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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

DEPARTMENT OF THE SENATE	
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JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND
SIXTY-FOURTH REPORT

TREASURY MINUTES ON THE
ONE HUNDRED AND FIFTIETH,
ONE HUNDRED AND FIFTY-FIRST
REPORTS

TOGETHER WITH

SUMMARIES OF THOSE REPORTS

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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Together with

SUMMARIES OF THOSE REPORTS

Australian Government Publishing Service
CANBERRA 1977

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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

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

DUTIES OF THE COMMITTEE

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

8. The duties of the Committee are --

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

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

ONE HUNDRED AND SIXTY-FOURTH REPORT

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CHAPTER 1

INTRODUCTION

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

P.P. No. 275
of 1964-65-66.

As they now stand, the arrangements concerned are:

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

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

CHAPTER 2

TREASURY MINUTE ON THE ONE HUNDRED AND
FIFTIETH REPORT RELATING TO THE REPORT
OF THE AUDITOR-GENERAL 1972-73

Committee's Conclusions
One Hundred and Fiftieth Report
(14 November 1974)

Treasury Minute
(10 September 1976)

The Treasury has examined the Report and has discussed with the departments concerned the observations and conclusions of the Committee which have, where necessary, been brought to the notice of the relevant officers. Amendments to the Administrative Arrangements subsequent to the report have resulted in changes to the names of some departments and the transfer of some functions from one department to another. The names of departments in this Minute conform with the names in the Committee's Report.

DEPARTMENT OF ABORIGINAL AFFAIRS
Aboriginal Self-help Housing

47. The Committee acknowledges the problems and difficulties which beset the Welfare Division of the former Northern Territory Administration in connection with the Aboriginal Self-help Housing Scheme. Particularly significant problems were occasioned by the remoteness

The Secretary, Department of Aboriginal Affairs has advised as follows:-

"The matter of self help housing schemes in the Northern Territory into which the Committee has enquired emanated from a time prior to the creation of this Department. Responsibility for the former

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of the localities to which the housing materials were delivered, the Northern Territory wet season and the acute shortage of skilled labour. None of the problems, however, in the Committee's view excuses the Welfare Division's role in the administration of the Scheme.

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Welfare Division of the former Department of the Interior vested in this Department on its creation in December 1972. Due to the change of responsibility the Department experienced considerable problems in compiling the necessary information for the submission.

Information provided by the Department in its submission was compiled from limited knowledge of certain officers at Central Office together with information supplied to the Department. Every effort was made to provide the Committee with factual and accurate information. It was never the Department's intention to mislead the Committee or to misrepresent information supplied in its submission. The Department has noted the Committee's reference to Treasury Memorandum 66/385 of 16 Oct 1970.

With regard to the Department's failure to advise the Committee of other interested and associated bodies, it can only be stated that such failure was a regrettable oversight. The departmental officers concerned had assumed that the Committee staff would have themselves realised from the Administrative Arrangements Orders that responsibility for this matter had devolved on to more than one department. The department provided the Committee with its apology at the time of the hearing.

This Department experienced considerable difficulty in preparing its submission to the Committee in that the Department was still in its early formulative stage and did not have, at that time, sufficient officers experienced for the task. The Department is now in a much more satisfactory position in this regard."

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(14 November 1974)

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48. In relation to the first contract let, for 20 demountable home units, the absolute priority afforded it by the Stores Branch and the Tender Board was negated by the tardiness of other parties. A timetable in which, after tenders closed on 17 February, Ministerial approval for the commitment of funds was not requested until 2 July and then not notified to the Tender Board until 14 September, is highly suggestive of administrative inefficiency. The contract was not, in fact, able to be sealed for 7 months after tenders closed, and the delivery delays caused by the onset of the wet season can be directly attributed to the earlier administrative delays.

49. In relation to the second contract, for 14 home units, it appears unsatisfactory to the Committee that Welfare Division's initial recommendation of a tenderer to the Tender Board proved unacceptable, and that, after a lapse of time in which it re-examined the various tenders, it was unable to justify its choice. On the face of the evidence Welfare Division's initial deliberations were ill-considered.

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50. Welfare Division apparently relied on the first contractor to inform it of the dates when the materials were to be delivered, in sufficient time to allow it to make arrangements for unloading. Notwithstanding the contractor's non-co-operation, the Committee is surprised that Welfare Division did not make it its business to ascertain the delivery dates, especially when the deliveries overshot the anticipated time schedule.

51. Welfare Division should have notified the Tender Board of any damage to the materials, or deficiencies, as soon as possible after inspection. Very surprisingly, however, clear arrangements for inspection on delivery were neither made in the contracts nor otherwise, and the Committee considers that the Welfare Division was dilatory and ineffectual in making what inspections, and taking what remedial action it did. The Committee is disturbed that in respect of units delivered to site in mid-1972 the extent of damage had still not been fully estimated in November 1973. The inspection problems in remote localities are acknowledged and will, with other problems, hopefully be fully considered before further

The Department of Northern Australia has advised that it now ensures that delivery and inspection clauses are written into contract documents to provide for a "Free into Departmental Store" delivery. Delivery on to site is then arranged by the Supply Section of the Department after consultation with the client branch or department.

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delivery to site clauses are written into similar contracts in future. The Committee understands that responsibility for the contracts rested with the Stores Branch and the Tender Board (now under the Department of the Northern Territory).

52. As a result of Welfare Division's tardiness, the Tender Board did not initiate any action to recover damages because of alleged burden of proof difficulties. The difficulties in establishing whether deficiencies were due to shortpacking at the factories or pilfering at the sites are accepted, but the Committee is nevertheless surprised that neither party sought legal advice. Despite the implications of the Department of Aboriginal Affairs' submission, the Committee is unable to conclude positively that the Northern Command Army Inspection Service in Brisbane had inadequately inspected the materials in factory. This is on account of the Department of Aboriginal Affairs' vagueness on this matter and conflicting evidence from the Department of the Northern Territory.

