

Finance Minute
on the Committee's
176th Report
together with a summary
of that Report

Report

185

Joint Committee of
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

185TH REPORT

FINANCE MINUTE ON THE COMMITTEE'S 176TH REPORT

Together with a

SUMMARY OF THAT REPORT

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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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 connection with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

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CHAPTER 1

INTRODUCTION

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.

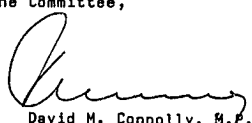
7. The Department of Finance furnishes the Committee with a half-yearly report on outstanding Minutes, indicating the progress made in dealing with the Committee's comments.

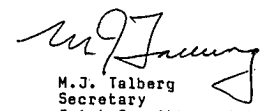
1.4 The Committee is pleased to note that at present there are only two recent Reports for which Department of Finance Minutes have not yet been received. These relate to the Committee's 182nd Report on the Pharmaceutical Benefits Scheme and the 183rd Report on the Canberra Commercial Development Authority, both of which were tabled in Parliament in September 1980.

1.5 This Report concerns the Committee's inquiry into matters raised in the Auditor-General's Reports for 1977-78. During the course of that inquiry, the Committee heard evidence from the Department of Defence concerning lease charges on Royal Australian Navy Pipelines at Fremantle; the Department of Education in relation to overpayments and eligibility checks on the Tertiary Education Assistance Scheme; and the Department of Primary Industry on the Beef Industry Incentive Payments Scheme.

1.6 The conclusions and recommendations of the 176th Report, which are reproduced in Chapter Two alongside the departmental responses, were designed to draw attention to instances of administrative inefficiency or procedural weakness and consequently improve the quality of public administration, particularly in the areas examined at the inquiry.

- 1.7 For and on behalf of the Committee,


David M. Connolly, M.P.,
Chairman


M.J. Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
CANBERRA ACT 2600
13 February, 1981.

CHAPTER 2

DEPARTMENT OF FINANCE MINUTE ON THE 176TH REPORT OF THE JOINT COMMITTEE OF PUBLIC ACCOUNTS ON THE AUDITOR-GENERAL'S REPORT 1977-78

Committee's Conclusions
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(6th November, 1979)

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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 LEASE CHARGES ON RAN PIPELINES AT FREMANTLE

Conclusions

2.8 The Committee was disturbed by several aspects of this matter. These include the absence of a legally enforceable agreement between the Commonwealth Government and BP Australia Ltd; the lack of information available to the Department of Defence, the Auditor-General and, consequently, to the Committee; the inordinate delay in reaching an agreement arising from the proposals made in 1969 by BP Australia Ltd; the lack of current asset value of a Commonwealth asset about which an agreement is being negotiated; and the submission of incorrect information by the Department of Defence to the Committee.

The Department of Defence has responded to these aspects individually in the following paragraphs.

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2.9 The delay which has occurred in the Department's consideration of and reaching agreement on the proposals put to it by BP Australia Ltd in September 1969 is of considerable concern to the Committee. The Department claimed that "the subject was being prosecuted reasonably well but petered out coinciding with the abolition of the Department of the Navy" and was not resumed by the Department of Defence. The Committee does not accept the Department's explanation that the matter has not been concluded is related to various changes that have taken place in the Navy and the Department of Defence and the abolition of the Department of the Navy in 1973. The Committee concludes that adequate attention and resources were not devoted to the task so that an agreement could be reached expeditiously. The Committee believes that BP Australia Ltd's intention in writing in September 1969 was to put forward proposals in good time to allow an agreement to be reached prior to its taking effect from the beginning of 1970. The Committee is appalled that at the date of its inquiry almost ten years after BP Australia Ltd made its proposals, the matter had not been finalised.

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The Department of Defence has reiterated its contention that the delay in finalising this matter was due to the re-organisation of the Department and the loss of relevant papers. It has emphasised that when the problem became known, prompt and effective action was taken. Settlement was finalised on 1 August 1979 with a net receipt of \$13735.46 from BP Australia Ltd after adjustments including the off-setting of \$70181.20 due to BP Australia Ltd by the Department for bunkering charges and repairs to Navy pipelines.

