

DEPARTMENT OF THE SENATE
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**Finance Minutes on
Reports 167, 171 and 178
together with summaries
of those reports**

Report

180

Joint Committee of
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

180TH REPORT

FINANCE MINUTES ON THE COMMITTEE'S 167TH, 171ST

AND 178TH REPORTS

Together with

SUMMARIES OF THOSE REPORTS

Australian Government Publishing Service
CANBERRA 1980

JOINT COMMITTEE OF PUBLIC ACCOUNTS

TWELFTH COMMITTEE

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DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

- 8.(1) Subject to sub-section (2), the duties of the Committee are:
- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
 - (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
 - (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
 - (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.

FINANCE MINUTE ON THE COMMITTEE'S
167TH, 171ST AND 178TH REPORTS

TABLE OF CONTENTS

<u>CHAPTER</u>	<u>PAGE</u>
1 Introduction and Observations	1
2 Department of Finance Minute on the Committee's 167th Report on The Reports of the Auditor-General for Financial Year 1975-76	11
3 Department of Finance Minute on the Committee's 171st Report on the Reports of the Auditor-General 1976-77	36
4 Department of Finance Minute on the Committee's 178th Report on Expenditure from the Advance to Minister for Finance 1978-79	70
 <u>APPENDIX</u>	
Letter sent to all Permanent Heads and Relevant Statutory Office Holders with the Powers of a Permanent Head on Prompt Payment of Accounts	81

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CHAPTER 1

INTRODUCTION AND OBSERVATIONS

1.1 Arrangements to ensure that appropriate action is taken arising from comments contained in the Committee's Reports have been in operation since 1952 although reviewed periodically. These were known as Treasury Minute arrangements.

1.2 Following the creation of the Department of Finance on 7 December 1976 it was agreed that the arrangements should continue as before and should now be known as the Department of Finance Minute.

1.3 As they now stand the procedures 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 Minister of the Departments affected and to the Minister for Finance with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's conclusions.
3. The reply received, in the form of a Department of Finance 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 as a Report to the Parliament.
4. Should the Committee find during its examination of a Department of Finance Minute that certain recommendations are not fully dealt with or are subject to a further Minute, it holds an exploratory discussion with officers of the Department of Finance prior to the submission of the minute to the Parliament.
5. In reporting a Minute to the Parliament, the Committee, except in special cases does not usually make any comment other than to note recommendations not fully dealt with or subject to a further Minute.
6. When the Committee next examines the department concerned the Department of Finance Minute is considered by the Committee if applicable.

7. The Department of Finance furnishes the Committee with a half-yearly report on outstanding Minutes, indicating the progress made in dealing with the Committee's comments.

1.4 The last report, submitted to the Committee on 12 March 1980 indicated five outstanding Department of Finance Minutes, the last of which was subsequently sent to the Committee and is contained in this report.

REPORT NO.	SUBJECT	DATE REPORT PRESENTED TO PARLIAMENT
172	Financing and Administration of Property Owned or Leased Overseas by the Commonwealth Government	21.11.78
174	Use of ADP in the Commonwealth Public Sector - Acquisition of Systems in the Public Service	24.11.78
175	Use of ADP in the Commonwealth Public Sector - THE MANDATA Project	9.10.79
176	Auditor-General's Reports 1977-78	6.11.79
178	Advance to the Minister for Finance 1978-79	13.11.79
1.5	In its report, the Department of Finance advised that	

"The Inter-departmental Committee formed to consider the Committee's One Hundred and Seventy-second Report has concluded its formal examination of the recommendations and a draft Government response is now being prepared. A Department of Finance Minute will be submitted to the Committee when the terms of the Government's response have been agreed to.

The Committee's One Hundred and Seventy-fourth and One Hundred and Seventy-fifth Reports are being considered by the Public Service Board and the Departments of Finance, Administrative Services and Prime Minister and Cabinet. Draft responses to the Committee have been prepared and are expected to be submitted for consideration by Ministers this month. A Department of Finance Minute will be prepared when the outcome of that consideration is advised."

1.6 While the Committee wishes to be informed of completed action in the Finance Minutes, it regards the delay of nearly 2 years in some cases as unacceptable.

Observations

Fire Protection of Government Owned and Occupied Property (Chapter 2)

1.7 In its 167th Report the Committee asked to be kept informed of any substantial progress in the development of formal courses designed to train fire safety officers for work in Commonwealth Departments or Authorities.

1.8 In addition to the Finance Minute comment, the Commonwealth Fire Board informed the Committee that it is expected that courses in fire technology would be available in New South Wales and Victoria in 1980 or 1981, and that a course is already available in Western Australia. The Committee has been informed that the Department of Technical and Further Education in New South Wales and the Swinburne Technical College have discussed the development of courses in fire technology with the Commonwealth Fire Board and that both educational authorities are co-operating to ensure that the courses in Victoria and New South Wales follow similar lines. These courses are being developed with the view to satisfying the needs of officers employed in the Australian Public Service and others whose duties involve fire safety.

1.9 The Technical Education Division of the Education Department in Western Australia has commenced a diploma course in Fire Engineering Management which was developed at the request of the Western Australian Fire Brigade.

1.10 The Committee welcomes these developments.

Unauthorised Payment of Settling In Allowance - Dublin (Chapter 2)

1.11 In 1977 the Committee inquired into a Report by the Auditor-General of a case where an officer of the Department of Foreign Affairs, and his family, resided in an hotel in Dublin for more than a year while the purchase of a suitable residence was negotiated.

1.12 The Committee reported on this matter in November 1977 in its 167th Report and in paragraph 101 the Committee stated:

"The Committee expects to be advised of whether it is intended to invoke surcharge provisions of the Audit Act as well as any other proposals for recovery. The Committee notes that the Department sought a legal advising from the Attorney-General's Department in May (1977) on the unauthorised payment. The

Committee is disturbed at the delay in providing this advice to the Department."

1.13 The copy of the Crown Solicitor's advice was forwarded to the Committee in March 1978. The tenor of that advice was that there had not been sufficient material made available to him to enable him to form a definitive view as to the likelihood of success of proceeding to recover the amounts that appear to have been paid without authority.

1.14 However, earlier in the opinion, the Crown Solicitor had raised doubts as to whether any action to recover amounts paid would succeed as the principal witness for the Commonwealth would be giving evidence against himself and other plaintiffs would immediately counter with claims against the Commonwealth. The Solicitor also pointed out that there could be considerable criticism of the Commonwealth if this action was undertaken. He also presumed, from the evidence available to him, that certain payments were directed to be made by officers who were senior to those who actually authorised and certified the payments.

1.15 The Crown Solicitor also suggested that it would be desirable for a full investigation to be made into the whole of the relevant circumstances surrounding the making of each unauthorised payment. This investigation should also include the taking of detailed written statements of all the persons involved.

1.16 In reply, the Department said that:

"It would be extremely difficult to conduct an examination along the lines proposed at this stage in time. (end of 1978) The events happened 3 - 4 years ago and involved officers from the Public Service Board, the Overseas Property Bureau, the Department of Finance and from this Department. A number of the officers from this Department who were in the Department or Dublin over the period that the payments were transacted are serving at other missions overseas and no longer have access to records that would enable them to provide accurate written information about the circumstances surrounding the unauthorised payments. Some officers are no longer employed in the Service."

1.17 The Solicitor also pointed out that it was a matter for the Auditor-General to consider whether he should surcharge, under Section 42 of the Audit Act 1901, the accounting officer or officers or other person or persons concerned with the expenditure which was not properly authorised. The Department of Foreign Affairs, in advice to the Committee said that:

"The Department has once again examined all the facts available to it and has concluded that it would be extremely difficult and barely cost effective to conduct further investigation into the circumstances under which the payments were authorised. Even if it were possible to satisfactorily complete an investigation along the lines proposed the Department doubts that it would turn up information that would be of any great assistance to the Crown Solicitor in forming a definitive opinion as to the likelihood of success of proceeding to recover the unauthorised payments.

A much tighter control is now exercised where there are requests from posts for an extension of settling-in conditions. The Department liaises closely with the Public Service board and also the Overseas Operations Branch, Department of Administrative Services and ensures that there is a quick response to all requests. Posts are required to report progress regularly during the search for accommodation and to furnish details of houses inspected giving reasons for rejecting them. This information is examined in Canberra and where it is considered that the post is being unduly selective in its search they are instructed accordingly."

1.18 It had concluded by saying that it had instructed the Crown Solicitor that no action should be taken against individual officers for recovery.

1.19 In an advice to the Chairman of the Committee the Auditor-General stated that in the absence of a Department of Foreign Affairs investigation to identify the officers who were involved in the unauthorised payment it would have been necessary for the Auditor-General to undertake a detailed investigation to determine the accounting officer or other persons concerned for the purposes of the application of the surcharge provisions.

1.20 The Auditor-General also advised that because of the complexities of these provisions it would have been necessary to obtain legal advice from the Attorney-General. A previous opinion on Section 42(2) of the Audit Act 1901 expressed the view that because of the nature of that section, if the Auditor-General was satisfied that a person had been concerned with only one of the events specified in that section he would have to surcharge him with the total of all relevant amounts ascertained in accordance with the latter paragraphs of that section and that in addition the Auditor-General would be required as a matter of law to issue surcharges against all of the officers concerned although no Commonwealth funds had been lost.

1.21 The Auditor-General informed the Committee that it was because of these and similar difficulties, which made the application of the surcharge provisions almost impossible to invoke, that the Government agreed to replace the surcharge provisions with more equitable procedures. The Audit Amendment Act 1979, assented to on 7 March 1979, will remove the surcharge provision from the Audit Act and, when the relevant section is proclaimed.

1.22 In all the circumstances the Auditor-General decided not to proceed with surcharge action in this case.

1.23 The Committee has had much difficulty in reaching its attitude and conclusions in this case. The Committee believes that the processes established by the Public Service Board and regulations laid down under the Audit Act have been flouted and that money was applied without due respect for the legal processes required of accounting officers. The Committee recognises that to pursue the matter further would not be feasible.

1.24 The Committee also recognises that expediency ruled in this case and that other circumstances, e.g. the purchasing of a residence for the Counsellor at the Dublin embassy, dominated. The Committee has not been satisfied with the level of cooperation by relevant departments in this matter and the length of time taken to settle it. It would expect the proper authorities to pursue any future cases to finality through the due process of law.

1.25 The Committee reiterates that no doubt the difficulties with purchase of the residence had a great deal of influence upon the officers concerned to continue payment of the settling in allowances for well beyond the recognised period. The Committee has reported elsewhere on this matter in Report 172 on the Financing and Administration of Property Owned or Leased Overseas by the Commonwealth Government (Parliamentary Paper No. 33 9/1978). This report was tabled almost two years ago and the Committee has expressed its dismay as to the delay in receiving a response.

1.26 The Committee notes the tighter control now exercised in this area and reluctantly accepts that this matter is closed.

Reporting by Statutory Authorities

1.27 The Committee again emphasises the importance which it considers is attached to the presentation of timely financial statements of statutory organisations for audit in accordance with statutory requirements. These requirements are intended to provide the Parliament and the public with independent, expert advice on both the adequacy of those statements as a report on financial standing and as an indicator

of the efficiency of public sector management. The preparation of financial statements should, therefore, be given a level of priority for purposes of resource allocation commensurate with their role in public administration.

1.28 The Committee wishes to make some specific comments on this matter in relation to inquiries conducted arising from the Auditor-General's Reports from 1976-77, into the Australian Wheat Board, the Darwin Community College and The Australian Government Retirement Benefits Office.

Australian Wheat Board (Chapter 3)

1.29 During the inquiry, the Committee was informed that the Department of Primary Industry has sought a legal opinion on the legal standing of the payments made by the Wheat Board without authority. The Department has now informed the Committee that the opinion provided to the Department on 2 February 1979 indicated that the payments made under the Wheat Industry Stabilisation Act 1974 were unauthorised.

1.30 The Committee notes that the legislation under which the Board makes payments to the State Bulk Wheat Handling Authorities was amended by the Wheat Industry Stabilisation Amendment Act 1978, No. 165, at the same time that we reported.