53. The Committee is concerned that in one instance Welfare Division supplied the Stores Branch with written evidence of receipt of goods when it could not

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possibly have known the contents or condition of the contents in the consignment. The Committee also voices concern at the administrative mix-up within the Stores Branch, described in the evidence, which followed.

54. The Committee feels that it must express its dissatisfaction with the quality of the information set out in the Department of Aboriginal Affairs' submission. Firstly, the Committee was led to understand from the submission that only one contract was involved. It was only during later questioning that the Committee discovered that, in fact, two contracts had been let. Secondly, the submission was seriously misleading because of the inclusion of part of a letter from one of the contractors which had been quoted out of context, causing the Committee to believe that an attempt had been made to recover an amount from the contractor for the losses or damage to the units and that the contractor had denied liability under the terms of the contract.

55. The Committee views any inaccuracies in the information presented to it in a very serious light and would draw the Department's attention to

The Department's comment on this conclusion is included in the more detailed statement against paragraph 47.

The Department's comment on this conclusion is included in the more detailed statement against paragraph 47. In addition, Treasury Circular 1976/10

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Treasury Memorandum 66/385 of 16 October 1970 to all Permanent Heads. This memorandum included the following statement:

"Not only has the Committee the right to expect that witnesses appearing before it are properly briefed but it is in the interests of each department and the service generally that evidence tendered to the Joint Committee of Public Accounts is of the highest quality. Written submissions and explanations should be carefully prepared and thoroughly checked for adequacy and accuracy of detail and absence of ambiguity; officers who are to appear before the Committee to give evidence should undertake sufficient research and preparation and should be thoroughly briefed to enable them to answer, with authority, any questions which may reasonably be expected on the subject matter of the inquiry."

issued on 11 May 1976 again requested departments to bring the contents of Treasury Memorandum 66/385 to the notice of all relevant officers.

56. The Committee is concerned, finally, that the Department of Aboriginal Affairs failed to advise it prior to the public hearing of the important role performed in relation to the Scheme by the Stores Branch and the Tender Board. This failure resulted in the non-attendance of representatives from the Department of the Northern Territory on the first day of the Committee's public hearing. This proved inconvenient to all parties.

See the Department's more detailed statement against paragraph 47.

57. The Committee notes that the Scheme as it existed has been cancelled.

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(14 November 1974)

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(10 September 1976)

DEPARTMENT OF THE ARMY
(Now Department of Defence (Army Office))
Purchase of Trailer-mounted Refrigerators

84. In the original departmental submission and during the public hearing several references were made to an urgent operational requirement for refrigerator units in Vietnam. This urgency was given as a reason why the tests on the equipment were not as exhaustive as they might otherwise have been. The evidence shows that only six out of a total production of 85 units were required for Vietnam. It appears to the Committee that in the submission and during the inquiry the Department placed too much emphasis on this urgent operational requirement which was only a small percentage of the total production.

In noting the Committee's comments the Department agrees that in the light of the actual numbers planned for issue to Vietnam this aspect was unduly emphasised and regrets any misunderstanding this may have created for Committee members. The Vietnam requirement was grouped with the larger number required for units in Australia for reasons of economic production.

** In noting the Committee's comments the Department's view is that, bearing in mind the expected normal development production lead time of three to four years, and the fact that the limit of the Australian commitment in Vietnam was not known, the original decision to purchase 85 trailers as a matter of urgency was reasonable, based on the information available at the time.*

* Original comment provided to the Committee (see Chapter 4 for the Committee's observations)

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85. The Committee also finds it difficult to understand why, if there was an urgent operational requirement, it took the Department from May 1965 until May 1968 to obtain the equipment for Vietnam, even allowing for the fact that the units had been specially designed to meet Army requirements and were not of a commercial pattern.

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The Department states that in general for a wide range of equipment it is difficult to obtain priority response from industry in peace-time Australia to an operational requirement and that frequently lead times are much in excess of three to four years. In this case the Department had over-estimated the ability of industry to provide a suitable product without a very detailed specification. This led, in turn, to the need to call tenders a second time. Thus, a period of about 18 months elapsed during which time the first tenders were called and evaluated and preparations made for calling tenders a second time. The remaining time until May 1968 was taken up with processing the second round of tenders and in the manufacture of the refrigerated trailers.

** The Department states that in peace-time Australia it is difficult to obtain priority response from industry to an operational requirement and that frequently lead times are much in excess of three to four years.*

* Original comment provided to the Committee see (Chapter 4 for the Committee's observations)

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86. The Committee feels that it must also comment on the poor quality of the test carried out on the equipment by the Army Inspection Service. The Committee was told by the Audit Observer (Mr Parker) that the importance of thoroughly testing the prototype units had been emphasised by Army Headquarters to the Directorate concerned prior to the testing of the pre-production model. This served to strengthen the Committee's belief that the original inspection and testing of the pre-production model should have been thorough enough to discover the faults in the trailer springs, tow-bars and yokes which were found after the units had been placed into service. The Committee notes that the evidence did not make it clear whether these particular modifications were made at additional cost to the Department or were fitted by the manufacturer as part of the contract price.

87. The Committee also believes that the tests carried out on the equipment by the Army Inspection Service after the manufacturer had adjusted the wheel bearings to correct the wheel splaying fault were of a poor standard. It is the Committee's view that after the adjustment to the wheel bearings had been made the trailer should have been

The Department recognises the deficiencies in initial testing of the prototype trailer and the need for wider ranging tests has been taken into account in subsequent procurement procedures. The contractor did accept responsibility for part of the prime cost of the modified spring sets but the Department accepted responsibility for retrofitting these to trailers which had, prior to this arrangement, been accepted into service. The cost of modification to the towbar and steering yokes was accepted by the Department as an increase in the contract price.