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2.10 A further disturbing aspect of this inquiry was the unavailability of vital information, including the original correspondence between the Anglo-Iranian Oil Company and the Department of the Navy and much of the subsequent correspondence. The Department stated that it had not been able to locate a key file relating to this subject despite a most strenuous search. This difficulty had also been met by the Auditor-General's Office, which, in its inquiries, had been hampered by the same missing information. The Committee was astonished that the Department, despite the obvious interest of the Auditor-General over a period of time and the Committee, had apparently made no attempt to obtain copies of correspondence or any of the other missing documents from the oil company.

2.11 Further, the Committee was surprised to learn that the Department of Defence had no record of the use made by BP Australia Ltd of the pipelines. The Department's only control over the oil company's use was to lock the valves. As the oil company's argument for a reduction in rental is based on reduced usage, the Committee suggests that the Department maintain proper records of the use of the pipelines by BP Australia Ltd, as it should in all similar circumstances.

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The Department of Defence has advised that it was considered to be inappropriate to seek copies of important correspondence from BP Australia Ltd but, as a last resort, copies of some documents were obtained from that source.

The Department of Defence has advised that instructions are now being issued to ensure the maintenance of appropriate records of the leasing and hiring out of facilities.

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2.12 The Committee is concerned that the Department of Defence's two submissions were incorrect. Whilst the Committee is pleased that the Department sought to correct one error, another was perpetuated. The Department was still unable to determine the balance of its accounts with the oil company at the time of our inquiry. Such a chronicle of error and inadequate information reflects, in the Committee's view, very strongly on the management of the Department of Defence and the administration of its affairs.

2.13 The Committee was surprised to learn that there is no clear policy in respect of the leasing of pipelines and other naval installations for use by non-defence and commercial organisations. The Committee recommends that, in matters involving national security, the policy should be clearly formulated and based on consideration of the relevant issues.

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The Department of Defence has advised that incorrect evidence was submitted by mistake. The first error was detected in the Department well before the public hearing and a formal amendment to the Department's submission was made to the Committee's secretariat. The second error arose through a development which was not apparent when the Department's revised statement was submitted. The error amounted to a statement that the Commonwealth would owe BP Australia Ltd more than the Company would owe the Commonwealth. In the event, because payments made by the Department of Administrative Services had not been taken into account, BP Australia Ltd owed money to the Commonwealth.

The Department of Defence has advised that its general policy regarding the leasing of facilities follows the Commonwealth's policy on leasing or hiring Commonwealth stores; that is, it is not normally done. However, in the national interest or other exceptional circumstances, hiring or leasing may occur with the requisite approvals. The practice is that when requests of this nature are considered by the Department cognizance is given to such factors as the need and locations for strategic fuel stocks, possible appropriate alternatives which might otherwise satisfy the non-Defence requirement and the potential interference with the Defence function

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2.14 The Committee was astonished that the Department's submission made no direct reference to the Auditor-General's comment that the absence of a legally enforceable agreement was the cause of the delay in this matter. Whilst the Department submitted that "the oral agreements reached for the rental of Navy pipelines will be formalised in writing", the Committee believes that this is not different from the previous arrangement which was conceded by the Department to be not legally binding. Accordingly, the Committee wishes to be satisfied that the agreement covering the future use of the facilities and providing for an agreed basis of charging is one which is legally enforceable.

2.15 The Committee was told that, in the most recent assessment, made in 1966 by the Taxation Office, the pipelines were valued at \$120,000. The Committee is therefore concerned that the Department has been attempting to negotiate a rental based on the pipelines' value in ignorance of its current value. The Committee recommends that the current value of an asset be used when agreements which involve a valuation of that asset are being entered into.

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that such arrangements may create. The existing leases at Cairns and Hobart were approved within the above guidelines.

The Department of Defence has advised that use of Navy pipelines at Fremantle by BP Australia Ltd ceased in 1978 and as further use of the facilities by the Company is not foreseen, the matter of a legally enforceable agreement has not been pursued. A period contract arrangement with BP (Fremantle) Ltd in respect of bunkering charges for RAN ships at the Port of Fremantle was concluded by the Purchasing Division of the Department of Administrative Services on 7 May 1979.