1.31 This Act, according to the Minister for Primary Industry in the Second Reading speech on 9 November 1978 changed

"the legal authority on which payments are made by the Wheat Board to the State bulk handling authorities. Presently this authority is provided by agreements between the Commonwealth Minister for Primary Industry and each of the State Ministers responsible for agriculture. This requirement was incorporated in the legislation to protect the Commonwealth's contingent liability under guaranteed price arrangements which took into account changes in bulk handling costs."

1.32 Since presenting our report, in which we were concerned about the administration of this authority, the Senate Standing Committee on Finance and Government Operations has made several reports on Statutory Authorities of the Commonwealth, including their responsibility to report regularly to Parliament.

1.33 The Public Accounts Committee is pleased to note the comments by the Senate Committee about the Wheat Board. This confirms the concern we have expressed from time to time on this subject and we fully support their conclusions and recommendations designed to ensure the highest level of responsibility and accountability.

Darwin Community College (Chapter 3)

1.34 The problem of poor reporting performance by some statutory authorities was examined more closely by the Committee in the context of failure of the Darwin Community College to submit financial statements in final approved form from July 1973 to December 1976.

1.35 The Committee notes that

"the control which can be exercised by the Department of Finance in minimising delays is limited, but internal working arrangements are directed to ensuring that delays in determining the format of financial statements or in presentation of an authority's annual report to Parliament do not occur. The Department of Finance is taking what action it can to ensure that "client" authorities present timely reports".

1.36 The Committee is not satisfied that this is sufficient and trusts that the Department of Finance will continue with the Auditor General and "parent" departments to explore methods that will ensure timely and comprehensive reports are presented by every authority. We believe there is a case for requiring all authorities to report to the Parliament and we support the proposals of the Senate Standing Committee on Finance and Government Operations for an Annual Reports Act.

Departments of Aboriginal Affairs and Education -
Implementation of Cabinet Decision (Chapter 3)

1.37 In its inquiry into housing rental in the Northern Territory, the Committee expressed reservations about the adequacy of ensuring the implementation of Cabinet decisions. The Committee did not question the principle that each Minister is responsible for implementing Cabinet Decisions which have an impact in the area of his portfolio and agrees with the sentiment expressed by the Prime Minister in a letter to the Chairman of the Committee that

"It is a fundamental issue of administration for the present government that responsibility for implementation of policy lies with Ministers and their Departments. Any co-ordination activity is subordinate to that. Ministers, not the Cabinet Office, are responsible for the manner in which Cabinet Decisions are implemented."

1.38 The committee would like to emphasise that Departments have a responsibility to support Ministers in carrying out their ministerial responsibilities and directs attention to the response by the Department of Prime Minister and Cabinet.

Department of Construction (Now Department of Housing and Construction) (Chapter 3)

1.39 The Committee stand by its conclusion that "the Audit Office made attempts both before, on and after the memorandum of 5 May 1977 to obtain departmental verification of the estimate" and wishes to restate its conclusion that it

"... cannot accept the Department's complaint that it was not given an opportunity to comment on the contents of the Auditor-General's Report to the Parliament. The Committee believes that there was adequate time between 5 May 1977 and the tabling of the report on 13 September for the Department to provide a reply, even if only an interim reply to the specific queries of the 5 May memorandum."

1.40 The Committee reminds readers that queries by the Auditor-General under Section 42 of the Audit Act 1901 require a response to within 14 days. The Committee understands the constraint of Section 14C(3) of the Audit Act which prevents him from discussing his findings prior to reporting to Parliament. However, the Committee believes that it is desirable for the Auditor-General to be prepared to discuss the formal audit queries with Departments. While the Committee understands it is normal practice for the Auditor-General's officers to informally discuss these matters, it is not for the Auditor-General to seek such discussions.

Department of Defence - Transfer of Equipment (Chapter 3)

1.41 The Committee wishes to direct all departments' attention to Section 32/30 of Finance Directions which requires a proper evaluation of transfers of equipment between Commonwealth departments and that such transfers are to be paid for. The Committee observes that it is proposed to include in Finance Directions guidelines for the proper evaluation of need before free transfers between departments are sought.

1.42 In relation to resale value of obsolete or surplus equipment, it is the Committee's observation that, in some cases, the commercial value on resale has been destroyed by an overemphasis of special specifications for government applications generally, over and above that which may be required in similar circumstances in private industry. This appears to be particularly obvious in transportation, accommodation and catering activities.

Superannuation Fund (Chapter 3)

1.43 The Committee notes that the reason given by the Australian Government Retirements Benefits Office for not adopting the effective solution of employing temporary staff was the rigorous application of staff ceilings which it claimed to have penetrated only after protracted negotiations with the Public Service Board. The Committee also notes with

some satisfaction that the AGRBO has adopted a practice of providing Parliament with Interim Reports which also gives the Committee confidence that the Board will shortly be reporting more promptly.

1.44 The Committee noted from the Interim Report for 1978-79 (tabled in Parliament in May 1980) that a reduction in staff numbers largely reflected the progressive rundown of the Superannuation Task Force established in 1976 to assist the winding up of the old Superannuation fund and overtaking the arrears in contribution records.

1.45 While such a statement pleases the Committee, it is concerned to note that since its Report on the Auditor-General's comments in 1977, the Auditor-General has continued to report unfavourably on aspects of the administration of the AGRBO. The Committee trusts that the next Auditor-General's report will reflect the improved administration following from the apparent reduction in the backlog of work.

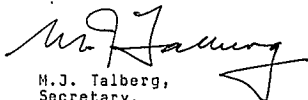
Payment of Accounts (Chapter 4)

1.46 The Committee welcomes the support given by the Minister for Finance and other Ministers to the Committee's view that departments and authorities should accept their obligations to their creditors, including other departments and authorities which provide goods or services and settle accounts promptly for goods and services supplied.

1.47 It was pleasing to note that, inter alia, the Minister for Defence advised the Committee in advance of the formal Department of Finance Minute of a pilot scheme to monitor all traders' claims, identifying those having incentive discount available and thus mitigating against claims being delayed. The Committee would be pleased to receive advice of the success of this trial of a minor purchasing arrangement in Melbourne.

1.48 A letter written by the Secretary to the Department of Finance to all Permanent Heads and relevant Statutory Office Holders with the powers of a Permanent Head on 17 December 1979 is reproduced at Appendix A.

For and on behalf of the Committee,



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



David M. Connolly, M.P.
Chairman

28 August 1980

CHAPTER 2

DEPARTMENT OF FINANCE MINUTE ON
THE 167TH REPORT OF THE JOINT COMMITTEE OF
PUBLIC ACCOUNTS OF THE REPORT OF THE
AUDITOR-GENERAL FINANCIAL YEAR 1975-76

Committee's Conclusions

167th Report
(2 November, 1977)

Department of Finance

Minute
(3 May 1979)

The Department of Finance has examined the Report and has discussed the departments concerned with 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 Order 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. Departments named in the headings in this Minute conform with the names appearing in the Committee's Report.

DEPARTMENT OF ADMINISTRATIVE SERVICES

AGPS - Commonwealth Government Stores Trust Account

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

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

The Department of Administrative Services accepts the Committee's conclusion. Positive steps have been taken to improve the staffing position in the area. An establishment review of the section (which has formed part of a major review of 3rd and 4th Division positions in the Department) has almost been completed; subject to appropriate approvals it is expected that a more effective organisation will result both in terms of number of positions and classification levels appropriate to the workload in the area.

The Department of Administrative Services has advised that since the breakdown there has also been a review of Australian Government Publishing Service operations by an independent consultant. Various recommendations have already been adopted but major items such as the introduction of fully integrated data processing systems coupled with a complete review of financial and other management information requirements need the secondment of several officers full time for probably a year.

Additional temporary provision for one Clerk Class 10 and one Clerk Class 9 has now been arranged. Investigations which are proceeding into the sales and distribution of Government Publications have revealed that computerising stock inventories, invoicing, sales and

Committee's Conclusions
167th Report
(2 November, 1977)

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

Department of Finance
Minute
(3 May 1979)

debtor recording could give a saving of approximately seven positions. Such a system would also be suitable for use in the Commonwealth Stores Trust Account operations. Since the breakdown occurred, several changes have been made in the procedures for the recording of creditors and debtors in the Stores Trust Account and with better controls these operations are now functioning more efficiently.

The Department of Administrative Services agrees that the provision of training is important and the availability of a fully detailed accounting manual is essential. However, apart from the limited resources available to prepare such a manual, its preparation is not practical until the major recommendations of the review previously mentioned are implemented. Pending the availability of resources to produce the desired accounting manual interim financial instructions have been issued in relation to the Commonwealth Stores Trust Account operations.

Provision of on-the-job training will be facilitated by the introduction of the revised organisation structure which will provide some capacity in the supervisory positions to undertake training responsibilities. In addition, the provision of a new structure with additional positions and appropriate classifications should reduce the staff turnover, and consequent requirement for further on-the-job training.

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

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

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

The Department of Administrative Services has advised that action has been taken to rectify the recording and procedural defects referred to in the Auditor-General's Report for 1976-77. Written instructions have been amended, issued and implemented and subsidiary records have been introduced. Whilst operations are now being correctly recorded some delay in the preparation of monthly balance sheets is still being experienced because of the turnover of qualified staff. Every effort is being made to overtake the arrears and it is expected that the balance sheets will be up to date by 30 June 1979.

DEPARTMENT OF CONSTRUCTION

Fire Protection of Government Owned
or Occupied Property

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

The Department of Housing and Construction accepts that staffing was not brought to a level where it could complete surveys within the required three year cycle. The Department has however pointed out that during the years 1964-1972 the position was not without some difficulties which included:

- the inability to recruit suitably experienced personnell as the then named Fire Protection Officers.
- the need to devote considerable effort to set up inventories and procedures for inspection and reporting on adequacy and effectiveness of fire protection provisions and for recording survey results.
- the decreasing capacity of local fire brigades to assist with adequacy and effectiveness surveys (prior to 1964 Fire Brigades handled a major part of the workload and the remainder was mainly done by the Department's Works Supervisors generally inexperienced in fire safety matters).
- the lack of sufficient departmental experience during these years in the conduct of adequacy and effectiveness surveys to enable estimates of required staff numbers to be made with any degree of accuracy.

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

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

Although fire safety adequacy and effectiveness surveys may not have been to the three year target cycle the Department of Housing and Construction emphatically maintains that its overall performance in the fire safety area, particularly relating to the design of new works over the last 25 years has been one of a leader in the field. Adequacy and effectiveness surveys are but one part of the Department's overall activities in regard to fire safety.

The Department of Housing and Construction contents that the Committee's observation that the intervals between surveys range from 3 years up to 56 years does not present a meaningful picture. As stated by the Committee the 56 year interval occurred in the ACT where the Department relied heavily on the ACT Fire Brigade for the conduct of the surveys. In general the intervals, with the exception of the ACT, range from 3 to 12 years.

The shortage of suitably trained staff to carry out the functions of fire safety officer remains a serious problem. They are not interchangeable with engineers, architects or technical officers and are not readily available from the very few consulting firms active in fire safety work. Retraining of works supervisors is one avenue being actively pursued wherever supervisors have the basic skills and are prepared to undergo training. The Department has advised that the current establishment is 23 Officers.

Committee's Conclusions
167th Report
(2 November, 1977)

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

Department of Finance
Minute
(3 May 1979)

The Department of Housing and Construction has advised that bi-annual courses are conducted by an inter-departmental committee comprising the Departments of Transport, Housing and Construction, Defence and Productivity, the Australian Telecommunications Commission and the Fire Board. On completion of the next course, 22 officers will have undergone training. In addition, in Mid April 1979, 8 officers will attend a course arranged by the Department of Housing and Construction at the Department's Experimental Building Station and a further 6 are scheduled to attend when this course is repeated in September. However, irrespective of the satisfactory completion of a formal course, practical work and on-the-job experience is essential before fire safety officers are effective in survey work.

