programming positions in Head Offices.

15. As indicated in paragraph 9, the program, when constructed, will consist of some specific items and some broad items. The Program Development and Review Branch will not only be concerned with the initial construction of the program but with its continued refinement as the funding year approaches. Thus, specific items already included in the program will be more closely examined and specific applications will be obtained against broad items in the program. Although such follow-up action will be initiated by Program Development and Review Branch, detailed scrutiny of applications will be undertaken by the States and/or Operations Divisions.

16. When budget approval is obtained for the program, the Program Development and Review Branch will have the general responsibility for setting priorities for its achievement, although the detailed

\*Head Office is a generic term used to describe Offices of the Department of Aboriginal Affairs in the State capitals and Darwin.

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implementation of specific projects will be the responsibility of Operations Division.

17. The Program Development and Review Branch will also have the responsibility for examining ad hoc items to determine whether they should be funded immediately or whether they should be programmed for subsequent funding. This is further discussed in paragraphs 23 and 24.

18. Thus, in summary, the Program Development and Review Branch will be concerned with the construction, progressive refinement and achievement of the program and also with the examination of ad hoc items against the possibility that they should be programmed rather than being funded immediately. In undertaking such activities it will seek the advice of the Consultation Branch and other Divisions as appropriate.

19. In relation to the role of the Consultation Branch, although located in the Program Planning Division and primarily concerned with programming, it will also provide consultative services for policy-making and for project examination and implementation. The Consultation Branch will provide such consultative services on the basis that it keeps itself informed, particularly at the national level, of the views and wishes of Aborigines. The effectiveness of these arrangements will be enhanced if the advice of the Branch is freely sought.

#### The Role of the Operations Division

20. In general, the role of the Operations Division will be to obtain and examine specific proposals - either those for inclusion in the estimates or ad hoc proposals for immediate funding; to oversight all on-going operations; and to oversight and control the effective implementation of projects. For reasons already indicated, the majority of operational staff will be located in the States and the Northern Territory.

21. In particular, Community Development Branch will provide the detailed knowledge and subject expertise necessary both to the examination of proposals and to their subsequent effective implementation, and for this reason will need very close communication with Head Offices and the field - as well as with other Central Office Branches.

22. On the other hand, Operations Management Branch will be concerned with operational and project control and will maintain recording and management reporting systems for that purpose. (These recording and reporting systems will be described in a subsequent circular.) It should be noted, however, that detailed operational and project control will, as far as practicable, particularly in respect of present staff ceilings, be delegated to Head Offices, with the Central Office providing general guidance and oversight and consolidating individual progress reports into summary reports for the Secretary and other senior departmental officers. The records maintained by Operations Management Branch will provide a valuable information source for all other Branches. The Operations Management Branch will also have the responsibility for recording the existence and

...5/

status of applications and checking that all applications going forward for funds or other approvals have been adequately examined with respect to legal, social, financial and economic assessments and that they carry all necessary (policy, program etc) clearances.

#### Flow of Applications through Central Office

23. In the short term, many proposals will continue to be ad hoc requests coming directly into the Central Office for immediate funding so that processing this "ad hoc stream" will continue to be a major activity of the Department's Central Office for some time yet. The way in which this stream of non-programmed items is to be handled is described, in the broad, in Appendix 2 and, in detail, in Appendix 3. Even in the short term, however, the Department's overall objectives should be kept firmly in mind and the possibility of deferral, to permit examination in a wider context and possible inclusion in the program, should be considered.

24. Aboriginal groups and other applicants are to be encouraged to deal with Area and Head Offices and, as appropriate delegations are provided to Head Offices, many items similar to those now handled in Central Office will be intercepted by, or re-directed back to, the appropriate Head Office thus considerably reducing the volume of ad hoc proposals funded in Central Office. Furthermore, the initial examination of many items will commence well before the funding year and will be programmed, thereby further reducing the volume of ad hoc proposals being received in Central Office for immediate funding.

25. Clearly, the same general processes of scrutiny and approval will be involved with respect to proposals received in advance of the funding year. However, some of the processes will be undertaken prior to inclusion in the program, some after inclusion in the program and some after program (i.e. budget) approval. The method of handling programmed items will be charted separately and distributed with a later explanatory circular.