The Department of Defence has advised that policy instructions within the Department include definitions of cost which normally ensure that appropriate current asset values are applied when the Department is, itself, processing lease agreements. In the case of the existing leases at Cairns and Hobart the appropriate rental charges were assessed after consultation with the Department of Administrative Services.

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2.16 The Committee was told that the long-term rental agreement did not make any provision to be adjusted for inflation. The Committee recommends that rental in this and similar circumstances should relate to the opportunity cost of alternative facilities which may vary from time to time. Although charges had been varied prior to 1969, the Committee notes that the Department has not sought to update the charge to reflect the 1979 values.

2.17 The overpayment of rental, accruing to over \$25,000 for the lease of pipelines from BP Australia Ltd, was revealed during this inquiry. Although the origins of payments for this facility made by the Department of Administrative Services rather than the Department of Defence were not made clear, an amount of \$2800 per annum has been paid to BP Australia Ltd since January 1970 despite the company's September 1969 proposal that it be waived. Also while the Department of Administrative Services was continuing to pay this rental it was not aware of the negotiations taking place. The Committee regards this as a serious breakdown in administrative procedures to continue these payments for over nine years without apparently ever reviewing their necessity or consulting with the Department of Defence.

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The Department of Defence has advised that it does not ignore opportunity cost when its consideration is warranted but the essential criteria applied by the Department in such cases are based on the government's guidelines at that time. In this regard two fundamental principles of Government policy must be taken into consideration is that Commonwealth departments are not in the business of providing competition to private enterprise and Commonwealth pricing structures are not automatically adjusted to take account of inflation as such adjustments themselves are inflationary.

The Department of Administrative Services has advised that all payments were made at the request of the Department of Defence and the need for the payments was confirmed by that Department at quarterly intervals from 1972 until the last payment in February 1979.

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2.18 Whilst appreciating the administrative convenience of offsetting monies owed by BP Australia Ltd with those owed to the company, the Committee agrees with the view of the Department of Finance that the practice of offsetting is not to be encouraged. Contrary to the Department of Defence view, rental monies paid out in error by the Department of Administrative Services should be reimbursed, in the Committee's opinion, to that Department rather than, under the offset arrangements, become Department of Defence revenue.

2.19 The Committee notes that this whole matter had been able to continue unresolved for nearly ten years before being reported by the Auditor-General. The Committee must be critical of departmental procedures which could not resolve this matter. The Committee observes also that neither the annual overpayment of rental by the Department of Administrative Services to BP Australia Ltd nor the under-collection of revenue by the Department of Defence had been detected. The Committee, on pages 26-30 of its 171st Report, had been critical of the thoroughness of the monitoring processes which can allow such situations to continue over many years. The Committee wishes therefore to be satisfied that consideration has been given to procedures which will avoid similar repetitions.

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The Department of Defence has pointed out that the payments of rental made on behalf of that Department by the Department of Administrative Services were made from the Defence appropriation for rent administered by the Department of Administrative Services; therefore the suggestion that the Department of Administrative Services should be reimbursed for excess rental paid out in error is inappropriate.

The Department of Defence agrees that both the control and administration of the agreement were inadequate but has emphasised that strenuous efforts were made to finalise the matter when it came to notice. The Department has instituted a continuing review of the necessity for, and relevance of, such agreements. The Department of Administrative Services has advised that user departments are expected to notify it of any changes affecting amounts payable under leases. The Department will however be able to intensify reviews of continuing leases when property records are transferred to its own computer facility in the near future.

DEPARTMENT OF EDUCATION

Conclusions

3.43 The Committee supports prompt payment being made to students in order to avoid possible hardship, but expects the Department to continue to seek means to tighten eligibility controls over initial payment. If elements of risk are unavoidable in initiating payments, detection and recovery processes should then be very efficient. The Department's systems have failed badly in providing adequate responses. The Committee believes that in some cases there is a fine line between fraud, and negligence leading to retention of overpayments. While the Committee concurs with the Department that the increased amount of overpayments does not necessarily represent a deteriorating situation (overpayments have remained constant in proportion to total expenditure), it does not believe that a situation of "no improvement" is a matter for satisfaction. This is particularly so as this situation can be largely attributed to the Departments previous neglect of control and recovery functions in its student assistance schemes.