The Department of Administrative Services has advised that, as part of its property management function it has certain responsibilities for fire protection and fire safety/ emergency evacuation procedures in Commonwealth and leased buildings. The Department has therefore agreed that those sections of the Finance Directions relevant to the operational aspects of fire protection and fire safety will be updated in consultation with relevant departments and incorporated in its Property Manual in due course. When this occurs the Department of Finance proposes to repeal Finance Directions 32/13 and 32/14.

DEPARTMENT OF FOREIGN AFFAIRS

Unauthorised Payment of Settling-In-Allowance - Dublin

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

- i) From 10 November 1974 to 16 March 1975 when the Embassy continued to pay settling-in-allowances although approval for the extension on settling-in-conditions was received by the Department until 3 April 1975.
- ii) From 17 March 1975 to 23 June 1975 when settling-in-allowances were paid without approval.
- iii) From 24 June 1975 to 25 September 1975 when the Department authorised advances totalling more than \$7000 on 25 July and 4 September in the full knowledge that the Public Service Board had rejected the extension of settling-in-allowances on 24 July.

97. The Committee believes that payments made during the first two of these periods arose partly as a result of the inflexibility of the post in its search for short-term accommodation and partly as a

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

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

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

Committee's Conclusions
167th Report
(2 November, 1977)

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

Department of Finance
Minute
(3 May 1979)

The Department of Finance does not agree that there was a difference of opinion between the then Treasury Observer and the Department of Foreign Affairs. The transcripts of evidence records the Treasury Observer as saying that an advance of \$2000 for the purpose of paying settling-in-allowance was authorised by the Department of Foreign Affairs in Australia and that accounts for payment were certified in Dublin. The evidence of the Department of Foreign Affairs was that actual payments were authorised and certified in Dublin. "Authorised" in the latter case was a reference to the administrative action of establishing the "entitlement" - the accounts as such were authorised in the financial sense in the Accounting Office (then Sub-Treasury) London.

Neither the Audit Act nor the Finance Regulations prevent a Certifying Officer from certifying an account payable to himself or otherwise for his benefit. A Certifying Officer for a departmental office in Australia would not normally be called upon to certify payments to himself (except as part of a departmental payroll). At overseas posts, because of the limited number of staff employed, the situation can arise where the Certifying Officer is confronted with the need to certify such a payment but he must do so having regard to his very clear responsibilities under Section 34(3) of the Audit Act 1901 and relevant Finance Regulations and Directions. The Finance

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

(Overseas Accounts) Directions are being reviewed and consideration is being given to the need to include appropriate guidelines for Certifying Officers who are placed in this situation.

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

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

The Crown Solicitor has advised that the delay in furnishing advice to the Department was due to the pressure of work, the magnitude of the task, the necessity to transfer the officer originally assigned the task to other duties and his view that the matter should receive his personal attention.

The Auditor-General has written to the Committee outlining the reasons why he does not intend to proceed with surcharge action in this case.

102. The Committee is also disturbed at the structural problems which became evident in "Hatley House" only after the Embassy had secured access to the property. The Committee has noted that these problems were not detected by the consultant architect who examined the

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

property on behalf of the Embassy. However, this does not absolve the Embassy from its responsibilities for maintaining a reasonable scrutiny of the property in which they would have had a continuing interest. The Committee will comment further on this aspect and on other matters relating to the present system of leasing and purchasing accommodation overseas in its report on the former Overseas Property Bureau which it expects to table shortly.

DEPARTMENT OF THE NORTHERN TERRITORY

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

146. The Committee is critical of the division of responsibilities for both the electricity supply and the water and sewerage services. Whereas the Department of Construction spends a large proportion of the appropriations for utility services in the Territory it has no responsibility for the collection of revenue. There appears to have been little co-ordination to assist in overcoming the difficulties being experienced by the Department of the Northern Territory, both in the collection of revenue and in setting adequate charges to recoup costs. The Committee believes that a major factor contributing to the non-collection of revenue was that the Department of the North-

The conclusions of the Committee in paragraphs 145 to 151 of the Report relate to matters which are now the responsibility of the Northern Territory Government. However, comments obtained from the former Department of the Northern Territory prior to its abolition are included in the following responses.

The former Department of the Northern Territory accepted the Committee's conclusions that ineffective co-ordination contributed to the difficulties experienced in relation to the collection of revenue and, to a lesser extent, the setting of charges. However, in the post-cyclone situation, some lack of co-ordination could be considered a natural consequence of the disaster. At that stage the Department of Construction saw its goal as the quickest possible restoration of an adequate electricity system while the former Department of the Northern Territory was concerned to ensure that the administrative and financial infrastructure for that system was soundly based.

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

ern Territory did not control staff to carry out disconnections. The reluctance on the part of both the Department of Construction and the Department of the Northern Territory to make staff available made effective recovery action difficult.

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

The Public Service Board has advised that it does not regard the granting of higher classification and thus salary as the appropriate method of attracting staff to such localities as Darwin. In fact, other special benefits were applied to persons working in Darwin immediately after the cyclone. The particular recruitment problems in the Northern Territory even in normal times are recognised in the district allowances paid and zone allowances granted for taxation purposes and a variety of other special conditions of employment. The Board is not aware of evidence which would indicate that those measures have been inadequate under normal conditions.

The former Department of the Northern Territory advised that a number of the recommendations of the Mackay enquiry into the operation and management of the electricity undertaking have been implemented, including the establishment of an Electricity Commission.

148. The Committee also noted that the Department was experiencing difficulties through the irregularity of the Darwin power supply and, as a consequence, lost work in process caused many hours of duplicated effort. The

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

Committee is critical that the Department did not foresee that, in such a situation, the provision of a "no-break" auxiliary power supply would have been an elementary precaution.

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

The former Department of the Northern Territory advised that the need for a tariff increase to compensate for increased costs - particularly those arising out of increases in fuel oil prices - was recognised. However, regulations to give effect to a tariff increase could not be made against the opposition of the Legislative Assembly, which was not prepared to approve increases in charges without receiving firm assurances from the Government on constitutional development for the Territory. Following resolution of the constitutional issue, tariff increases were introduced with effect from 1 Jan 1978 and 1 Jul 1978 which took Northern Territory electricity charges to a level equivalent to those applying in North Queensland. The Government has agreed that pending a long term solution to the problem of power generation in the Northern Territory, North Queensland tariffs should be taken as the bench mark for any subsidy to apply to the Northern Territory Electricity Commission.

Committee's Conclusions
167th Report
(2 November, 1977)

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

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

Department of Finance
Minute
(3 May 1979)

The former Department of the Northern Territory advised that responsibility for the electricity and public utility functions was transferred to the Northern Territory Government on 1 Jul 1978. That Government has decided to establish an independent statutory authority to provide the electricity service and to integrate the water supply and sewerage functions with the Northern Territory Department of Transport and Works. In the context of self-government these are decisions which can appropriately be taken by the Northern Territory Government but the conclusions of the Committee have been brought to the attention of that Government.

DEPARTMENT OF PRODUCTIVITY

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

170. The evidence shows that in 1964, in response to a request from the then Department of Air, new procedures were devised under which the Department was required to obtain acquittances by Australian contractors on the originals of priced invoices and to certify and forward them to the Department of Air. The previous procedures had been devised by a working party established by the Department when the project commenced in 1961. Under these procedures there was no requirement that invoices received in Australia had to be acquitted against receipt of supplies, although Australian contractors were required to maintain physical control of all material and components supplied by the foreign contractors. The Committee is disturbed by the evidence that after three years, new procedures were introduced creating a large amount of work which the Department now regards as not having been effective.

171. In the interest of effective financial control over major projects such as this, the Committee regards it as essential that the procedures and financial responsibilities of the various parties are clearly defined at the outset and that careful consideration is given to any amendments to procedures. Further, we would regard early and con

The Department of Productivity has advised that the new procedures were implemented at the request of the then Department of Air which considered the procedure necessary to discharge its obligations as the department incurring the expenditure. It was within this framework of one department receiving the appropriation and the other the supplies or material that it was agreed to acquit the funding invoices with receipts. The procedure on a prima facie basis appeared to have merit. However, it failed to take account of checks already in the system and such problems as significant delays in the submission of invoices and difficulties associated in relating invoices to specific deliveries.

The Department of Productivity agrees with the Committee's comments on the need for the procedures and financial responsibilities of the parties to such financial projects to be clearly defined at the outset and for careful consideration to be given to any amendments to procedures. It was within the process of re-evaluation that the Department of Air

Committee's Conclusions
167th Report
(2 November, 1977)

tinuing consultation with the Department of Finance and the Auditor-General's Office to settle such procedures as absolutely essential. As defence procurement is likely to be from overseas for the foreseeable future, the Committee wishes to be advised of the existence of any guidelines for overseas procurements and whether the lessons learnt from this experience have been incorporated.

172. The Committee acknowledges that in the circumstances explained by the Department a satisfactory system of control was by no means easily obtainable. On the evidence placed before the Committee it appears that the foreign contractors failed in a normal commercial transaction to supply the necessary documentation to enable the Department to effect a complete reconciliation. However, we are disturbed to note that a sequential series of Despatch Notes was not maintained and

Department of Finance
Minute
(3 May 1979)

considered it necessary to introduce the new procedures. At the time, the problems of late invoicing and of relating invoices to receipts were yet to be encountered. The Department of Productivity also agrees with the Committee on the need for early and continuing consultation with the Department of Finance and the Auditor-General's Office.

The Department of Productivity has advised that apart from the general guidelines developed by the defence Board of Business Administration, which relate to the manufacture of aircraft in Australia rather than overseas procurement of production material, no specific guidelines exist for projects such as Mirage. However, it is considered that in view of the diverse characteristics of individual aircraft projects, any attempt to develop a prescriptive procedure for the overseas procurement element of a project would be of little value and could even be counter productive.

The Department of Productivity has acknowledged that sequential numbering of all despatch notes together with registration of receipts by sequential number would have satisfactorily controlled receipt of Mirage project material. However, while this would benefit the recipient it might be unacceptable to the supplier who may prefer to have despatch notes numbered in a single series irrespective of customer. In retrospect, the Department acknowledges that the departmental representatives in

Committee's Conclusions
167th Report
(2 November, 1977)

that the register of notes is no longer available to enable the alternative reconciliation to be carried out. The Committee is most concerned that these elementary practices were not instituted and maintained.

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

Department of Finance
Minute
(3 May 1979)

France should have forwarded the despatch notes to Australia under cover of a sequentially numbered schedule and this will be the procedure in similar future projects.

The Department of Productivity has advised that Despatch Notes are received from many suppliers but under departmental procedures a register is not maintained as a departmental document. Goods Received notes are originated for all supplies received. A register of Goods Received Notes is maintained but may be destroyed after a minimum period of three years in accordance with Finance Directions 10/17 and 10/21.

DEPARTMENT OF SOCIAL SECURITY

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

The Department of Social Security has advised that some progress is being made in the areas of recruitment and training. Additional staff allocations have enabled more effective training to be undertaken, particularly in the State Headquarters. However, since June 1978 the Department has been recruiting an average of 312 staff each month to cover staff wastage and workload increases and this high level of intake places a heavy load on the available training resources.

The Department of Social Security believes that it has achieved considerable success in the preparation of self-instructional procedural training packages, one being issued in November 1978 and a further five being distributed in the first half of 1979. Pending the wider introduction and usage of such packages, there has been a significant investment at State level in off-the-job training for staff engaged in procedural and public contact work - the latter including field officers, counter officers and telephone enquiry officers. Participants in 1978 training courses totalled 1479 (procedural) and 594 (public contact). Throughout 1978 the Department also conducted an intensive management training program which involved 331 participants and which will be continued in 1979. The recruitment situation has improved since February 1977, when the Public Service Board permitted the anticipation of some staff

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

wastage. This was crucial for a Department whose losses of permanent staff are running at 18% per annum compared with a service average of 11%. However, there is still a very substantial time lag in recruitment of staff for new positions. From the time the Department recognises the need for more staff until the Prime Minister's decision on the proposal for increased staff ceilings is conveyed by the Board, a period of 3-4 months has normally elapsed. By the time other necessary recruiting procedures have been complied with, new staff are appointed and have received one month basic training, a total of 6-7 months may have elapsed since the original request was made.