The Department agrees that the quality of inspection and testing after the manufacturer's adjustment of the wheel bearings was below standard and, as stated previously, the need for wider ranging tests has been taken into account in subsequent procurement procedures.

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subjected to further exhaustive road tests at least as stringent as the initial tests which discovered the fault. It seems inconceivable to the Committee that having discovered the fault, the Department of the Army did not make sure that the wheel bearing adjustments had eradicated the fault before passing the prototype as satisfactory thereby authorising the production of 85 units.

88. With regard to the Department's statement that there was a continuing demand for the trailer-mounted refrigerators that would justify the expenditure to modify all units, the Committee makes the observation that the demand could not have been very urgent as at the time of the inquiry (November 1973) only one trailer had been modified. In this connection the Committee notes from the Auditor-General's Report for 1973-74 that by the end of that financial year only 3 units had been modified and issued for operational use.

89. Finally, the Committee would again emphasise the importance of the principle enunciated in its One Hundred and Thirty-seventh Report, that in contracts with a developmental content that require the production of a prototype unit, the prototype should be subjected to exhaustive testing to prove that the unit is fully capable of performing the tasks for which the units are being procured before authority is given for the rest of the production to proceed.

The Department has advised that while it still has a requirement for this type of equipment, it will be appreciated that the environment in which the equipment is used is much different from that intended in 1965. At the present time all units have been modified and are used as required in training exercises, national disaster relief and similar types of operations.

The Department is very conscious of the principle enunciated by the Committee in its 137th Report and stated that it has been generally applied.

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DEPARTMENT OF DEFENCE

Cleaning Contract

119. It was stated in evidence that as far back as 1969 the Auditor-General's Office had reported finding certain irregularities and deficiencies relating to the cleaning contract. A further report from the Auditor-General's Office was made in March 1972 relating to problems connected with the cleaning contract which was followed by the correspondence with the Department mentioned in the Auditor-General's Report for 1972-73.

120. This correspondence apparently caused the Department to conduct an extensive investigation into the performance of the contract since its inception which disclosed that there had been a lack of control in the administration of the contract and that there had been a number of underpayments and overpayments of amounts to the Contractor.

121. The reason advanced by the Department for the lack of control in the administration of the contract was the use of inexperienced and inadequate staff, particularly in the early years of the contract. While the

Following the Auditor-General's comments in 1969 the Department took action to review the establishment situation and realised that the existing staff levels were quite inadequate for

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Committee agrees that this appears to be the case, the Committee considers that the Department was at fault in not taking the necessary administrative action in those early years to ensure that the section responsible for the administration of the contract was adequately staffed and that effective control procedures were in existence and were being observed. It has occurred to the Committee that had the Department conducted an investigation into the performance and administrative control of the contract when the matter was first raised by the Auditor-General in 1969, many of the problems that occurred later could have been avoided.

122. After full consideration of the evidence the Committee feels that it took an inordinately long time for the Department to develop the procedures which were set out in the financial directive issued on 1 May 1972, especially as deficiencies in the control of the cleaning contract had been reported to the Department as far back as 1969.

123. Another matter which the Committee considers unsatisfactory is the delay in finalising the question of the provision of safety gear for window cleaning in the buildings in the Russell complex. The evidence shows that it was early in 1972

the task. However, some 22 months elapsed before establishment and recruiting action could be completed, and the positions occupied.

It has proved to be not feasible to instal safety gear for window cleaning in the buildings in the Russell Offices complex, consequently the current contract makes no provision for the external cleaning of windows above the first floor.

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123. Another matter which the Committee considers unsatisfactory is the delay in finalising the question of the provision of safety gear for window cleaning in the buildings in the Russell complex. The evidence shows that it was early in 1972 when the Department first drew the Contractor's attention to the fact that he was not cleaning the whole of the window areas in the buildings and the subject of safety requirements was raised. The buildings were inspected by the appropriate safety authorities in June 1972 but it was not until February 1973 that the Department wrote to the National Capital Development Commission on this question and November 1973 before the buildings were inspected by the Department of Works. The Committee was informed on 23 May 1974 that the Department was awaiting further advice. The Committee cannot but feel that the Department has been dilatory in this matter and should have pressed for an early solution to the problem.

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It is accepted that dates quoted would seem to indicate some inaction on the part of the Department. This however, was not the case. Subsequent to the question of safety in window cleaning operations being raised in June 1972, the Department was in frequent communication with the appropriate authorities in an attempt to have the matter resolved. Between June 1972 and February 1973 the Department was seeking to resolve the problem within the Department and in discussions with the contractor and the Department of Interior. Departmental files record regular follow up attempts by the Department between February 1973, when the problem was first referred to the National Capital Development Commission, and November 1975 when the Department of Services and Property advised the Department of an acceptable method of cleaning the windows using new equipment which can be operated from ground level. The contract in force during the period covered by the Committee's enquiry was terminated in June 1974. A new contract was then let to another contractor, exclusive of the requirement for the cleaning of outside windows above the first floor. A contract was let, to this same contractor, in October 1976 for the cleaning of the

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additional windows twice per year, using the new equipment. The first cycle of window cleaning, under this contract, is at present in course.

* *It has proved to be not feasible to instal safety gear for window cleaning in the buildings in the Russell Offices complex, consequently the current contract makes no provision for the external cleaning of windows above the first floor.*

124. In relation to the underpayments and overpayments, the Committee notes that at the time of the inquiry a net amount of \$13,917.39 was due to the contractor with other items still under investigation. The Committee wishes to draw the Department's attention to the reservations held by the Audit Observer (Mr Parker) about the amount calculated for window cleaning and the 1971 National Wage Case and trusts that these items were discussed with the Auditor-General's Office before the calculations were finalised

Following the hearing, the Department was advised by the Auditor-General's Office that the proposed method of financial adjustment was unsatisfactory and that the entire contract needed to be reconstructed financially from its inception. Investigation and examination of the provisions of the contract were then undertaken, involving the Department, the contractor, and the sub-Offices in Defence of the Auditor-General and Deputy Crown Solicitor. Agreement has not been reached with

* Original comment provided to the Committee (see Chapter 4 for the Committee's observations)

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the contractor on the settlement of all outstanding claims and the contractor has taken out a writ against the Commonwealth in the ACT Supreme Court claiming a total amount of \$148,735.86 plus \$50 costs. As at 14 Jul 1976 the case had not been heard and the matter was in the hands of the Deputy Crown Solicitor.