The Department of Education agrees with the Committee's criticism of previous deficiencies in control of recovery processes but considers that measures recently introduced are beginning to take effect and reverse the trend of previous years. The Department does not regard the overpayment situation as satisfactory but would point out the decrease in outstanding cases from 9174 at 30 June 1977 to 7916 at 30 June 1979 as one area of improvement.

The Department notes that in view of references in the Auditor-General's Report 1978-79, the Committee is satisfied that eligibility checks and measures against deliberate fraud are now adequate. Nevertheless, ways of improving them will continue to be examined.

3.44 Interest on Instalment Repayments by Students:

The Committee commends the Department's sympathetic policy of allowing overpaid students to repay outstanding amounts gradually as their circumstances improve. However, in cases where a student's definite negligence has resulted in an overpayment the Committee believes that it may be appropriate to charge interest on the overpayment. The Committee recommends that the Department of Education give consideration to amending the Student Assistance Act to provide for the imposition of interest charges by way of penalty. The Committee also considers that the Department of Finance might examine the principle of applying a similar provision to other overpayments, subject to any limitations imposed by the Audit Act. The Committee would be interested in the Departments' views.

The Department of Education has advised that approval to repay by instalments is granted only when repayment in a lump sum would cause hardship. The Department therefore considers that it would be inappropriate to levy interest in such cases, particularly when recipients had initially demonstrated the need for assistance by satisfying a means test.

The Department of Finance view is that although the Finance Directions provide that overpayments received in bad faith are to be recovered in full, there is no provision under the Audit Act or subsidiary legislation for the charging of interest on amounts overpaid and in the absence of any binding prior agreement, interest could be recovered only where authorised by legislation, or where a court award was obtained and not complied with within the time limits specified by it.

The long standing general policy is that the Commonwealth does not charge interest, or pay it, on outstanding debts. If provision were to be made for the collection of interest on certain overpayments there would undoubtedly be offsetting administrative costs arising from the need to calculate and collect the amounts owing and increased pressure on the Commonwealth to pay interest on money it owes where payments are alleged to have been delayed through negligence or for any other reason.

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Interest is not seen as a normally appropriate form of penalty to be applied in connection with the recovery of overpayments. Certain legislation, eg sections 85 and 91 of the Students Assistance Regulations provide for penalties to be imposed by a court where students fail to advise a change in their circumstances. The adoption of this procedure, as appropriate, in other areas would seem to be preferable to the imposition of interest charges by administrative means to compensate for the temporary loss of use of moneys by the Commonwealth.

3.45 Amounts Outstanding as a Result of Departmental Error:

The Committee is most concerned at the extent of the accumulation of overpayments in this category which have not been recovered and regards the present situation as quite unsatisfactory. It urges the Department of Finance to hasten the introduction of guidelines, which would formalise the Department of Education's current practice of not recovering overpayments arising from departmental error. This would allow the Department to reduce the total apparent amount of outstanding overpayments and would enable the rate and results of departmental error to be assessed with more accuracy.

The Minister for Finance has approved a general policy whereby recovery of overpayments of pensions and other benefits by the Departments of Social Security, Veterans' Affairs and Education may be waived in certain circumstances such as those caused by administrative error not contributed to by the recipient.

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3.46 Design of Application Forms - Students' Obligations:

The Committee believes that the declaration in the application form could be made more effective if the form contained a statement similar to that contained in the reminders sent to students. That is, a statement, or reference in plain English to students' obligation to advise the Department of a change in their status, what in fact actually constitutes such a change and the inconvenience to both the student and Department if these obligations are not observed. If that part of the application form does not lend itself to the inclusion of such a statement, it could be incorporated elsewhere and reference made to it in the declaration.