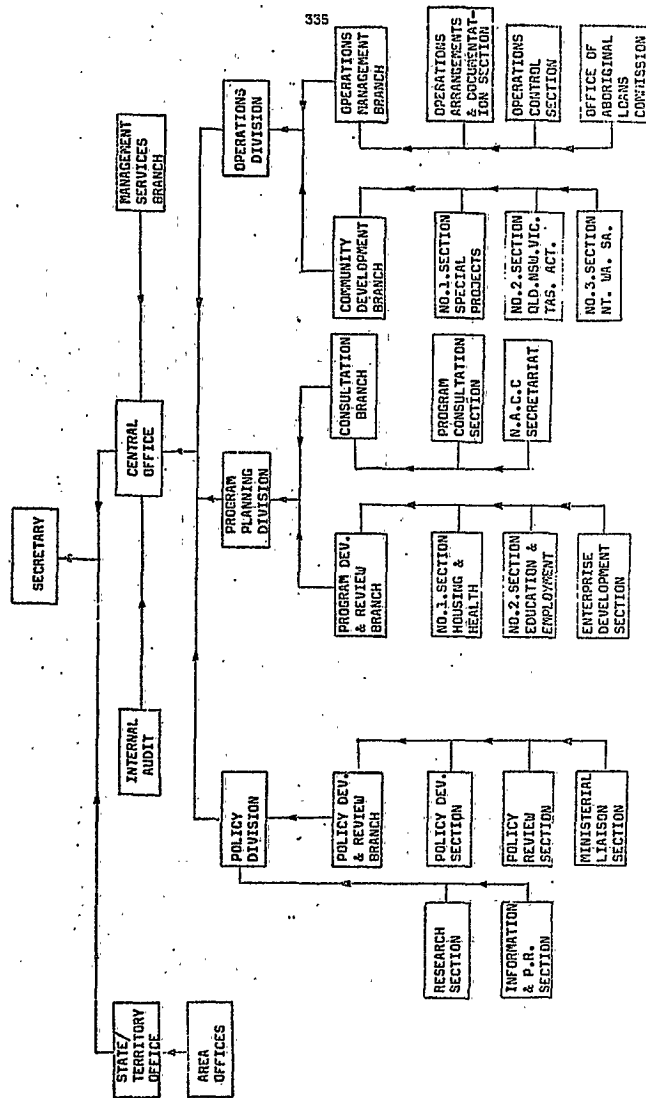
26. In the next circular in this series, I shall deal with the roles of Head Offices and their associated Area Offices, including their relationships with the Central Office in Canberra.

*B.G. Dexter*  
(B.G. Dexter)  
Secretary

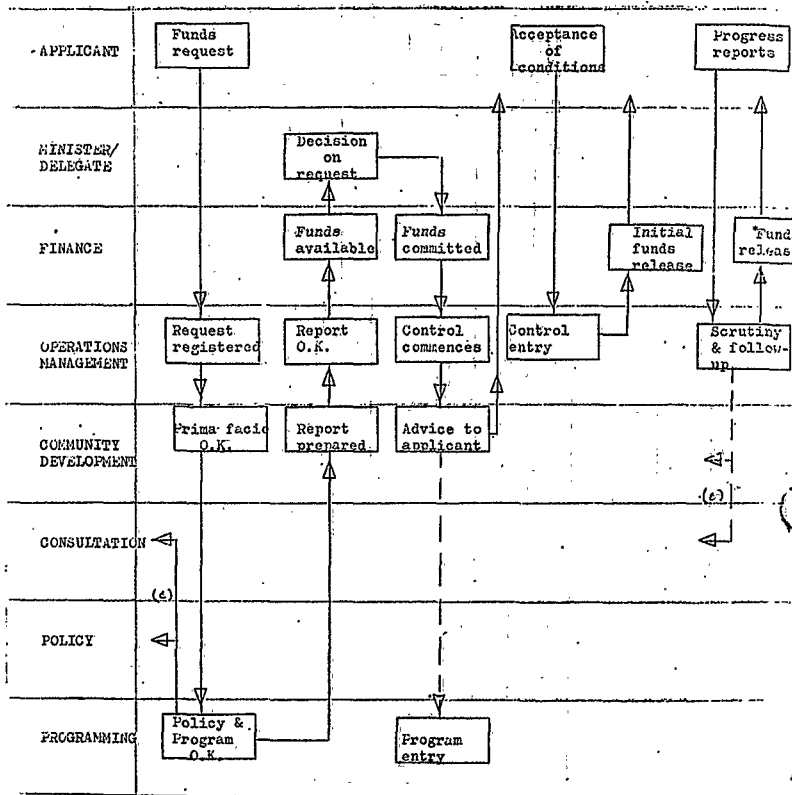
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#### ORGANISATION OF THE DEPARTMENT

APPENDIX 1.



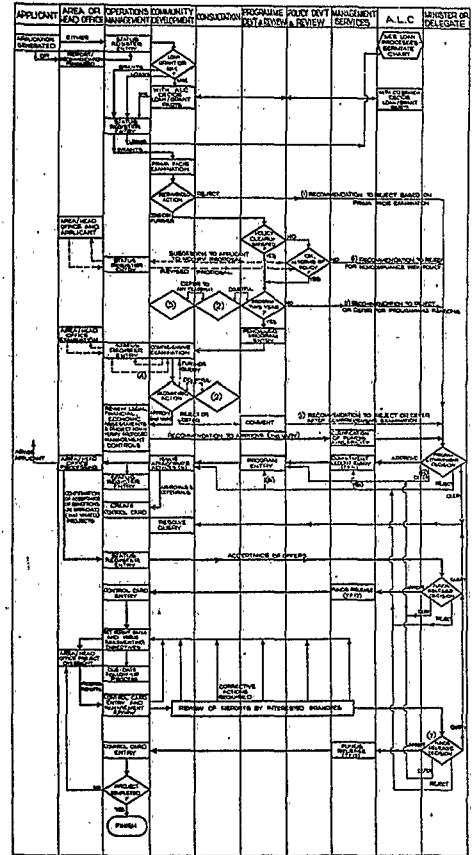
FUNDING & CONTROL OF NON-PROGRAMMED (i.e. AD HOC) ITEMS



Notes: (c) denotes a consultation process.