125. The Committee notes that the Department had served notice on the Contractor that it wished to terminate the contract and that it was expected that it would be replaced by a new contract which would be for a specific period and would include a more precise formula for adding new areas to the contract and a formula for wage adjustments. The Committee also notes that the Department intends to establish a cleaning contract "cell" staffed by experienced personnel who would have the sole responsibility for checking on performance, investigating complaints and performing a liaison function between contractors and departmental management. The Committee wishes to be informed of the progress made in these matters and trusts that the remedial action already taken or proposed by the Department will provide satisfactory administrative control of cleaning contracts in future.

The contract under investigation was terminated on 30 June 1974, and the Department of Services and Property (now Administrative Services) assumed responsibility for the administration of the new cleaning contract from 1 Jul 1974. That Department is now responsible for the provision of funds and supervision of the contractor. The Department of Defence assists in monitoring performance by undertaking a daily check to ensure that adequate cleaning standards are maintained and any deficiencies reported to the Department of Administrative Services.

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POSTMASTER-GENERAL'S DEPARTMENT

Common User Data Network

201. The evidence shows that as far back as 1967 the Australian Post Office was aware of the need to develop a system such as the C.U.D.N. to meet the growing demand for data transmission facilities, including the provision of facilities that would meet the future needs of Australian Government A.D.P. systems.

202. Following studies made by the Post Office in the period 1967-1969, approval was given in mid-1969 for tenders to be called for C.U.D.N. and the main contract was awarded to the UNIVAC Division of Sperry Rand Australia on 21 September 1970.

203. In the original contract the acceptance date for the first centre, Brisbane, was 17 November 1971, but due to the considerable slippage on the acceptance dates specified in the contract, the contract was amended on 26 April 1973 to provide for new completion dates with the first centre (now Melbourne) to be accepted by the end of May 1974 and the others to follow within a few months. At the time of the inquiry the Post Office did not expect the new dates to be met.

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204. Although the C.U.D.N. project had a high developmental content and therefore technical problems and consequent delays were likely to occur, the Committee feels that the delay, which could approximate 3 years, is far greater than should have occurred. The Committee believes that the period of delay could have been appreciably shortened had the Post Office made representations to the Sperry-Rand Company in New York for additional technical support as soon as it became apparent that insufficient resources were being used by UNIVAC Australia to develop the C.U.D.N. system.

205. The Committee also considered whether a further period of research by the Post Office to allow a more definitive detailing of the technical specifications and operational requirements in the purchasing schedule could possibly have shortened the delays or reduced the cost of the project. The Committee is inclined to the view that further research would have had very little effect on the delays or the cost as it seems from the evidence that most of the problems that arose as the project developed would not have become evident during a further research period. The Committee is also mindful of the fact that it was necessary for the Post Office to know what facilities were offering from tenderers before the detailed system specification could be written into the contract.

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The Department advised that, in retrospect, it might be held that direct representations to New York should have been made earlier but at that time it was considered reasonable to exert full pressure on the local company which held the contract. Conditional acceptance of the Melbourne system was not achieved until 16 Jan 1975, even though the New York office made available the best qualified people in its organisation and in May 1973 negotiated a new completion date of 31 Jan 1974, supported by heavy liquidated damages. As a result \$645,000 in liquidated damages was obtained from the company.

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206. The Committee examined carefully the evidence presented by the Post Office relating to the awarding of the contract to UNIVAC Australia and concluded that a proper evaluation of the tenders was made and the decision to award the contract to UNIVAC seems to have been the correct one based on the information available to the Post Office at that time.

207. The Committee notes that the existing C.U.D.N. tariff schedule has been increased by 5 per cent to reflect some of the higher costs encountered since 1970 and that this does not affect the special pricing agreements with the initial customers for the first five years. The agreed charges for the initial customers were apparently related to the estimated cost of developing single user systems for the customers and not to the estimated capital and operating costs of C.U.D.N. which, at that stage, were difficult to assess.

208. Although the Committee understands why it was necessary to assess charges this way initially, the Committee feels that the Post Office should have left room for later negotiation on the charges when it became possible to estimate accurately the capital and operating costs of the system. The Committee

The Department endeavoured to obtain better provisions regarding the period and charges, but those obtained were the best possible having regard to the requirement to attract customers to the Common User facility in preference to the customers establishing their own systems.

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also feels that 5 years was too long a period to have agreed charges for such a system without having some provision for review over that period other than variations related to additional terminals and volume of traffic.

209. The Committee notes that the 16 year study carried out by the Post Office indicates that the delay in implementing C.U.D.N. may have adversely affected Post Office profits to the extent of about \$12 million and that intensive studies are being pursued in a number of areas in order to achieve a better financial result. It is, of course, of considerable concern to the Committee that the delay could result in the foregoing of \$12 million profit to the Post Office and the Committee hopes that the studies being pursued by the Post Office will achieve a better financial result.

The studies on a new tariff schedule to achieve a better financial result are continuing.

210. The Committee also notes the statement by the Post Office that in the event of the system not meeting the full contractual specification but nevertheless being acceptable as a working system, a reduction in price would be negotiated with the contractor and in the event of the system being sufficiently outside

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specification so as not to be acceptable as a working system, the Post Office has indicated to the contractor that it proposes to determine the contract and claim against the contractor for losses suffered by the Post Office.