3.47 Recovery of Overpayments - ADP Capacity

The Committee supports the Department's attempts to assess and present total departmental ADP requirements, but deplores the apparent lack of foresight and co-ordination that preceded this. The Department's response to the administrative requirements of student assistance schemes has been on an ad hoc basis. In respect of ADP needs, computer equipment was not purchased until 1976 even though TEAS began in 1974, and other schemes even earlier. The equipment, when purchased, was inadequate to

The Department of Education has advised that the application forms for 1980 were printed and circulated before the Committee's view was known. However the Department has made appropriate amendments to the Conditions of Award leaflet which is distributed to all eligible students with advice of entitlement. The Committee's suggestion will be kept in mind when the 1981 form is being designed.

The Department of Education does not consider that the Committee's charge of "lack of foresight and co-ordination" is justified. The Tertiary Allowances scheme was introduced in 1974 at short notice and, because it was substantially different from previous schemes, it was inevitable that teething problems and overloading of staff would occur in its first year of operation. When the problems were repeated in 1975, steps were taken, with Public Service Board approval, to automate part of the process using programmable calculators. It was recognised that this was an

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meet the existing requirements of the assistance schemes. In addition, although consecutive Auditor-General's Reports since 1973-74 had indicated that there were serious problems in the control of overpayments, recovery and overpayment functions were not automated until 1977.

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interim solution only but it was considered to be the most logical action to take at the time, as the needs of student assistance could not await an overall review of the ADP needs of the Department. Serious criticism might have been levelled at the Department if it had pressed for a more costly computer system based only on student assistance requirements and without regard to the overall needs of the Department. At that stage, the ADP needs of the rest of the portfolio were not pressing and were being met by the use of various external facilities. Within the student assistance area, other schemes were subsequently processed through the calculators which have progressively been upgraded to cater for this and to enable them to last longer than originally envisaged. It was not originally intended that the calculators would be used for overpayments control, although in recognition of problems in this area, certain control functions were automated in 1977. The Department would stress that while automation assists in the control of recovery action it is not a means of preventing overpayments, most of which are caused by the beneficiaries' failure to advise of discontinuation, changed circumstances, etc.

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3.48 As accumulated overpayments were over \$2.50m at 30 June 1978, the Committee considers that the estimated cost, between \$0.75m and \$1.0m, of new ADP equipment is not excessive, and expects that there will be no undue delays in its selection and installation. It also recommends that the Department explore alternative or temporary means of improving the ADP capacity of the Student Assistance Division, pending the results of the comprehensive review of ADP requirements currently being undertaken by the Department.

3.49 Evaluation:

The Department does not appear to have the capacity to collect, store or retrieve data for analysis without seriously disrupting routine functions. Without such a capacity the Committee considers that realistic evaluation of the efficiency and effectiveness of program administration is impossible. No such comprehensive evaluation has been attempted. The Committee recommends that the Department, or another organisation, initiate a comprehensive and continuing evaluation of the Department's aims and efficiency in administering these schemes, with particular reference to cost effectiveness.

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The Department of Education has advised that a survey of its ADP requirements has been completed. It is hoped that a detailed proposal for new equipment will be submitted to the IDC on ADP towards the end of 1980, for equipment to be purchased in 1981/82 and available for use in 1983.

The Department has examined the Committee's suggestion that alternative or temporary means of improving the ADP capacity of the Student Assistance Division be explored and concludes that it would not be desirable to develop a long term alternative ADP system for student assistance programs due to the substantial risk of incompatibility with the overall computing needs of the Department. However, the possibility of short-term improvement is still under consideration.

The Department of Education has advised that to undertake a comprehensive cost-effectiveness study of the administration of all schemes would be a major exercise with substantial cost and resource implications. The Department does review its administration each year in the light of experience. During 1978 the Efficiency Audit Division of the Auditor-General's Office conducted a feasibility study of the Department's administration of student assistance programs but it was not selected as a topic for in-depth investigation in 1979. Certain improvements were found to be possible and these will be taken into account in the Department's on-going assessments.

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3.50 Legislation:

The Committee can only express its dismay and astonishment at the Department's estimate of the workload involved in bringing the five major non-legislated schemes under uniform legislation. The Committee would have expected that subsequent regulations would primarily be a matter of formalising existing practice. Detailed rules and policy guidelines for these schemes have already been formulated and set out in extensive departmental manuals. Furthermore, all the schemes have been operating for at least four years, the longest ten years, so it could be assumed that the administrative processes for the schemes are well established.