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

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

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

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

Committee's Conclusions
167th Report
(2 November, 1977)

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

Department of Finance
Minute
(3 May 1979)

The Department of Social Security has advised that identity checking procedures have been strengthened by the specification of documents which are acceptable as evidence of identity. The Commonwealth Employment Service has agreed not only to specify the document produced but also to identify it by date of issue and/or number as appropriate. The Department is now moving towards personal interview of applicants for unemployment benefits before benefit is granted. This will place an added burden on administration but is believed will assist in reducing claims for benefits from persons whose identities and bona fides generally are in doubt.

The Department of Social Security believes that the use of identity cards cannot be justified on a cost/benefit basis. Introduced for the community as a whole, the cards would have valuable social security application. However, if introduced for social security payments, their existence could actually facilitate fraud as there would be inadequate protection against a person seeking more than one card. The Department considers that, having regard to overseas experience with identity cards, better results would be obtained by directing resources to more intensive investigation and review of pensions and benefits rather than to the maintenance of an identity card system.

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

The question of the use of an identification card for social security purposes received detailed consideration by Dr. Myers in the course of his Inquiry into Unemployment Benefit Policy and administration and it was his recommendation that a Social Security Identification not be introduced. (Recommendation 25). The Inquiry also recommended that, having regard to the United States experience, the introduction of a National Identification Card not be considered unless a total evaluation of its impact on all walks of life is first undertaken (Recommendation 26). The Department of Social Security has pointed out that identification problems were not a causal factor in the potential overpayments referred to by the Auditor-General.

Committee's Conclusions
167th Report
(2 November, 1977)

Department of Finance
Minute
(3 May 1979)

200. The Committee heard evidence relating to the responsibilities of the two Departments in the unemployment benefits area. As an example the Committee received evidence from the Department of Social Security that short periods of casual employment notified through the Commonwealth Employment

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

The Department of Social Security has advised that the question of fundamental changes in respective roles of the Department of Social Security and the Commonwealth Employment Service in relation to unemployment benefit administration, is under review by the Government. In the meantime, liaison at the operational level has been strengthened, instructions clarifying responsibilities for various aspects of day-to-day administration have been issued and procedures have been tightened with the objectives of achieving consistent application of policy. Discussions between the two responsible Departments, aimed at progressively improving arrangements and procedures, are continuing.

CHAPTER 3

DEPARTMENT OF FINANCE MINUTE ON THE ONE HUNDRED AND SEVENTY-FIRST REPORT OF THE REPORT OF THE AUDITOR-GENERAL FINANCIAL YEAR 1976-77

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

The Department of Finance had examined the Report and has discussed with the departments and authorities concerned the observations and conclusions of the Committee which have where necessary been brought to the notice of the relevant officers. Amendments to the Administrative Arrangements Order 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 departments named in the headings in this Minute conform with the names appearing in the Committee's Report.

AUSTRALIAN BROADCASTING TRIBUNAL

2.20. Section 27A (2) of the Broadcasting and Television Act 1942 states:

The Tribunal shall not expend any monies other than in accordance with estimates of expenditure approved by the Treasurer.

2.21. Contrary to the provisions of this legislation, the Tribunal expended monies over and above the approved estimate for the item 'Public Inquiries'. No attempt was

As a result of the Committee's enquiries, revised procedures have been instituted in respect of those statutory authorities for which the Minister for Finance is required to approve the estimates. In future, an interim approval will be sought prior to the commencement of each financial year based on a detailed breakdown of the Supply provisions for the statutory authorities concerned. Approval of the estimates on a full year basis will be

Committee's Conclusions
171st Report
(15 November, 1978)

made to obtain approval from the Treasurer for a revised estimate when it was obvious proposed expenditure would exceed the initial estimate. The Committee views this situation with concern. Although staffing difficulties existed during the period of over-expenditure, it is the responsibility of the management of the Tribunal to ensure suitable measures are taken to resolve matters of this kind. It appears insufficient notice was taken of the staffing position and the consequences of allowing the staff situation to deteriorate.

2.22. The Committee endorses the comments made by the Acting Auditor-General in paragraph 2.19 of the Report.

AUSTRALIAN WHEAT BOARD

3.20. It is clear that the Wheat Board does not have authority to make payments under s.40(2.) of the Wheat Industry Stabilization Act 1974 unless such payments are made pursuant to an agreement between the Federal Minister and the various State Ministers on the basis of remuneration. While the Committee recognises the difficulties in the Board's position and understands the Board's view that it had no alternative but to make unauthorised payments the Committee considers that the Board must accept responsibility for not taking more

Department of Finance
Minute
(19 December 1979)

sought following introduction of the Appropriation Bills. If, during the course of the financial year, it becomes apparent that variations from the approved estimates will be necessary, authorities will be expected to seek the approval of the Minister for Finance.

The Australian Broadcasting Tribunal has advised that the staffing uncertainties and difficulties encountered during the early days of its establishment have now been overcome. The Public Service Board has approved a new staffing proposal for the Tribunal including a Management Services Branch with three positions directly involved in accounts duties.

The Australian Wheat Board accepts the Committee's comments.

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

prompt and more effective action to correct the situation. This view is based on the evidence that the Board suspected from 1966 that its authority to make payments was conditional on a prior Ministerial agreement. Advice provided by the Attorney-General's Department in 1968 confirmed the Board's suspicion.

3.21. The Committee is aware of the reasons for delay in negotiating agreements between Federal and State instrumentalities and Ministers. The delays faced by the Wheat Board are not exceptional. They do not necessarily indicate poor administration on the part of the Board or of the Bulk Handling Authorities. However, the Committee is satisfied that such delays, and as a consequence the extent of unauthorised payments by the Board, could have been reduced significantly or avoided altogether. Further, the Committee believes the legislation should have been altered during the preceding ten years to reflect the actual situation faced by the Board. A provision authorising the Board to make payments where it was necessary to do so, other than pursuant to a formal Ministerial agreement, on a basis determined by the Board in consultation with the various instrumentalities involved, or a similar provision, may have been adequate.

3.22. Focussing on the delays caused by the preparation of formal legal agreements, the Committee is not convinced by the argument

The Australian Wheat Board and the Department of Primary Industry agree with the Committee's observations. The legislation was amended by Act No 165 of 1978 along the lines suggested by the Committee.

The Department of Primary Industry and the Australian Wheat Board have noted the Committee's comments for

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

advanced in the final paragraph of the submission by the Department of Primary Industry. The Committee knows that this process has been expedited for many instrumentalities where legal officers have been involved in negotiations and are therefore in a better position to incorporate the outcome of negotiations in a formal agreement. This possibility should have been explored fully by the Wheat Board and the Department of Primary Industry.

consideration should a similar situation arise in the future.

3.23. The Committee emphasises its concern about a statutory authority making payments other than in accordance with the statute which authorises the making of payments. It is the responsibility of any statutory authority to function within its charter. If this proves to be administratively impracticable, positive steps must be taken to amend the statute, or develop new procedures consistent with it, as soon as possible. The Committee's conclusion that it understands the Board's view that it had no alternative but to make unauthorised payments should not be construed to mean that the Committee condones its actions. In the circumstances the Committee considers that the Board's action may have been justified in the short-term. However, the Committee takes the view that the willingness of the Board and the Department of Primary Industry to tolerate the procedures which involved the Board in making unauthorised payments for a period of over ten years cannot be justified. The Committee considers this to be an example of poor administration.

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

The Department of Primary Industry and the Australian Wheat Board have noted the Committee's comments and the Department has impressed upon the Australian Wheat Board the necessity for strict compliance with legislative requirements in its future financial operations.

DARWIN COMMUNITY COLLEGE

4.31. The Committee is disturbed that the Darwin Community College Council has not presented any financial statements to the Minister or the Northern Territory Legislative Council as required under the provisions of the Ordinance.

The Auditor-General in his 1976-77 Supplementary Report commented generally on delays in the presentation of financial statements and reports; in Section 21.1 the Darwin Community College was specifically mentioned as not having submitted statements for the following periods:

19 July 1973 to
31 December 1973
1 January 1974 to
31 December 1974
1 January 1975 to
31 December 1975
1 January 1976 to
31 December 1976.

The Department of Education has advised that financial statements for the years 1973 to 1977 have now been submitted to the Minister for Education. The financial statements for 1978, based on accrual accounting, are being examined by the Auditor-General's Office and are expected to be submitted to the Minister in January 1980.

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

4.32. One of the causes for the delay in the presentation of the reports was the inability of the College to prepare its financial statements in the form submitted to and approved by the Department of the Treasury; the College submitted a pro forma set of statements to the Department of the Treasury based on accrual accounting whereas its existing accounting system was essentially cash based. The Committee is concerned that such a situation can arise, especially considering the time over which the format of the statements was discussed. The Committee is anxious to ensure a similar situation does not recur and wishes to be informed by the Department of Finance what controls currently exist or will be implemented to prevent a like situation occurring.

4.33. The Committee is concerned that the College did not adopt a more assertive role in the processes leading to the acceptance of the format of its financial statements. The approach taken has been too casual with the result that financial statements for 4

In discussions which precede the making of a recommendation to the Minister for Finance that he approve the statements of a statutory authority, the Department of Finance seeks to ensure that the proposed format pays adequate regard to the principles of accountability, provides an acceptable level of disclosure and, to the extent that it is possible, conforms with modern accounting standards. In practice, however, the final format of the statements recommended to the Minister reflects consensus of views of the Department of Finance, the Auditor-General's Office, the authority and its "parent" department. The control which can be exercised by the Department of Finance in minimising delays is limited, but internal working arrangements are directed to ensuring that delays in determining the format of financial statements or in presentation of an authority's annual report to Parliament do not occur.

The Department of Finance is taking what action it can to ensure that "client" authorities present timely reports.

Financial statements for the years 1975, 1976 and 1977 have now been submitted to the Minister for Education; the financial statements for 1978 are with the Auditor-General's Office and are expected to be submitted to the Minister in January 1980.

Committee's Conclusions
171st Report
(15 November, 1978)

financial periods are currently outstanding. In the light of the information presented in the 'Summary of Transactions Leading' to the Approval of Pro Forma Financial Statements for the Darwin Community College (D.C.C.)' in Appendix 4B, the Committee requests the parties involved to critically analyse their role in this process in order to streamline their own procedures.

4.34. Approximately 18 months ago the College Council submitted a proposal for a uniform salary scale for its teaching staff to the Minister for Education. The Minister requested the views of the Tertiary Education Commission and the Department of Employment and Industrial Relations on the proposal. At the time of the Committee's hearing the Council had not received a reply. While appreciating the factors and considerations involved in reviewing this proposal, the Committee believes there is no justification for the lack of communication with the Council.

4.35. The Committee is in no position to draw a conclusion on the merits of a combined Department of Education and Darwin Community College course for Aboriginal teachers compared to a course offered completely by the College.

Department of Finance
Minute
(19 December 1979)

The Northern Territory Government took over responsibility for the Darwin Community College as from 1 Jul 1979.

The Department of Education has advised that, following the College's submission on 10 Feb 1977, there were regular consultations and correspondence between the Department, the College and the Department of Employment and Industrial Relations on the proposal for a common scale of academic salaries. On 16 Nov 1978, the former Department of Employment and Industrial Relations advised that in its view the adoption of the proposal would not be consistent with the wage fixation principles of the Commonwealth Conciliation and Arbitration Commission and suggested that a review of academic salaries at the College be made by an independent arbitral authority. Before a decision could be taken on this suggestion, it was necessary to seek the view of the Northern Territory Government. However, these views had not been received before the Northern Territory Government took over responsibility for the College on 1 Jul 1979. The College Council was kept informed of the suggestion. While it is true to say that the College Council had not received any decision on the proposal, there had been regular consultation with the College from the time the matter was first raised.