211. The Committee wishes to be informed, in due course, whether the system did finally meet the full contractual specification and, if not, what has been the result of the negotiations with the contractor.

The network as originally planned became fully operational in September 1975. The main contract placed with UNIVAC provided for securities totalling \$650,000 for due performance and, in accordance with the contract conditions, \$550,000 of this total has been returned, the remaining \$100,000 being retained until all handbooks and spare parts have been received and accepted. The original contract also provided for liquidated damages to a maximum of \$370,000. This was later increased under the renegotiated contract to \$675,000. As a result of UNIVAC contract performance, this amount has been received from the Company.

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(10 September 1976)

DEPARTMENT OF SUPPLY
(Now the Department of Manufacturing Industry)

Payment in Advance for Supplies

230. The Committee is satisfied from the evidence presented that the New South Wales District Contract Board had not approved the advance payment to the contractor in order to avoid the lapsing of an appropriation and considers that the Board acted quite properly in its consideration of the request by the contractor.

231. Regarding the actual payment to the contractor, the Committee agrees with the departmental witness at the inquiry that the accounting officers acted improperly in the certification of the accounts and the retention of the cheques on behalf of the contractor pending receipt of the bank guarantee. The Committee notes and approves of the steps taken by the Department to bring the circumstances of the payment to the attention of the officers concerned and to officers in other Branches.

232. The Committee considers that there is merit in the suggestion by the Audit Observer, Mr Scott, that the Contract

The Department agreed with the Committee's view and advised that the Contract Boards had adopted the

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Board should record very briefly its reasons for giving approval in those cases where it is to cover a variation not provided for or authorised by the contract itself and when it authorises a payment to be made very close to the end of the financial year.

suggestion. However, with effect from 1 Jul 1975, the Contract Boards ceased to exist and all functions performed by the Boards were transferred to the Office of the Purchasing Commission.

DEPARTMENT OF WORKS
(Now the Department of Housing and Construction)

Australian Capital Territory - Payment in Advance for Supplies

254. The Committee appreciates the problems which beset the Department in relation to the mechanical contract - particularly that the contractor initially selected did not continue with his contract, that there were two separate causes of delay over which the Department had no control, and that the contractor exerted some pressure on the Department for payment of the \$180,000 in question. The Committee is also mindful that the bank undertaking protected the Commonwealth's interest, and that the payment in question was only a fraction of the \$56 million which the Regional Office expended in 1972-73.

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255. The Committee is not satisfied, however, that there was a need to vary the terms of the contract, or that the oral agreement reached between the Department and the contractor constituted a proper variation. The Committee notes the Auditor-General's statement that no evidence had been produced to his Office of approval of competent authority for any amendment to the contract. In all the circumstances the Committee believes that the Department should not have made a payment to the contractor, at least to the extent of \$100,000, before the equipment was delivered on site, and that the Department should not have taken action without prior receipt of a written claim from the contractor. The Committee was also not satisfied that the equipment had been adequately inspected. The question as to whether the payment in contention was considered to be an advance payment or a progress payment made prematurely is not considered significant because the Department did not comply with the terms specified in the contract for making either progress or advance payments.

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The Department has noted the Committee's comments. While the situation relating to the payment is unlikely to occur again, the Regional Office will, in the event of a recurrence, seek approval to vary the conditions of contract to meet the particular circumstances.

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256. The Committee draws attention to the Treasury Observer's query as to whether the Department has made the payment with a purpose to avoid a lapsed appropriation (of the amount in question) at the end of the financial year. Treasury Direction 18/7D is again set out, as follows:

"Payment shall not be made in advance of satisfactory performance unless it is provided for in the contract. Contracts shall not provide for advance or progress payments merely to avoid the lapsing of an appropriation."

257. The Committee commends the Department for its efforts to expedite the different facets of the project at H.M.A.S. Harman in its latter stages.

The Treasury Observer's query was in the form of a rhetorical question - a prelude to an exploration of the philosophy behind Treasury Direction 18/7D, and in particular of the cost to the Commonwealth of laying out money before it is really necessary to do so.

Northern Territory - Accelerated Expenditure

298. The evidence presented to the Committee discloses that the financial procedures of the Department's Regional Office in Darwin in 1972-73 were unsatisfactory in several respects. That the Department's Head Office had suspected the same is clear from its establishment of a Departmental committee of inquiry, an initiative which this Committee commends highly. The Committee also commends the committee of inquiry for its prompt action and comprehensive report.

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299. The evidence does not disclose criminal malpractice but does indicate imprudence within the Darwin Office, as possibilities existed for fraud under the Office's financial procedures which could and should have been minimized.

300. It appears clear that sections 34(3.) and (5.) of the Audit Act and Treasury Regulation 45(1.) (c) were breached, and there must be suspicion that Treasury Direction 18/7A was not followed.

301. It was admitted freely that efforts had been made to increase the rate of expenditure in June 1973 to achieve the Region's target, and pressures were exerted on contractors. The Office prepared a number of payments in June before it had established contractors' entitlements under conditions of contract, and in a number of instances more than one payment was made in respect of the same project. The expenditure in June was approximately \$9.9million, which compared with the monthly average of approximately \$6.3 million. In these circumstances, and in view of the inability of the

The Department has advised that as a consequence of this enquiry a number of corrective measures were introduced in the Northern Territory Region to ensure compliance with the Audit Act, Treasury Regulations and Directions, and departmental procedures.

To obviate the possibility of any recurrence of accelerated payments, the Department has advised that the following action has been taken in the Northern Territory Region:

- 1) all regional staff concerned have been instructed that progress payments are not to be processed at any stage in anticipation of satisfactory performance or before contractual requirements relating to payments to nominated sub-contractors have been finalised.