3.51 The Committee is seriously concerned at the continuing delays in the preparation of subordinate legislation, and has previously commented on this in its 103rd and 144th Reports. In the latter Report, on the then Department of Education and Science, the Committee recommended that public authorities should ensure the availability of adequate administrative machinery to permit the prompt drafting of regulations. The Treasury Minute responding to this recommendation advised of measures being undertaken by the Attorney-General's Department, including training courses which would "ensure that an adequate number of experienced and capable draftsmen will be available and thus obviate the shortages of past years".

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The Department of Education wishes to stress that the estimates of time given were for the five schemes in total. Work could proceed progressively and legislation for the first scheme selected could be developed within a year of Government approval to introduce legislation. Departmental experience has been that guidelines suitable for internal use by officers familiar with the policy behind such schemes do not readily translate into legal terminology. The Department has discussed with the Attorney-General's Department and the Office of the Parliamentary Counsel action necessary to begin placing the schemes under legislation, and the Government has agreed that they shall be placed under legislation.

The Attorney-General's Department has advised that the measures referred to in the Treasury Minute included the establishment of a Division responsible for the preparation of subordinate legislation - this was established in 1973. While this action has been effective in reducing delays in the drafting of regulations, the Department has recently conducted a review of staffing arrangements and is developing proposals to put before the Public Service Board with a view to improving the efficiency of the Division. Another of the measures referred to was the establishment of a Legislative Drafting Institute. The Department sponsored a number of students to the first training course for draftsmen conducted by the Institute in 1975. Of those students only one is still

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3.52 No response was made in the Minute to the Committee's suggestion that consideration could be given to the employment under contract of competent lawyers outside the Public Service. The delay by the Public Service Board in responding to this comment is totally unacceptable to the Committee and it expects to receive the Board's response as a matter of urgency.

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engaged in legislative drafting for the Commonwealth. The Department now takes the view that on-the-job training under the supervision of experienced draftsmen is more effective, and one of the aims of the staffing proposals now being developed is to enable that kind of training to be pursued more intensively.

The Public Service Board has advised that while it has some responsibilities relating to the administration of departments the responsibility for the general working and business of a department is vested by the Public Service Act in the Permanent Head.

In line with its responsibilities, the Board's Office has provided machinery for the engagement of consultants, however it is up to departments to avail themselves of that machinery. In May 1978 the Board issued a Guidelines Booklet to all departments and authorities, on the engagement of consultants and contractors for service. These guidelines cover the engagement of all consultancy services, including, where appropriate, lawyers. Guidelines existed before this date in the form of Public Service Board Circulars as well as Department of Finance Circular 1977/2 and a prior Treasury Circular 1976/11 - both of which are complementary and still remain in force.

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During the last three calendar years (1977-79 inclusive) the Attorney-General's Department has submitted two proposals for the contract engagement of consultants to draft legislation. Both were approved.

The Board also states that recent advice from the Attorney-General's Department confirms that there is a lack of availability of competent lawyers either outside the Service for contract engagement or within the Service for recruitment to positions for legislative drafting work.

The Department of Education has discussed with the Attorney-General's Department an appropriate increase in the level of penalty provided under the present Act. A proposal to increase the penalty from \$100 to \$500 when the Act is next amended has been submitted to the Government for consideration.

3.53 Penalties and Prosecutions:

With reference to penalties for fraud or providing misleading information, it is obvious that a fine of \$100 does not have the same value as a deterrent now that it had in 1974. The Committee recommends that this be significantly increased and the whole concept and structure of penalties be reviewed, with the aim of producing more effective deterrents. The Committee is concerned also at the apparent unwillingness by the Courts to impose even the present penalties. Persons convicted under the Regulations receive public funds from the Department in the full knowledge of the mutual obligations and duties that this contract dictates.

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3.54 The high incidence of overpayments resulting from student negligence suggests an attitude of acceptance by some students that they have a "right" to public funds and disregard any consequent obligations this imposes on them. In evidence to the Committee, one of the Department's witnesses said:

The situation we have reached is that we both (the Department and the Chairman of the Australian Vice-Chancellors' Committee) feel we must exclude reliance as far as possible on the student's memory to do things in the process if we can.