\* indicates subsequent funds releases after scrutiny of progress reports.

SPECIAL PROJECTS/FUNDS -  
OUTLINE FLOW FOR NONPROGRAMMED ITEMS  
(WITH CENTRAL OFFICE DELEGATIONS ONLY)



NOTES:  
(1) THE APPLICANT MUST BE ADVISED THAT ALL BRANCHES HAVE AN OPPORTUNITY TO COMMENT ON THE PROPOSAL AT ANY STAGE.  
(2) ALL COORDINATING OFFICERS TO CONSULTATION BRANCH.  
(3) COPIES OF PROPOSALS TO BE SENT TO ALL CONCERNED BRANCHES.  
(4) ONLY PROPOSALS WHICH ARE APPROVED BY THE HEAD OFFICE SHOULD PROCEED.  
(5) COPIES OF PROPOSALS ON DECISIONS TO BE SENT TO ALL CONCERNED BRANCHES.  
(6) ONLY PROPOSALS WHICH ARE APPROVED BY THE HEAD OFFICE SHOULD PROCEED.  
(7) ALL PROPOSALS WHICH ARE APPROVED BY THE HEAD OFFICE SHOULD PROCEED.  
(8) ALL PROPOSALS WHICH ARE APPROVED BY THE HEAD OFFICE SHOULD PROCEED.  
(9) ALL PROPOSALS WHICH ARE APPROVED BY THE HEAD OFFICE SHOULD PROCEED.  
(10) ALL PROPOSALS WHICH ARE APPROVED BY THE HEAD OFFICE SHOULD PROCEED.

Treasury Direction 23/8

As amended 6.5.74

## Grants

\*8. Grants, other than grants to individuals for living expenses, grants for foreign aid or to international organisations, or grants which are covered by legislation, should be made subject to the condition that evidence is to be provided to show that the purposes for which the grant was made are being met. Organisations receiving general support grants should be required to supply copies of their audited financial statements covering the periods for which the grants were made. Recipients of grants for specific purposes should be required to certify that the purposes and conditions of the grant have been complied with and should be required to produce statements of expenditure on those purposes. These statements may form part of their audited statements or be provided as separate statements; any separate statement should be required to be supported by vouchers or accompanied by an audit certificate given by a qualified public accountant who is not an officer or employee of the organisation.

## DEPARTMENT OF ABORIGINAL AFFAIRS

72/126

APPENDIX I

Minister,

Mick Miller has advised that he has your approval to recruit two Aboriginal sisters to work on Palm Island as a temporary measure to improve the standard of health in the community.

2. One of the sisters recruited, Sister Margaret O'Shane is prepared to leave immediately from Melbourne with her six year old son to work for 3 months as from 1 October on the island.
3. This has created some difficulties as apparently no information has been provided to the Queensland Health Department about the proposal to employ two Aboriginal sisters on Palm Island.
3. It would be rather pointless to send the two sisters to Palm Island unless they can be provided with the necessary medical back-up and support facilities and can work in co-operation with the staff of the Queensland Health Department already located on the island. If we are to ensure that the two sisters operate in this way, I would strongly favour their employment by the Queensland Health Department which has sufficient funds in hand to pay their salaries from unexpended amounts allocated in the 1972/73 State health program.
4. Accordingly, I suggest that you take this matter up with the Queensland Minister for Health as it will be necessary for him to endorse the proposal if the two Aboriginal sisters are to be effective.
5. As this step is likely to take some time, we have the added problem of what to do with Sister O'Shane until the matter is resolved. Mr King of your office has suggested that we should preserve Mick Miller's credibility and arrange for Sister O'Shane to travel as far as Townsville where she could be attached to the Legal Service on consultant's rates until such time as the Queensland Department of Health agree to our proposal.

6. I have arranged for Sister O'Shane and her son to travel from Melbourne to Townsville on Sunday 30 September and subject to your approval I propose that she remain there working with the Legal Service on consultant's fees until the situation is resolved.

Approved

*B.G. Dexter*  
(B.G. Dexter)  
Secretary  
12/19/73



Government House,  
Canberra. 2600.

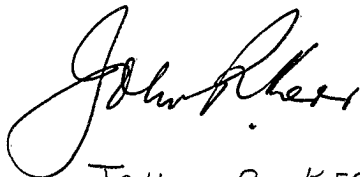
24 March 1977

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D.	433A
Pa	24 MAR 1977
	Clerk of the Senate

Mr President,

In the name, and on behalf of Her Majesty  
The Queen, I accept the Address-in-Reply.

It will be my pleasure and my duty to convey  
to Her Majesty the message of loyalty from the Senate,  
to which the Address gives expression.

  
JOHN R. KERR