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Departmental committee of inquiry to accept that all payments had been properly assessed when vouchers were certified; this Committee feels bound to conclude that the rate of payments had been deliberately accelerated in June 1973, counter to Treasury Direction 18/7A and the spirit of Treasury Circular 1971/10. A special dis-appointment must be expressed that the Departmental committee of inquiry was unable to accept unreservedly some of the statements made to it by certain staff of the Office.

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- 2) Project officers have been advised that for each contract payment they must issue an authority certifying that work covered by the payment has been satisfactorily completed.
- 3) Project Clerks have been directed that, in signing forms W.74 as "Officer incurring expense", they must confirm, among other things, that the Project Officer has authorised the payment (as in (2) above) and that the requirements in respect of nominated sub-contractors have been completed.
- 4) Project Officers, Project Clerks and Works Supervisors have been given specific directions and training as to their statutory responsibilities including the observance of the Treasury Regulations and Directions. In addition, all Project Clerks, as "Officers Incurring Expense", have been issued with a copy of the relevant sections of the Treasury Regulations and Directions.

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302. The Committee notes that no payments were actually made in advance of performance, but is nevertheless critical of the practice whereby expenditure was recorded in advance of performance or of proper certification. The consequential procedures under which cheques were necessarily withheld were open to abuse, and the Committee queries whether any 'very exceptional circumstances' (as referred to in Treasury Direction 27/2) existed to warrant the procedures as a norm. The Committee cannot concur with the opinion that the Office could have been over-cautious in its retention of cheques, and is not satisfied that any of the special problems encountered in the Region justified the unusual procedures.

303. The Committee is most concerned that procedures followed within the Office to check on funds availability before payment were inadequate. The situation in which 2 cheques were about to be typed out at the Sub-Treasury when there were insufficient funds in the appropriations to cover them, should not have arisen; and would not, had entries been made in the Office's Appropriation

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In addition to the measures taken to improve the Department's financial procedures, as outlined in evidence before the Committee, the collection of cheques from the Treasury Office is now restricted to those classified by the Authorising Officer as involving "very exceptional circumstances".

Contractors who request that a cheque be held instead of posted in the normal manner are required, as a general rule, to collect the cheque from the Treasury Office, Darwin. This is arranged by marking the voucher forwarded to the Treasury Office "Hold" and issuing the payee with an authority form to collect the cheque at the Treasury Office. In the unlikely event that it is impracticable for the contractor to collect the cheque, arrangements are made for a departmental officer to do so using an authority form and an acquittance is obtained from the contractor.

All vouchers are now posted to the Appropriation Ledger before being forwarded to the Treasury Office to ensure that the availability of funds is checked before payment. The importance of the strict observance of statutory requirements has been emphasised to all officers concerned with the examination and certification of accounts.

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Ledger prior to submittal of the vouchers to the Sub-Treasury. The Committee draws attention also to the comments of the Treasury Observer, Mr Maunder, in relation to the preparation of payments for the Darwin furniture store, for curtains for Katherine Hospital, and for the individual employed to operate the water supply at Larrimah.

304. It became clear during the public hearing that the Department and the Treasury held views and took attitudes which in some sense conflicted. This was particularly so with respect to the interpretation of Treasury Circular 1971/10. The Committee notes that the Department proposed to discuss with the Treasury the apparent conflict between its General Conditions of Contract and Treasury Circular 1971/10 with a view to modification of the Circular. The Committee hopes that its inquiry has helped to resolve any misunderstandings.

305. The Committee notes with approval the various improvements stated to have been made to the Office's financial procedures.

The Department and the Treasury have exchanged views on the interpretation of Treasury Circular 1971/10 and the matter has been resolved without the necessity for modification of the Circular.

CHAPTER 3

TREASURY MINUTE ON THE ONE HUNDRED
AND FIFTY-FIRST REPORT RELATING TO
PAYMENT OF ACCOUNTS

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The Treasury has examined the Report and has discussed with the departments concerned the observations and conclusions of the Committee which have where necessary been brought to the notice of the relevant officers. Amendments to the Administrative Arrangements subsequent to the Report have resulted in changes to the names of some departments and the transfer of some functions from one department to another. The names of departments in this Minute conform with the names in the Committee's Report.

DEPARTMENT OF THE TREASURY

39. It was stated in evidence to the Committee that improper circulation of Treasury Circulars relating to the prompt payment of accounts in a number of departments had lessened the effectiveness of the Circulars. The Committee suggests that when such Circulars are issued in future, copies should be forwarded to an appropriate senior

The Secretary to the Treasury wrote to the Permanent Head of each department on 10 Dec 1973 requesting that particular officers in relevant areas of the department be nominated to examine each Treasury Circular to ensure that all appropriate officers are suitably advised. In addition, in response to the Committee's suggestion, the Treasury

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officer in each department to ensure that positive action is taken with regard to the prompt payment of accounts and that a proper distribution of the Circulars is made.

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

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

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has arranged for a copy of any future Treasury Circular dealing with the prompt payment of accounts to be forwarded to the appropriate senior officer in each department, in addition to the normal distribution. Furthermore, the Treasurer, on 2 Jun 1976, wrote to all Ministers seeking their assistance in ensuring the prompt payment of accounts.

Treasury Circular 1976/15 includes reference to the general steps in the payment of traders accounts: see more detailed comment against paragraph 43.

The general subject of prompt payment of accounts is covered by Treasury Direction 18/7B, which has been supplemented from time to time by Treasury Circulars. The policy of the Treasury is that accounts should be paid promptly but departments are required to control their commitments to ensure that funds to meet the accounts will be available when the accounts fall due for payment. Where problems do arise, recourse to the Advance to the Treasurer is encouraged where delays in payment would otherwise occur, subject of course, to the availability of funds in the Advance.

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

The Treasury agrees that there should be no reluctance on the part of departments to seek funds from the Advance to the Treasurer for this reason.