The Committee does not accept this proposition that students are not capable of accepting responsibility for their actions in applying for and accepting Government assistance. This policy of the Department and the Vice-Chancellors' Committee gives tacit approval to casual and irresponsible attitudes by some students. The Committee has noted the Department's attempts to make students more aware of their obligations and commends its actions. However, the Committee considers that if some students are not motivated sufficiently by public responsibility to fulfil their obligations then more effective deterrents and punitive measures must be considered. The Committee wishes to be kept advised of departmental action on this matter.

The Department of Education has advised that, in the instance mentioned, the procedure of checking enrolments direct with institutions was considered to be the most efficient method of establishing that students had discontinued study or varied their enrolments. The Department will continue to remind students regularly of their obligations. As advised in the comments against paragraph 3.53, it is proposed to increase the penalty for fraud or providing misleading information.

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3.55 The relatively low level of investigations and prosecutions in New South Wales was noted by the Committee. The Department explained that this situation is not necessarily due to inactivity by its State office, but can be attributed to the difficulties in co-ordinating action between the authorities involved, and the twelve-month limit on prosecution. Notwithstanding this explanation, the Committee wishes to receive specific reasons for the low level of activity in New South Wales, with details of any particular difficulties which may have been experienced in that State.

3.56 Liaison with Institutions and State Authorities:

Following an allegation of lack of co-operation by institutions, made by the Department in the Auditor-General's Report, the Committee questioned the Department closely. The Committee was concerned by this statement, as it was surprising that institutions could ignore the benefits received from the Federal Government and the mutual obligations and ties that this brings. Evidence presented by the Department showed that only one institution was withholding its co-operation and in fact, that the Department was satisfied with the general level of co-operation.

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The Department of Education has provided the Committee with a detailed response to this conclusion. With reference to the time limit of twelve months for prosecution under the Student Assistance Act, the proposed amendment of the Act will provide for the extension of that limit to two years.

The Department of Education believes that the Committee's criticism in paragraphs 3.56 and 3.57 is based on a misunderstanding. The Auditor-General's Office suggested in June 1978 that enrolment of students at tertiary institutions be confirmed in January/February prior to the payment of allowances. The Department responded to the Auditor-General in detail referring to the unsatisfactory experience of 1974 when such a procedure was attempted, and outlining the arrangements developed since then which were currently in force. The Auditor-General's Report referred to "previous attempts to obtain such evidence" but did not indicate clearly that the reference was to 1974 events. Evidence given at the hearing showed that a substantial improvement in co-operation had occurred over the last three years.

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3.57 The Committee regrets that the Department should make such a serious allegation and then not substantiate it, and would be most concerned if other unfounded allegations were to be made in any future appearances. The Committee also wishes to be kept advised of the progress of negotiations with the above institution.

3.58 Generally, the Committee is satisfied that progress is being made in improving liaison with institutions, and commends the Department's proposal to progressively computerise exchange of data with institutions. However, the benefits of such a proposal will be much reduced by undue delays incurred in updating the Student Assistance Division's ADP capacity.

3.59 The Committee trusts that authorities and institutions in the States will continue to establish uniform and centralised admission procedures, and expects the Department to continue to encourage and promote such measures.

3.60 The Department's Evidence:

The Committee has indicated aspects of departmental administration which it feels must be improved, but was hampered in making more positive comment on the Department's activities by the poor standard of evidence. While there were exceptions to this poor standard, the evidence displayed carelessness in preparation. The evidence

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The Department of Education has advised that the one institution which was withholding co-operation decided to conduct enrolment checks in 1980 for students in approved courses.

The Department of Education has advised that the witnesses were senior experienced officers and were considered the most appropriate officers to provide the Committee with the detailed information it may have required. However, it is acknowledged that on this occasion they could have been more precise in the presentation and explanation of material. The witnesses were not aware during the hearing of any

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presented was often superficial or confusing, and there were cases where statistics supplied by the Department were incorrect or misleading. The Committee believes that the evidence would have been of a higher quality if the Department had been represented at a more senior level. In any event, the Committee deplores this low standard, and emphasises that such an attitude can only reflect poorly on the Department concerned.