DEPARTMENT OF ABORIGINAL AFFAIRS

5.17. The Committee views the indirect charge to Consolidated Revenue resulting from the failure of the Department to increase rents for its houses as serious enough, but the broader issues of inadequate co-ordination and management raised even more important implications for the Cabinet system of Government.

5.18. Clearly those matters explored in the Committee's Report of its "Inquiry into the Financial Administration of the Department of Aboriginal Affairs", dated 14 January 1977, are relevant in explaining the Department's poor performance on the rent increases. The Committee accepts that an initiative, for the resolution of the difficulties involved in implementing the rent increase decision, or in seeking the reconsideration, or reversal of the decision, should have been taken by the Central Office of the Department of Aboriginal Affairs and is satisfied that the rent increase issue was handled adequately by the Northern Territory Division of the Department of Aboriginal Affairs, but the manner in which the matter was handled by the Department's Central Office showed a major defect in its managerial capacity.

5.19. The Committee's attention was directed largely to the Department's managerial performance. The inexperience and ineptitude

The Department of Aboriginal Affairs accepts the criticism of its performance expressed by the Committee in paragraphs 5.18 to 5.20. The incident demonstrates the lack of experience in these matters within the Department at the time. However, the Department is of the view that it has benefited from these and other earlier criticisms and that, as a result, there has been a significant improvement in its managerial performance since that time and the possibility of a recurrence is remote.

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

both of individual officers and of the operation of the Department as a unit was evidenced by the fact that the significance of "Housing in the Territories" in the 1973-74 Budget Speech was not appreciated by senior officers of the Department. These officers could have been expected to be aware of the relevance of the Budget Speech to the policy of their Departments. It is the Committee's view that such an oversight seriously reflects on the Department's performance and attitudes towards its responsibilities to carry out Cabinet decisions.

5.20. The Committee accepts that it is essential for a department and individual officers within a department to identify areas where implementation of a Cabinet decision could affect the department's operations. Failure to do so is even more serious when the department has not been involved in preparation of a Cabinet submission. However, objections to implementation of a Cabinet decision which are not voiced outside the objecting department cannot justify delays in implementing the decision. Objections should be raised expeditiously with the Minister responsible, the Department of the Prime Minister and Cabinet, the Department of Finance and the Public Service Board. Meanwhile, the department must be prepared to ensure speedy implementation of the Cabinet decision.

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

5.21. The Committee considers that there is limited value in repeating the criticism of the general managerial performance of the Department each time it conducts an inquiry into a report by the Auditor-General on some aspect of the Department of Aboriginal Affairs. The Committee recognises that the mis-management of the rent increase occurred some years ago and hopes that the necessary internal restructuring of the Department may have been undertaken.

5.22. The Committee is disturbed that the overall co-ordination arrangements for the promulgation and implementation of Cabinet decisions made no allowance for the weak management record of the Department. Nevertheless, the Department was not consulted on a matter of some significance to its Northern Territory operations when it should have been. The then Department of the Treasury had no follow-up procedure whereby it drew the attention of departments to Government policy initiatives announced in the Budget Speech and the Department of the Northern Territory apparently did not realise that it alone amongst departments with interests in the Northern Territory was engaged in implementing the rent increase decision. The Department of the Prime Minister and Cabinet, specifically the Cabinet Office, refused an oral request from the Department for a copy of the Cabinet decision and

The Department of Aboriginal Affairs had advised that its organisation was reviewed in 1977 and changes made to put into effect a number of directions by the Minister which resulted in improvements in efficiency. More specifically, the Department reverted to a three-divisional structure, with two divisions devoted to policy matters and one to programming, control, review and management matters. The reorganisation has proved successful.

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

apparently did not appreciate the difficulties confronting the Department of Aboriginal Affairs. Finally, because the relative effect of the rent increase on revenue would have been small, the Department of Finance, through its monitoring of the Department's financial position, was unaware that rents had not been increased.

5.23. This affair suggests a lack of responsiveness in government administration to the demonstrated inadequacies of the Department of Aboriginal Affairs.

5.24. On the basis of the evidence submitted during the inquiry the Committee has some reservations about the adequacy of processes by which departments are consulted in the preparation of Cabinet submission and the manner in which Cabinet decisions are distributed to departments. The Committee considers that the difficulties faced by this Department and others may have been minimised or eliminated if they had been involved in preparing advice for Cabinet on the rent increase matter.

5.25. The Committee also has reservations about the adequacy of the current procedures for ensuring the implementation of Cabinet decisions. Each Minister is responsible for implementing those which have an impact in the area of his portfolio. The Committee does not question this arrangement.

The Department of the Prime Minister and Cabinet has provided the following advice:

The comments by the Committee arise from the handling of a Decision taken by Cabinet in 1973, and as has been indicated to the Committee in evidence,

Committee's Conclusions
171st Report
(15 November, 1978)

However, in view of the amount of work generated and the difficulties sometimes involved in the implementation of Cabinet decisions, such as the rent increase decision, the Committee can see a strong case for a simple, central monitoring system to keep track of progress in the implementation of decisions. This system would provide the information on which either Cabinet or the central co-ordinating agencies, or both, could assess the need for remedial action where difficulties are experienced in implementing a decision.

Department of Finance
Minute
(19 December 1979)

procedures for the co-ordination of Cabinet Submission and the handling of Cabinet papers have been further developed since then.

Developments in recent years include -

- . the issue of a Cabinet Handbook in 1976 to Ministers and Departments giving guidance on Cabinet principles and the procedures for handling Cabinet papers;
- . a revised standardised format for Cabinet

Submissions was adopted in 1977, with emphasis on the need for adequate and meaningful consultation between all interested agencies in the drafting of Cabinet Submissions;

- . monitoring by the Cabinet Office of the co-ordination and consultation requirements to ensure that they are observed; and
- . in 1978 Departments and some major authorities were asked to designate Cabinet Liaison Officers, to improve liaison and communication between Departments and with the Cabinet Division, including in relation to the preparation of cabinet Submissions and circulation of Decisions.

Cabinet Decisions are distributed to Ministers, and to Departments and authorities required to take action in relation to them.

The improved consultative processes in relation to Submissions assist in the identification of the essential interests of Departments. Any Department however which establishes a need to have access to a particular Decision is provided with a copy, assuming of course that the request is made with proper authority - in respect of which the Liaison Officer system now assists.

In the 1973 case in question, there were interdepartmental changes in management and financial arrangements after the Cabinet Decision was circulated which affected the handling although the Government's policy in the matter was in any case announced in the 1973 Budget Speech. All the circumstances of this particular case cannot now be substantiated from this Department's records, but it can be said that under the current procedures it is unlikely that a Decision of the Cabinet would not reach a Department or authority required to take action on it.

The Committee has made it clear that it does not question the principle that each Minister is responsible for implementing the Cabinet Decisions which have an impact in the area of his portfolio. Prime Ministers have emphasised to Ministers that this is a central principle of Cabinet government and of ministerial responsibility. The

principle of ministerial responsibility is of central importance to the efficient functioning of any Cabinet system of government. And of course, Departments have a responsibility to support Ministers in carrying out their ministerial responsibilities.

Any action taken by the Cabinet Division in following up the implementation of Cabinet Decisions has to be taken in the knowledge that it can very easily conflict with this central principle of ministerial responsibility. Any attempt to establish a comprehensive central monitoring system could lead to such a conflict; it would also require substantial staff resources to maintain it. Altogether, the present procedures and practices, refined since 1973 and under continuing review, are judged to strike broadly the right balance.

The Prime Minister will be asking Ministers to satisfy themselves that procedures in their Departments are adequate to ensure that they are informed of progress of action on Cabinet Decisions for which they have implementation responsibilities."

The Department of Finance's role in the follow-up process is as set out in its submission to the Committee dated 19 Oct. 1978.

DEPARTMENT OF CONSTRUCTION
(now Department of Housing and Construction)

6.26. From the evidence presented at the Committee's inquiry it is clear that the Audit Office obtained, either correctly or through misinterpretation, an estimate of \$1 600 000 for repairs to Laverack Barracks following an audit inspection of the barracks on 1 April 1977. It is also clear that the Audit Office made attempts both before, on and after the memorandum of 5 May 1977 to obtain departmental verification of the estimate. It is also clear that from 2 May 1977, when the Department claims to have first become aware of the estimate, the Department made internal attempts to verify the estimate.

6.27. However, no evidence was presented to indicate that the Department had informed the Audit Office of its doubts regarding the estimate; nor did it satisfactorily explain its failure to provide at least an interim reply to the Audit Office in addition to the acknowledgement provided on 9 May. In view of the fact that the Department was able to provide an apparently accurate estimate of the cost of repairs to the 45 Rank and File living quarters within seven days of a request by the Senate Estimates Committee, the Committee finds it difficult to accept that the Department could not have advised the Audit Office between 5 May 1977 and 13 September 1977, that the estimate of \$1 600 000 was not accurate.

The Department of Housing and Construction contends that the Committee's conclusion that "the Audit Office made attempts both before, on, and after the memorandum of 5 May 1977 to obtain departmental verification of the estimate" is not accurate. It claims that the Audit memorandum of 5 May contained a number of assertions under the heading "Design Deficiencies" and concluded with twenty-nine separate queries in respect of those assertions including one relating to the "estimate".

It categorically states that no further specific oral or written request to verify the estimate was received and the accuracy or otherwise of the figure quoted was not regarded as requiring special attention any more than the rest of the twenty-nine questions. The Department has emphasised that it received queries from the Audit Office and, at the time the Auditor-General's Report was tabled in Parliament, was seeking advice as to the extent of the power of the Auditor-General to ask questions about matters of professional judgement.

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

6.28. From the evidence presented to the Committee it is clear that the Auditor-General was not exceeding his authority in reporting as he did in paragraph 3.6.1. The legal opinion obtained from the Attorney-General's Department affirms the Auditor-General's right to report as he did.

6.29. The Committee cannot accept the Department's complaint that it was not given an opportunity to comment on the contents of the Auditor-General's Report to the Parliament. The Committee believes that there was adequate time between 5 May 1977 and the tabling of the report on 13 September for the Department to provide a reply, even if only an interim reply to the specific queries of the 5 May memorandum.

6.30. The Committee supports the Auditor-General's view that, in the absence of any departmental advice, he had no alternative but to report on the situation as he saw it at the time. The Audit Office had sought the professional advice of the Department but had not received it.

The Department of Housing and Construction now accepts that the Auditor-General had the authority to ask questions although it did not think so at the time.

The Department of Housing and Construction did not provide a reply to the Auditor-General in respect of the queries received on 5 May 1977 for the reasons outlined in the comment against para 6.26. However, when the Department sought advice from the Auditor-General's Office about what was to be included in the Auditor-General's Report concerning the unanswered questions the request was denied, thus depriving the Department of an opportunity to comment on the tenor of the Report. The Department was therefore unaware of the significance placed by Audit on the estimate for repairs to Lavarack Barracks.

DEPARTMENT OF DEFENCE

Procurement of Liquid Oxygen
Tank/Vaporiser Units

7.29 Having considered the evidence submitted by the Department of Defence the Committee reached the following conclusions:

- (i) At the time the decision was taken by the RAAF to acquire the equipment there were adequate grounds upon which to base that decision.
- (ii) The design defects discovered when the first piece of equipment was installed at Williamstown showed evidence of inadequate planning by the RAAF. Some expenditure on rectifying oversights is unexceptional. However, extra costs of \$60 000 when the total project cost was \$146 000 point to a quite serious defect in project planning.
- (iii) The source of the defect in planning appears to have been a readiness on the part of the RAAF to leave both system design and equipment design to Toledo. While equipment design was satisfactory, site and system design for handling heavy gas cylinders were totally inadequate. Clearly these defects resulted from insufficient or inadequate engineering design effort. They may have been avoided

if the RAAF had sought the assistance and advice either of other air forces experienced in the operation of liquid oxygen tank/vaporiser equipment or of the RAAF's liquid oxygen supplier, CIG. Close consultation with CIG in the design of the installations could have avoided the design defects which had to be remedied before CIG would supply liquid oxygen to the Williamstown installation.