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

Treasury Circular 1976/15 dated 8 Jun. 1976 was issued to draw the attention of departments to this Report and, in particular, to the Committee's criticism of unreasonable delays in the payment of traders' accounts. The regular review of unpaid accounts, as recommended here, and the implications for suppliers of delays in payment (paragraph 212) were emphasised in the Circular. The Committee's comments on the proper circulation of Treasury Circulars (paragraph 39), the general steps in the payment of traders' accounts (paragraph 40), delays in payment due to shortage of funds (paragraphs 41, 42), recoveries between departments (paragraph 210), increases in working capital for Trust Accounts (paragraph 211) and the review of procedures and increased supervision over relevant staff

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(paragraph 214) were all brought to the attention of officers concerned with the processing and payment of accounts. In addition, the Circular directed attention to the Treasurer's letter to Ministers dated 2 Jun 1976 on the same subject.

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

The Treasury accepts and fully endorses the Committee's comments.

45. The Committee is also inclined to agree with the Treasury view that delays in the payment of accounts to Australian Government creditors may be more widespread than the forty-four miscellaneous representations received by the Treasury in a period of just over two years,

Rather than issue a general Circular to all departments, the Treasury writes directly to the relevant department when complaints of delays in the payment of accounts are received.

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would indicate. The Committee suggests, therefore, that if action has not already been taken, the Treasury should issue a Circular drawing attention to the delays in the payment of the Rank-Xerox accounts and point out the need for departments to review their procedures for processing accounts for payment so as to avoid unnecessary delays.

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

An appropriate amendment has been made to Treasury Direction 18/78 which now reads:-

"When a supplier lodges a claim it shall be dealt with expeditiously so that the Government's financial obligation is discharged within a reasonable time. If part of an account is in dispute but a substantial amount is in order for payment, the amount under query shall be deducted from the account and the balance paid. The supplier shall be advised of the reason for deduction."

DEPARTMENT OF THE CAPITAL TERRITORY

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

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DEPARTMENT OF THE MEDIA

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

112. The evidence shows that delays in the payment of accounts can occur when the actual costs for printing exceed by an appreciable amount the funds provided by departments for particular jobs. The Committee notes that the Australian Government Publishing Service has so far been unable to recruit suitable qualified staff to provide departments with firm estimates of prices for printing jobs. Never-

The Department issued a circular on 3 Feb 1975 advising that all future printing requests must be accompanied by an official order, and that only in exceptional circumstances will verbal advice of an official order number be accepted for the printing work to commence. If the official order is not received within seven days the printing work is suspended if practicable, and the department notified that the work will not recommence until the official order is received. If the work has been completed or cannot be delayed, an urgent reminder is sent to the department requesting the immediate submission of the official order.

The Department agrees that firm estimates for all printing work are most desirable and expects that such estimates will be more widely available as staff becomes more experienced.

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theless, the Committee believes that the provision of such an estimating service to departments is a worthwhile aim and should be pursued in the future.

113. The Committee has noted that the Auditor-General's Report for 1973-74 refers to an Audit examination of the sundry debtors ledgers of the Australian Government Publishing Service which revealed a number of unsatisfactory aspects relating to the control, issue and processing of invoices and debt recovery procedures. The Department agreed that recovery action taken against sundry debtors during 1973-74 had not been as effective as in previous years, which was apparently due to the large volume of work, inadequate accounting machine capacity and staffing problems. It was also reported that a breakdown in computer processing during the year seriously affected the sundry debtors situation causing substantial delays in the issue of accounts.

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

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

116. Conversely, the Committee believes that departments who receive a service from another department for which a charge is made also have a clear responsibility to pay the account for that service as soon as possible after it has been received. The evidence shows that a number of accounts rendered by the Printing Branch have been outstanding for long periods, in many instances for years. The Committee expresses its dissatisfaction with this situation, particularly as the position regarding the sundry debtors of the Printing Branch appears to have worsened since the Committee's inquiry. The

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A Visible Record Computer accounting machine was installed in March 1975 to produce information at regular intervals to enable effective follow-up of invoices not paid within a reasonable period. Because of the constantly expanding workload an 'Audit Entry' machine was purchased to complement the VRC machine and to provide additional input and printing capacity required in the accounts area. In addition, procedures have been implemented to ensure a further speed up in debt recording and the issue of bills. Some improvement is already apparent.

Treasury Circular 1975/23 was issued on 10 Sep 1975 drawing attention to the need for the prompt settlement of interdepartmental transactions, including printing work done by the Government Printer.

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Committee suggests that the Treasury should again consider issuing a Circular Memorandum to the dilatory departments who are not settling their accounts with the Australian Government Publishing Service promptly.

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

DEPARTMENT OF THE NORTHERN TERRITORY

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

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

The Department has advised that, following the Committee's comments, care has been taken to ensure that the prescribed procedures are being followed to achieve effective control over outstanding accounts. In addition to the normal reviews, more intensive follow-up action is being taken on outstanding accounts.

POSTMASTER-GENERAL'S DEPARTMENT

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

Prior to these functions being taken over by the Australian Telecommunications Commission the Department provided advice that the Public Service Board had approved an organisational structure for the telephone accounts credit control function which had been implemented in each State. This created more career opportunities for staff and helped to stem the flow of experienced officers at the Class 2/3 level to other areas. With staff being able to devote more time to the credit control task, more detailed examination of accounts which came under notice for credit control purposes and a closer follow-up of outstanding accounts was achieved.

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

The proposal has been overtaken by the setting up of the Postal and Telecommunications Commissions which, in Treasury's view, should be treated in the same way as any other supplier of goods or services to whom the amended Treasury Direction 18/78 would apply. Consideration is therefore being given to the repeal of Treasury Direction 23/6. The substance of the Committee's final suggestion has been followed by the amendment to Treasury Direction 18/78 - see comment at paragraph 46.