- (iv) Letting the contract to Toledo appears to have been justified in terms of the firm's engineering performance. However, the collapse and winding up of Toledo raises doubts about the adequacy of the assessment of the firm's financial stability performed by the Department of Supply. Although the abandonment of the project cannot be attributed directly to the collapse of Toledo, the firm's financial difficulties and winding-up do appear to have contributed to the delays experienced during the project. For this reason the importance.

The Department of Administrative Services has advised that as a general rule the Cost Investigation Branch of its Purchasing Division, which now handles the letting of such contracts, undertakes a detailed investigation of a recommended tenderer's financial viability for contracts where the following factors are involved:-

- . an unknown or untried tenderer;
- . substantial total value of the contract;
- . contract progress payments required over a long delivery period;
- . there is reason to doubt

Committee's Conclusions
171st Report
(15 November, 1978)

of the financial stability of a firm awarded a contract by the Commonwealth requires emphasis.

- (v) There is nothing unorthodox in a contract which provides for payment of up to 70 per cent of the contract price by progress payments prior to completion of the contract. The decision of the Department of Supply to make progress payments totalling 70 per cent of the contract price when Toledo was facing financial difficulties appears to have been justified. The Department of Supply also made a final payment, equal to 26 per cent of the contract price, after it became clear that Toledo could not complete the contract.

The Committee considers that in the circumstances the decision to make this payment, which fulfilled the Commonwealth's contractual obligations to Toledo, was also justified. These views are based on the fact that the RAAF was supplied, substantially with what it contracted for. The full contract price was not paid. The lower amount paid took account of work contracted for but which was not performed by Toledo.

Department of Finance
Minute
(19 December 1979)

the tenderer's financial stability.

In cases where the tenderer is well known, usually as a previously satisfactory supplier, and the value and/or nature of the requirement would not warrant it, it would be unnecessary and impractical to investigate the financial viability of every recommended tenderer.

In this case, it was confirmed by the then technical authority, the Munitions Supply Branch, Department of Supply, that Toledo was well established in the field concerned, its tender complied with the requirements, the firm had previously contracted satisfactorily to the Commonwealth and there were no grounds to doubt its engineering or financial ability to do so again.

- (vi) The Department of Air/RAAF decision to accept the equipment with only an interim Quality Assurance release, especially when some of the components for the Pearce equipment had been damaged, would have been unjustifiable but for the collapse of Toledo. In a situation where the contractor was being wound up there is little doubt that it was reasonable for the RAAF to accept substantially complete equipment. This view takes into account the considerations that the RAAF could itself have repaired, completed and installed the equipment supplied by Toledo and that the amount paid to Toledo was reduced by a sum estimated to represent the value of the work not performed.
- (vii) The decision by the RAAF to dispose of the equipment may have been sound in terms of operational requirements. However, it comes close to involving a gross waste of public moneys when the small return realised by sale is considered. Equipment which cost \$65 000 was sold for \$1500 by the Department of Administrative Services. It is difficult to accept, despite assertions to the contrary, that a higher return could not have been realised. Given this situation it would appear that the

Committee's Conclusions
171st Report
(15 November, 1978)

disposal function is one to which close attention should be given by senior departmental managers in all departments involved in the disposal of equipment.

Department of Finance
Minute
(19 December 1979)

The Department of Administrative Services, which is now the disposals authority for the commonwealth, has advised that, in its experience, the relationship between the return received at auction and the original costs is dependent on a range of factors.

The more specialised (or custom-made) a piece of equipment is, the narrower is the expected disposal market and this could be extended to the point where no market exists at all for use of the equipment in its designed role - the only suitable market then is as scrap.

In the case of specialised equipment, the Department normally makes special direct efforts to interest other government departments and authorities who may be able to adapt the equipment for some specialised use similar to that for which it was designed; efforts are also to be made to interest appropriate commercial organisations. Efforts were made in this case to interest the Navy in this highly specialised equipment without success, even though that Service could have had the equipment without financial adjustment in accordance with Finance Direction 32/20.

(viii) There appears to be little justification for the retention by the RAAF of spare parts, for the equipment produced by Toledo, worth \$7000. This conclusion takes account of the evidence that there was little likelihood that the spare parts could be used by the RAAF because of the specialised nature of the equipment for which the spare parts were produced. The Committee wishes to be informed of any decisions taken on either the retention or the disposal of these spare parts.

The Department of Defence has advised that the spare parts held in the RAAF inventory against the liquid oxygen tank/vaporiser units have been disposed of.

Asphalt Mixing Plant

8.13 The Committee endorses the practice of offering equipment which is no longer of use to one department to other departments within the Commonwealth before arranging disposal through the Department of Administrative Services, providing it can be demonstrated it is in the Commonwealth's interest to follow this course of action. In this case, from the evidence presented, it was not adequately demonstrated to the Committee that proper procedures had been followed to establish the need to retain the asphalt mixing plant. The benefits of a proposal to transfer material from one department to another must be expressed in more precise terms than we have seen in this instance, otherwise it is conceivable

The major control ensuring proper evaluation of transfers of equipment between Commonwealth departments is the requirement contained in section 32/30 of the Finance Directions that such transfers are to be paid for. As indicated in the letter of 19 Aug 1978 from the Acting Minister for Finance to the Chairman of the Committee current policy is to require payment to be made only where the value of the stores to be transferred exceeds \$20 000. It is also proposed to include in the Finance Directions guidelines for the proper evaluation of need before free transfers between departments are sought.

The requirement for payment did not apply to transfers between the separate depart

Committee's Conclusions
171st Report
(15 November, 1978)

that equipment could be assessed by departments on the off-chance that it may be used. The asphalt mixing plant has not been used since it was obtained by the Army in 1974 and, at the time of this hearing, there were no specific tasks in mind for its use.

8.14 The assessment and decision to move the plant to Penrith was made on the basis that personnel for maintenance and storage were available as well as a suitable location in which to store the plant. Although there was no immediate need, it was thought that on the east coast there would be more likelihood of projects becoming available than in any other area of the Commonwealth; however a departmental witness agreed there was a possibility that the asphalt plant may be required in Western Australia. This indicated to the Committee that all aspects of this equipment transfer were not taken into consideration.

Department of Finance
Minute
(19 December 1979)

ments within the defence group prior to the amalgamation of the Services in 1976. The transfer of the asphalt plant in 1974 was therefore made without financial adjustment. Transfers of equipment between the separate arms of the Defence Services may still be made without financial adjustment but the Department of Defence has advised that it has a standing instruction covering such transfers, which has been recently amended to emphasise the requirement to clearly establish the need for equipment transferred between the Services. Any Service seeking to acquire surplus or obsolete items by transfer from another Service must also be able to demonstrate that it is in the Commonwealth's interest to follow this course of action rather than allow the normal disposals process to proceed. The instruction also emphasises the need to preserve and maintain any material transferred.

8.15 The Committee is concerned about the decision to have the 4 Works Battalion appraise the potential to the Army of the equipment when it appears more appropriate expertise is available to perform this task. This would seem to be a waste of the Army's time and the taxpayer's money.

8.16 The Committee would like to be assured that adequate procedures exist for the evaluation of transfers of equipment within Commonwealth departments.

DEPARTMENT OF EDUCATION

9.15 The Committee has an identical view to that expressed in paragraph 17 of Chapter 5. The Committee views the indirect charge to Consolidated Revenue resulting from the failure of the Department to increase rents for its houses as serious enough, but the broader issues of inadequate co-ordination and management raise even more important implications for the Cabinet system of Government.

9.16 On the issue of co-ordination the Committee considers that the evidence points to a deficiency in the procedures for following-up the implementation of Cabinet decisions. As a result of the change in functional responsibility which led to the transfer of houses in remote localities in the Northern Territory to the Department there was also a transfer to the Department of the responsibility to increase rents. This was so despite the fact that the Department had never been consulted on this matter, had received only indirect advice of the Cabinet decision and faced some difficulty in complying with the decision. To the Committee these circumstances point both towards inadequate consultation in the preparation of the Cabinet submission on rents for Government-owned houses in the Northern Territory and towards an inadequacy in the function transfer process.

9.17 It is the Committee's view that the Department of Education should have assessed quickly the difficulties involved in implementing the Cabinet decision and reported promptly to its Minister with a recommendation that the matter be referred to Cabinet. The difficulties should also have been drawn to the attention of the Department of the Prime Minister and Cabinet, the Department of Finance and the

The Department of Education has advised that if it had foreseen, at an early stage, the difficulties inherent in implementing the Cabinet Decision it may well have recommended to the Minister for Education that the matter be referred back to Cabinet. This would have drawn such difficulties to the attention of the regulatory authorities, as suggested by the Committee. However, in view of the time which had already

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

Public Service Board. It is the Committee's view that a role of these central co-ordinating authorities is to assist departments in the resolution of such difficulties.

elapsed between the date of the Decision and advice of its terms being received in the Department, it was decided to proceed with the work where necessary for its implementation.

9.18 The Committee also points to the advice offered in June 1978 by the Deputy Prime Minister to the Minister for Aboriginal Affairs on the action he could take to resolve the rent increase issue. The procedure followed in that exchange of correspondence is endorsed fully by the Committee. It is, however, regretted by the Committee that that action was not taken in 1974 rather than in 1978.

9.19 On the question of central follow-up on the implementation of Cabinet decisions the Committee wishes to repeat the conclusion stated in Chapter 5. In view of the amount of work generated and the difficulties sometimes involved in the implementation of Cabinet decisions, such as the rent increase decision, the Committee can see a strong case for a simple, central monitoring system. This would provide information on which either Cabinet or the central co-ordinating agencies or both, could assess a need for remedial action where difficulties are experienced in implementing a decision.

See comments against paragraph 5.25

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

9.20 The Committee is of the opinion that the effort involved in the preparation of the records necessary to calculate economic rent for houses in remote localities would cost more than the benefits to be gained.

9.21 Turning to the issue of charging for Government-owned houses in remote localities in the Northern Territory, the Committee bases the views expressed on its inspection of a number of these houses. While the Committee normally does not comment upon Government policy it considers that, based upon the evidence received during the inquiry, sufficient information may not have been provided for a proper decision to have been made. It would appear that the Cabinet decision does not recognise sufficiently the need for special consideration to be given to the question of accommodation charges for Government employees stationed in remote localities. The Committee would recommend a review of the policy on charging for Government-owned houses in remote localities.

The Department of Administrative Services agrees with the Committee's suggestion, particularly as it is possible that a standard rental system may replace the present rental system.

The Ministers for Administrative Services and Aboriginal Affairs and the Minister Assisting the Minister for Education have agreed on a proposed scale of rentals for accommodation controlled by the Department of Aboriginal Affairs and Education in remote areas of the Northern Territory. The Scale is an interim measure pending the Government's consideration of the recommendations of the Interdepartmental Committee on Commonwealth Staff Housing and whether the application of these recommendations should be extended to housing in the Northern Territory.

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

9.22 The Committee has no firm view on what would be the optimal basis on which to levy an accommodation charge on officers occupying Government-owned houses in remote localities in the Northern Territory. The Committee suggests that the possibility of the rent concept for these houses be abandoned so that the provision of accommodation in remote localities in the Northern Territory would be part of a package of conditions of employment.

9.23 When the basis for and level of an accommodation charge is being considered, the Committee suggests that account be taken of the basis on which district allowance is calculated and that staff accommodation in remote localities must be supplied if departments want officers to serve there.

9.24 The Committee considers that the questions of basis for and level of an accommodation charge should be determined by the Ministers of departments with staff located in remote areas in the Northern Territory, in consultation with the Minister for Administrative Services (in view of his responsibilities in relation to the report of the Interdepartmental Committee on Commonwealth Staff Housing - see Chapter 5) and in consultation with the interested staff organisations.

The Public Service Board has advised that, in its view, the provision of accommodation at remote localities is an important part of the overall package of conditions of employment. The Department of Administrative Services agrees with this approach.

The recommendations of the Interdepartmental Committee on Staff Housing in regard to rentals are under consideration by the Government. However, the Department of Administrative Services and the Public Service Board agree that an employee benefits by the supply of an amenity in the form of housing and should therefore be required to pay a reasonable rental. Any disability of living in a remote locality should therefore be recompensed by specific allowances rather than rent reductions.

The Department of Administrative Services agrees with the consultative arrangements suggested by the Joint Committee of Public Accounts.

Committee's Conclusions
171st Report
(15 November, 1978)

Department of Finance
Minute
(19 December 1979)

9.25 Another matter which the Committee considers should receive close attention is the responsibility of officers occupying staff accommodation to take reasonable care of that accommodation and incur some financial liability (eg loss of bond) for failure to take reasonable care. The Committee's concern over this matter results from its inspection of a number of houses in several remote localities in the Northern Territory. Whilst those houses were of a fairly low standard as a result of age, little maintenance and the poor quality of materials used in construction, their poor condition in some cases appeared to have resulted, in part, from the failure of their occupants to exercise reasonable care to avoid other than normal wear and tear.

9.26 The Committee realises that its comments on charging for staff accommodation in remote localities run counter to the view expressed in the Coombs' Task Force report. However, the Committee considers on the basis of its observations, that in view of the conditions under which Commonwealth employees live in small isolated communities in the Northern Territory further consideration should be given to the basis on which such employees are provided with, and charged for, staff accommodation.

The Department of Administrative Services has advised that as the standard agreement signed by a tenant prior to occupancy makes him liable for any damage over and above normal fair wear and tear, it does not consider the imposition of a bond to be necessary or desirable. The Department holds the view that a requirement for a bond could defeat the purpose of providing accommodation as an incentive for officers to accept appointments in remote localities and it is considered inappropriate in cases where the tenancy agreement is between employer and employee.

Committee's Conclusions

171st Report
(15 November, 1978)

Department of Finance

Minute
(19 December 1979)

DEPARTMENT OF ENVIRONMENT, HOUSING AND COMMUNITY DEVELOPMENT
(now Department of Home Affairs)

10.20 The administration of the CALF scheme by the Department of Tourism and Recreation in the first instance and then by the Department of Environment, Housing and Community Development has been appalling. The lack of awareness of the financial provisions pertaining to this scheme is of considerable concern to this Committee; not only were the provisions of the Audit Act and Finance Regulations and Directions; not followed, but specific conditions relating to the scheme, imposed by the then Department of the Treasury, have not been adhered to.

10.21 The Committee appreciates that the Department of Tourism and Recreation operated under some difficulty in the initial stages of the scheme when it was required to draw on the management resources area of the Department of Overseas Trade; difficulties can arise in determining priorities totally satisfactory to 2 permanent heads. In a recent inquiry into the Department of Aboriginal Affairs, the Committee has seen how a similar arrangement did not function satisfactorily and is of the opinion that such arrangements should be avoided whenever possible.

The Department of Home Affairs assumed responsibility for the CALF Scheme in December 1978 following the abolition of the Department of Environment, Housing and Community Development. The Department has advised that although it has no officers who have had any long term involvement with the scheme, it is aware of the financial administration requirements for the scheme and the special conditions imposed by the then Department of the Treasury. The Department has further advised that since taking over responsibility for the CALF Scheme, it has exercised appropriate control over the financial administration of the scheme.

10.22 The Committee wishes to stress the importance of establishing, documenting and communicating the financial aspects of a project as an integral part of project planning. The Department of Environment, Housing and Community Development produced a 'Capital Assistance for Leisure Facilities (C.A.L.F.) Briefing and Procedures Manual' in October 1977. If such a manual had been implemented in 1973, it would have provided the necessary guidance for personnel involved in the administration of the scheme.

10.23 The Department of the Northern Territory maintained funds for CALF projects in the trust fund area of its ledger. These funds were not trust monies. Departments should be aware of the accounting procedures to be followed where one department is requested to incur expenditure on behalf of another. The procedure for the provision and control of funds for the purpose mentioned is set out in section 16 of Finance Directions. If there is doubt about the practice to adopt in a given situation, departments should obtain the advice of the Department of Finance.

SUPERANNUATION FUND

11.16 The Committee emphasises the importance which it considers is attached to the presentation of financial statements of statutory organisations, handling public funds, for audit in accord

ance with statutory requirements. These requirements for annual audit of the financial statements of such organisations are intended to provide the Parliament and the public with independent, expert advice on both the adequacy of those statements as a report on financial standing and as an indicator of the efficiency of public sector management. The preparation of financial statements should, therefore, be given a level of priority for purposes of resource allocation commensurate with their role in public administration.

11.17 It is within this framework that the Committee considered the delay in submitting financial statements relating to the Superannuation Fund for the years 1974-75 and the 1975-76 for audit examination.

11.18 The Committee is prepared to accept the proposition that part of the delay resulted from the uncertainty generated by the decision to establish a new superannuation scheme. In a period of staffing restraint the Superannuation Board was forced to divert staff from the maintenance of the then existing scheme to planning for the new scheme. This planning effort was wasted largely when the introduction of the new scheme was postponed. At the same time there was a significant increase in the number of variation advices to be processed to maintain the then existing scheme. The Superannuation Board did not have enough staff to process variation advices

without incurring cumulative delays. As the processing of variation advices for a financial year had to be completed before the financial statements for that financial year could be prepared the processing delay caused a delay in the preparation of financial statements.

11.19 If this explanation is appraised critically, attention is focussed on the management performance of the Superannuation Board. The proposition that staff shortages generated delays in labour intensive work is sound. However, the solution lay in either a reduction in work or an increase in staff. It is clear that it was not within the power of the Superannuation Board to reduce the quantity of work. It would appear, however, that the Board could have increased the number of staff engaged in variation advice processing much earlier than October 1976. No satisfactory explanation was given to the Committee of the reasons for the delay in taking remedial action. The argument that staff ceiling restraints would have precluded an increase in the number of temporary staff does not stand up when it is recalled that the Board recruited an additional 78 staff in the first half of 1975 and that an additional 57 temporary positions were provided in October 1976 despite staff ceilings. It is difficult to see why such an effective solution could not have been adopted earlier. The Board's concern to avoid recruiting permanent staff to meet a temporary need and the

The Australian Government Retirement Benefits Office has advised that over the two year period from late 1974 until late 1976 it was constantly and actively endeavouring to reduce the number of variation advices and to increase the staff available for the processing of such variations. The 78 additional staff recruited in the first half of 1975 were approved by the Public Service Board in February 1975 following a Government decision in January 1975 to remove all staff ceilings. At that time the Australian Government Retirement Benefits Office anticipated that the number of variations to be processed would be reduced with the introduction of the proposed new superannuation scheme from 1 July 1975.

When the Superannuation Bill was not passed by Parliament the Australian Government Retirement Benefits Office took early action to retain indefinitely the 78 positions already approved by the Board and to review additional staff requirements. However, staff ceilings had been re-applied from 1 July 1975: furthermore, advice of the new ceilings received from the Public Service Board by the Department on 23 Dec 1975 showed that whereas previous-

Committee's Conclusions
171st Report
(15 November, 1978)

problems generated by a limited training capacity are understandable. However, for the Board's variation advice processing backlog to have been allowed to grow to such an extent that it should cause a 2 year delay in the submission of financial statements for audit must be considered an example of poor management and planning on the part of the Superannuation Board and indirectly of the then Department of Treasury and the Public Service Board.

Department of Finance
Minute
(19 December 1979)

ly inoperative staff had been excluded from the ceiling figure, they were henceforth to become part of the departmental ceiling. The effect of this was to reduce the staffing capacity for the Department and its outriders (including Australian Government Benefits Office) by 118 or 5%.

It was only after protracted negotiations that the Public Service Board granted approval to penetrate the staff ceilings and on 14 Oct 1976 gave approval for the additional 57 temporary positions referred to by the Committee.

CHAPTER 4

DEPARTMENT OF FINANCE MINUTE ON
THE 178th REPORT OF THE JOINT COMMITTEE OF PUBLIC ACCOUNTS
ON EXPENDITURE FROM THE ADVANCE TO
THE MINISTER FOR FINANCE 1978-79

Committee's Conclusions
178th Report
(13th November 1979)

Department of Finance
Minute
(19th March 1980)

The Department of Finance 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.

DEPARTMENT OF DEFENCE

Division 234/1/01: Equipment and Stores - New Equipment
and Stores - Naval Construction

2.15 The Committee accepts the Department's explanation.

Division 234/2/03: Equipment and Stores - Replacement
Equipment and Stores - Liquid Fuels
and Lubricants

2.29 The committee is concerned that an amount of \$350 000 was obtained from the Advance to the Minister for Finance on 27 June 1979 whilst three days later on 30 June an amount of \$510 014 remained unexpended. The evidence submitted to the Committee discloses inadequate communications between the Departments of Finance and Defence, failure to process claims for which funds were specifically sought from the Advance to the Minister for Finance. Whilst the Committee recog-

The Department of Defence agrees with the Committee's conclusions.

Committee's Conclusions
178th Report
(13th November 1979)

nises that some action has been taken to ensure that similar problems will not take place in the future, we believe that their occurrence reflects adversely on the Department's financial administration.

2.30 The Committee notes that procedures have been examined, staff counselled and senior management advised to pay close attention to this area. The Committee trusts that this episode is not indicative of accounting controls in the Department and wishes to be informed of any reviews of accounting systems in progress or proposed.

Department of Finance
Minute
(19th March 1980)

The Department of Defence has advised that accounting procedures generally are constantly being examined and simplified.

By way of illustration, two changes currently being implemented which should have a major impact on the processing of accounts are:-

- (i) An investigation conducted throughout the Department has demonstrated that a large part of the workload of purchasing areas is involved in the issue of purchase orders, receipt of supplies and subsequent payment of accounts for supplies that cost less than \$100. As a consequence current procedures have been modified for a trial period, with Department of Finance approval, to provide for payment for items having a value of \$100 or less by means of either cash or limited value cheque at the time of purchase or delivery.

The minor purchasing arrangements are not applied to all purchases of \$100 or less but rather they are used to complement existing purchasing arrangements. This scheme is currently on trial at several Defence establishments in Melbourne and, after evaluation, will if successful be recommended for implementation throughout the Department of Defence and the

Committee's Conclusions
178th Report
(13th November 1979)

Department of Finance
Minute
(19th March 1980)
Defence Force; and

- (ii) a computerised claims processing system is to be introduced into the larger Defence Regional Finance Offices - the pilot scheme is already operating in the Sydney region. This scheme will, inter alia, enable the computer to monitor all traders claims within that Defence Region, identifying claims having incentive discounts available, and thus mitigating against claims being delayed. Dependent on the success of the pilot scheme it is hoped that approval will be given to enable the system to be introduced into two other Regional Finance Offices.

Division 240/0/2: Defence Co-operation - Indonesia

2.39 The Committee accepts the Department's explanation.

Division 241/1/01: Defence Science and Technology -
Salaries and Payments in the
Nature of Salary

2.46 Although the extent of the underexpenditure of the amount drawn from the Advance to the Minister for Finance was only 6 per cent of the forecasted expenditure for the month of June, it was 39 per cent of the funds obtained from the Advance. The Committee believes that sufficient uncertainty existed as to requirements for the Department to have made a more conservative estimate.

The Department of Defence agrees with the Committee's conclusions.

DEPARTMENT OF FOREIGN AFFAIRS

Division 315/2/15: Administrative - Administrative Expenses - Expenditure Overseas on Behalf of Other Departments Unrecouped as at 30 June

3.20 The use of the Advance to the Minister for Finance for this Item is considered justified.

3.21 It is recognised that there may be difficulties and complexities involved in effecting reimbursement of expenditure incurred on behalf of other departments overseas. Hence the Committee notes with approval the efforts made by the Department of Foreign Affairs to recoup expenditure incurred on behalf of other departments.