DEPARTMENT OF SUPPLY
(Now the Department of Manufacturing Industry)

Transport Trust Account

205. At the time of the inquiry it appeared to the Committee that the position with regard to outstanding accounts for the Department's transport services was improving and it was hoped that the improvement would continue. However, the Committee has noted from the Auditor-General's Report for 1973-74 that the position has deteriorated and that at 30 June 1974 claims amounting to \$319,615 had been unpaid for periods in excess of eight weeks.

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

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

The position deteriorated further during 1974-75 and Treasury issued Circular 1975/1 on 9 Jan 1975 requesting the co-operation of departments in ensuring that the provisions of Treasury Direction 6/22A were followed. A further Circular 1975/23 was issued on 10 Sep 1975 drawing attention to the need for the prompt settlement of interdepartmental transactions.

The Department also sent a circular memorandum to all client departments on 6 Jun 1975, drawing attention to Treasury Circular 1975/1 and stating, inter alia:-

"It is requested that you bring to the notice of appropriate officers of your Department the importance of processing claims for transport services promptly, and taking all action possible to reduce the time taken to pay such claims".

On 25 Mar 1976 the Secretary of the

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Department of Administrative Services wrote to Permanent Heads seeking their assistance in emphasising to the responsible officers the importance of the prompt payment of claims for transport services in view of the effect of delays on liquidity of the Transport Trust Account. On 9 April the Secretary to the Treasury, in support of that letter, wrote to Permanent Heads stressing the undesirability of having to supply additional funds from the Budget for working capital for the Trust Account. The Secretary's letter also sought co-operation in ensuring the prompt payment of traders accounts generally and directed attention to the provisions of Treasury Direction 18/78, which requires that suppliers' claims be processed expeditiously.

208. The Committee suggests that when examining possible solutions to the problem the Treasury might consider the point raised by the Department during the inquiry that Treasury Direction 6/22A was not being used properly by all departments because it was believed that the provision in the Direction regarding the deduction of amounts under query from accounts and to pay the balance, is inoperable because of the provisions of

Treasury Circular 1975/1 advised departments that the provisions of Section 34(3) of the Audit Act do not preclude them from deducting the amounts under query in the accounts concerned and paying the balance immediately as provided under Treasury Direction 6/22A.

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section 34.-(3.) of the Audit Act. It was also stated during the inquiry that claims covered by the provisions of Treasury Direction 6/22A were not being treated as urgent by some departments.

GENERAL CONCLUSIONS

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

The Treasurer has also been concerned about the unsatisfactory position in relation to the payment of accounts, and the impression given to private suppliers and contractors who have difficulty in obtaining prompt settlement. He wrote to all Ministers on 2 Jun 1976 (see paragraph 39) seeking their assistance in requesting their Permanent Heads to take appropriate steps to ensure that there is no room for complaint about delays in the payment of accounts for services rendered to the Government.

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

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

212. The Committee considers therefore that a more responsible attitude should be adopted by departments towards their creditors both departmental and private. It seems clear from the evidence given in relation to the photocopying accounts that some departments were not even aware at the supervisory level that these accounts had been outstanding for such a long period. The Committee believes that it would be appropriate at this point to remind departments

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Treasury Circular 1976/15 draws attention to the Committee's comments on the recovery of amounts owing between departments.

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that delays in paying accounts received from private creditors could cause liquidity problems, particularly for those who are self-employed or small businesses that are largely dependent upon Australian Government contracts.

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

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

The Committee's comments on the need for departments to review their procedures for the payment of accounts and to increase the degree of supervision over relevant staff were brought to the notice of departments in Treasury Circular 1976/15.

CHAPTER 4
OBSERVATIONS OF THE COMMITTEE

The Committee wishes to make the following observations concerning the Treasury Minute on the Committee's One Hundred and Fiftieth Report.

When examining the Treasury Minute the Committee was not satisfied with the comments provided by the Department of Defence in response to the Committee's conclusions in paragraphs 84 and 85 of the Report relating to the purchase of trailer-mounted refrigerators and paragraph 123 which dealt with a cleaning contract.

Regarding paragraph 84, the comment provided did not satisfactorily answer the Committee's observation that too much emphasis had been placed by the Department in its submission and in evidence on the urgent operational requirement for Vietnam.

In relation to paragraph 85, the Committee believed that the original response from the Department was unsatisfactory in that at no time during the inquiry did the Department suggest that the reason for the delay in procuring the units was a lack of response from industry.

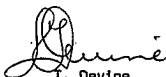
The comments originally provided in response to paragraph 123 were considered to be inadequate because no reference was made to the delays in finalising the question of the provision of safety gear for window cleaning in the Russell complex.

The reasons for the Committee's dissatisfaction were discussed with officers of the Department of the Treasury in accordance with the agreed Treasury Minute arrangements. The Treasury subsequently sought additional information from the Department of Defence and re-drafted comments were substituted for those previously provided for paragraphs 84, 85 and 123. The original and substituted comments are shown together opposite the related conclusions of the Committee.

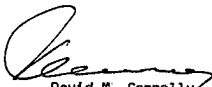
The additional information provided in relation to paragraph 123 indicates that subsequent to June 1972, when the question of safety in window cleaning operations was first raised with the contractor, the Department was in frequent communication with the appropriate authorities in an attempt to have the matter resolved. The Committee believes that the Department should have made this clear at the public hearing. The Committee has also noted that a contract was let in October 1976 for the cleaning of windows above the first floor. In the Committee's view it had taken an inordinately long time to resolve this matter.

The Committee is most concerned at the events which occurred and is currently giving consideration to the question of whether it should re-examine witnesses in those cases where it is obvious from the comment provided in Treasury Minutes that incorrect or insufficient information was given to the Committee at an inquiry. The Committee is also concerned at what appears to be inordinate delays in the supply of information by way of Treasury Minutes and trusts that these delays will not occur again in the future.

For and on behalf of the Committee,



F. Davine
Secretary
Joint Committee of Public Accounts
Parliament House
Canberra



David M. Connolly
Chairman

21 April 1977