3.22 The Committee is concerned that debtor departments are frequently delaying reimbursement of the amounts claimed because of a shortage of funds in the relevant appropriations. The Committee thinks it expedient to reiterate the view expressed in its 151st Report that the payment of any account should not be delayed because of lack of funds and that departments should be encouraged to apply for funds from the Advance to the Minister for Finance for this purpose. It is the Committee's view that each department or authority which receives a reimbursement claim in respect of overseas transactions has a clear responsibility to make payment as soon as possible. This applies in particular in respect of reimbursement in

Committee's Conclusions
178th Report
(13th November 1979)

Department of Finance
Minute
(19th March 1980)

sufficient time for the Department of Foreign Affairs or the Department of Trade and Resources to bank the cheques before the year's accounts are closed. Conversely, any department which incurs expenditure on behalf of another department or authority has a clear responsibility that it submits accounts for reimbursement to debtor departments or authorities as soon as possible after the expenditure has been incurred.

3.23 This principle is mentioned again in Chapter 6 of this Report where the Committee advises it will be maintaining close surveillance of this subject.

DEPARTMENT OF SCIENCE AND THE ENVIRONMENT

Division 543/2/04: Antarctic Division - Administrative and Operational Expenses - Hire of Ships and Aircraft

4.13 The Committee accepts that the Department's request for \$98 038 from the Advance to the Minister for Finance was justified.

4.14 Contrary to Section 7 of Finance Directions, the Department arranged an insurance to guard against possible liability for any additional costs, while the ship was en route between Europe and Australia. The principle that the Commonwealth acts as its own insurer to the greatest extent possible is sound. While the Committee believes that this principle is generally understood, the Committee is concerned that in this case, officers ignored or were ignorant of the

The Department of Science and the Environment has advised that officers have been reminded of the necessity to comply with the relevant provisions of the Finance Directions. The Antarctic Division did not take out charterers liability insurance for any vessel for the 1979/80 voyages.

Committee's Conclusions
178th Report
(13th November 1979)

provisions of Finance Directions and did not seek advice until premiums had been paid. The Committee would expect that departments take careful note of this breakdown in observance of Finance Directions.

Division 543/2/06: Antarctic division - Administrative and Operational Expenses - Shipping and Stevedoring Charges

4.25 The Committee is not satisfied that the Department's use of the Advance to the Minister for Finance in this case was justified.

4.26 The evidence shows that the rebuilding program was approved nearly two years prior to materials being shipped and that the Department had had considerable experience in operating the ships in question - the Nella Dan and the Thala Dan. It appears to the Committee that there was ample time for the Department to make special arrangements, if required, for the shipping of the large amount of building materials and other equipment.

4.27 According to the evidence presented, the Department was not aware of the large expenditure commitment until the accounts were received. It would not be unreasonable to expect the Department of being kept informed of the loading times and other expenses incurred on its behalf. The Committee believes that this situation demonstrates a breakdown in administrative practices which is inexcusable.

Department of Finance
Minute
(19th March 1980)

The Department of Science and the Environment agrees with the Committee's conclusion and has introduced revised procedures to guard against a recurrence of the situation - see comments against paragraph 4.27.

The Department of Science and Environment has advised that the officers concerned have been instructed to investigate means of minimising stevedoring costs and to ensure they are advised of costs as they accrue. Some difficulty is being experienced in obtaining timely submission of accounts from stevedores but accurate estimates are being obtained shortly after each sailing. Alternative agents and stevedores have been obtained, through the Purchasing Division of the Department of Administrative Services, for

Committee's Conclusions
178th Report
(13th November 1979)

4.28 The Committee wishes to be advised that the Department has taken necessary steps to ensure that the correct procedures have been drawn to the attention of the officers concerned and that the special cargo ship will provide a more effective and efficient means for the transporting of supplies.

Department of Finance
Minute
(19th March 1980)

the 1979-80 season. Improved stores handling systems have been introduced and penalty rates incurred by working on holidays and weekends are being avoided as much as possible. The materials handling bureau of the Department of Productivity has been engaged to investigate and advise on cargo handling procedures.

The Department of Science and the Environment has advised that the relevant officers have had the correct procedures drawn to their attention. The special cargo ship is currently undertaking the servicing of expenditures and a full evaluation of its effectiveness will be made when the program is completed.

TELEPHONE BILLINGS

5.15 During the period October 1977 to March 1978 automatic data processing for the preparation of bills was introduced in Canberra. The evidence submitted to the Committee shows that Telecom advised departments, involved in the changeover to quarterly billings, of the billing dates. It would appear that some departments did not take appropriate action to seek additional funds in the Estimates to allow for the changed billing cycle. The Committee believes that the effects of such changes should have been properly considered by departments concerned.

5.16 The Committee is disturbed by the evidence that of \$250 000 obtained by the Department of Defence from the Advance to the Minister for Finance, \$188 467 remained unexpended. The reason given that because \$59 000 of an account for \$239 557 was unidentifiable the account was not paid is contrary to Finance Directions and is unacceptable to the Committee.

The Department of Defence agrees with the Committee's conclusions and has advised that relevant staff have been reminded of the necessity to comply with the requirements of the Finance Directions.

GENERAL CONCLUSIONS

6.1 In examining expenditure from the Advance to the Minister for Finance, the Public Accounts Committee sought to ascertain whether or not Expenditure from the Advance to the Minister for Finance had been confined to urgent and unforeseeable requirements for which provision could not have been made in the Original and Additional Estimates. It had also sought to ascertain whether or not the departments concerned had maintained efficient administration in the expenditure under the item selected for inquiry.

6.2 Evidence taken during this inquiry has shown there were cases of clerical error, administrative oversight, procedural weaknesses within departments and inadequate estimating. Nevertheless the Committee is pleased to note that there has been a significant improvement in the efforts made by departments to meet their financial obligations within the Appropriation Acts.

6.3 The policy of financial restraint imposed upon departments over the last few years has required departments to apply greater care to ensure that their financial requirements are met within the approved appropriations. Whereas in previous years the Committee found evidence that some departments believed the Advance to the Minister for Finance was a simple means of covering short-falls in their estimating performance, there has been a marked improvement

Committee's Conclusions

178th Report
(13th November 1979)

In departments' estimating which has meant less demands have been made from the Advance to the Minister for Finance, except in those cases which were urgent and unforeseen.

6.4 In recent years the Committee has had cause in its reports relating to expenditure from the Advance to the Minister for Finance, to comment adversely on the quality of written submissions and oral evidence tendered by departments. There has, however, been considerable improvement in the quality of evidence tendered this year.

6.5 There was evidence of failure by some departments and authorities to pay accounts promptly. On 9/11/74 the Prime Minister issued instructions to the effect that the Commonwealth should, as a matter of policy, satisfy its creditors as quickly as possible. The Public Accounts Committee reiterates its view expressed in its 151st Report (Parliamentary paper No. 327/1974):
....that a more responsible attitude should be adopted by departments towards their creditors both departmental and private. ...The Committee believes that it would be appropriate at this point to remind departments that delays in paying accounts received from private creditors could cause liquidity problems, particularly for those who are self-employed or small businesses that are largely dependent upon Australian Government contracts.

Department of Finance

Minute
(19th March 1980)

Committee's Conclusions
178th Report
(13th November 1979)

6.6 The Public Accounts Committee believes that financial obligations should be settled by Commonwealth departments and authorities within the normal 30-day business cycle, or earlier if incentive discounts are available for prompt settlement. As Permanent Heads have clear authority under the Audit Act, the Committee expects that they will ensure that liabilities incurred by their departments are settled quickly. Also, the Committee expects the Auditor-General and the Department of Finance to keep this situation monitored and to take whatever steps are necessary to ensure that departments are aware of their obligations. The Committee intends to maintain a close scrutiny of this matter as it is not satisfied with the present position.

Department of Finance
Minute
(19th March 1980)

The Secretary to the Department of Finance wrote to all Permanent Heads and relevant Statutory Office Holders with the powers of a Permanent Head on 17 Dec 1979 drawing attention to the Committee's conclusions and seeking their co-operation in ensuring that accounts are settled without delay. Departments and Authorities were also advised that where warrant authority is exhausted and there are accounts ready for payment the issue of funds from the Advance to the Minister for Finance should be seen as preferable to delaying payments to the Commonwealth's creditors.

APPENDIX

COPY OF LETTER SENT TO ALL PERMANENT HEADS AND RELEVANT STATUTORY OFFICE HOLDERS WITH POWERS OF A PERMANENT HEAD ON 17 DECEMBER 1979.

PROMPT PAYMENT OF ACCOUNTS

The 178th Report of the Joint Committee of Public Accounts on Expenditure from the Advance to the Minister for Finance (Appropriation Act 1978-79) has drawn attention to the failure of some departments and authorities to pay accounts promptly. The relevant paragraphs of the Report read as follows:

"6.5 There was evidence of failure by some departments and authorities to pay accounts promptly. On 9/11/74 the Prime Minister issued instructions to the effect that the Commonwealth should, as a matter of policy, satisfy its creditors as quickly as possible. The Public Accounts Committee reiterates its view expressed in the 151st Report (Parliamentary Paper No. 327/1974):

... that a more responsible attitude should be adopted by departments towards their creditors both departmental and private. ... The Committee believes that it would be appropriate at this point to remind departments that delays in paying accounts received from private creditors could cause liquidity problems, particularly for those who are self-employed or small businesses that are largely dependent upon Australian Government contracts.

6.6 The Public Accounts Committee believes that financial obligations should be settled by Commonwealth departments and authorities within the normal 30-day business cycle, or earlier if incentive discounts are available for prompt settlement. As Permanent Heads have clear authority under the Audit Act, the Committee expects that they will ensure that liabilities incurred by their departments are settled quickly. Also, the Committee expects the Auditor-General and the Department of Finance to keep this situation monitored and to take whatever steps are necessary to ensure that departments are aware of their obligations. The Committee intends to maintain a close scrutiny of this matter as it is not satisfied with the present position."

In his Report for the Year 1978-79 (paragraph 2.24.11) the Auditor-General recorded that a review by his Office had disclosed that more than 1,500 accounts totalling in excess of \$6.2 million were due for payments in 1978-79 but remained unpaid, mostly for want of Warrant Advice.

The importance of prompt payment of accounts has been brought to the attention of Ministers and departments on numerous occasions. The then Treasurer wrote to all Ministers in 1976 referring to the directive in 1974 by the then Prime Minister that accounts should be paid without delay and expressing concern that reports of slow payment were still being received. The then Secretary to the Treasury, Sir Frederick Wheeler, wrote to Permanent Heads on 4 March 1976 and the then Secretary to the Department of Finance, Mr Cole, wrote again on 2 Feb 1977 bringing the problem to the attention of permanent heads, and received reassuring responses.

Various circulars on the subject have also been issued including Treasury Circulars 1976/15 and 1976/23 and Finance Circular 1977/18. Yet the problem remains.

It is of considerable concern that the position in some departments is still not satisfactory. I would therefore be grateful if you would bring the remarks of the Public Accounts committee and the Auditor-General to the attention of the appropriate officers in your organisation and arrange for all necessary steps to be taken to avoid delays in the payment of accounts.

Authorising Officers should be reminded of the requirement of Finance Direction 31/4 that when certifying that funds are available for a service they are to ensure that Warrant Authority or Warrant Advice will be available at the time the related accounts become due for payment.

I should in this connection stress the importance of the principle that commitments should not be entered into unless either the resulting expenditure can be met from available appropriations or, if the expenditure cannot be met from available appropriations, approval has been given for the commitment to be made. For these purposes "available appropriations" include, in relation to future periods, Supply Act appropriations and provisions in Appropriation Bills that have been introduced but not yet passed. A fuller description of how the system operates is contained in Treasury Circular 1976/8.

Circumstances can nevertheless arise - because, for example, of unexpected receipt of accounts or receipt of accounts sooner than expected - whereby Warrant Authority is exhausted and there are accounts ready for payment. If such circumstances do arise, the issue of funds from the relevant

Advance to the Minister for Finance should be seen as a preferable alternative to delaying payments due to the Commonwealth's creditors. I therefore suggest that in such circumstances you should seek the provision of additional funds to enable quick payment of the outstanding accounts.

Yours sincerely

I. CASTLES
Secretary
Department of Finance