3.61 Auditor-General's Report 1978-79:

The Committee notes that the Auditor-General has made further reference to both eligibility checks and overpayments in his Report for 1978-79. As far as eligibility checks are concerned, the Committee is satisfied that the Department's eligibility checks and measures against deliberate fraud are adequate. However, it shares the Auditor-General's concern over the continuing high level of overpayments, particularly those attributed to departmental error.

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unfavourable impression being created with the Committee. The Department considers it unfortunate that the further hearing foreshadowed by the Committee was not held, therefore providing an opportunity to clarify the issues and satisfy the Committee's doubts.

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DEPARTMENT OF PRIMARY INDUSTRY
BEEF INDUSTRY INCENTIVE PAYMENTS SCHEME

Conclusions

4.28 Several aspects of the Beef Industry Incentive Payments Scheme and its administration concerned the Committee. Principally, the Committee concluded that the Department of Primary Industry had been unable to anticipate the difficulties with which it found itself confronted. In conceding that it had learnt from this experience, the Department said that it would be very wary in future of devising a scheme which relies upon a particular ownership situation as a basis for payment.

4.29 Whilst it is a matter for the Government to determine the eligibility criteria for schemes devised to assist different sections of the community, the Department of Primary Industry faced problems similar to those which beset departments which administer welfare and other benefits schemes for which payments are made on the basis of claims submitted. What has concerned the Auditor-General and the Committee in this case has been the inadequate prepayment checks to ensure the eligibility of claimants and the validity of their claims. Whilst this was not assisted by the Department's misinterpretation of the legislation, the difficulties involving staffing, form design and documentation of the Scheme have led the Committee to conclude that the Scheme was both conceived and implemented in haste.

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4.30 Nevertheless the Committee is unconvinced by the Department's claim that had it had more time it could have designed tighter procedures. The Committee's view is that the Department should have ensured that the various implementation aspects were proceeded with concurrently. This would have involved the initial planning and documentation of the Scheme, the consultation with other departments and authorities, including those that may have had some experience in similarly based schemes, and the testing, implementation and evaluation of the procedures. Obviously, experience or information gained during consultation, testing and evaluation could have been used to provide feedback into the overall planning of the Scheme's implementation. The Committee is not satisfied that this occurred as it should. This is a situation that is coming before the Committee too often. The Committee recommends that more flexibility be exhibited in providing adequate staff to meet similar short-term needs.

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The Department of Primary Industry has advised that in its view the difficulties encountered were a legacy of the Scheme itself, the legislation which was deficient in some respects, and the short period provided by the Government for the Scheme's introduction. The Department feels that the Committee's recommendation on the provision of staff to meet short-term needs is impracticable, particularly under staff ceiling conditions. It would be unrealistic to expect the Service to provide experienced staff from within a department or from other departments at short notice to cater for new schemes.

The Public Service Board has advised that generally the government expects new programs to be staffed from existing staff resources through a re-ordering of priorities and redeployment of staff. Where a new program is to be implemented urgently, the Board is always prepared to consider the need for special staffing and staff ceiling arrangements. Such arrangements depend on the priority which the Government places on the new program and the extent of staffing adjustments required.

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4.31 To assist in any similar future situation, the Committee recommends that several other basic procedures be adopted. Firstly, legislation of this type should be carefully examined and the procedures developed to administer it should be confirmed as conforming with the legislation. Secondly, when claim forms are involved, these should be cleared with interested departments and authorities, including the Auditor-General's Office, to ensure that there is compliance with related legislative requirements including the Audit Act and Finance Regulations and Directions. Thirdly, to ensure adequate controls over ADP systems, accounting standards, including those for audit trails in ADP systems, proposed by the Auditor-General's Office should be mandatory. Fourthly, the Department of Finance should consider the introduction of a more rapid stop-payment system which would minimize subsequent recovery action arising from duplicate and other over-payments. This should have applied not only to this Scheme but should also apply to other benefit schemes where similar problems can arise.

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The Department of Primary Industry agrees with the Committee's recommendations relating to the development of procedures and related claim forms, however, it would stress that to be able to give effect to these recommendations the Government would need to allow adequate time for departments to carry out the processes involved.

The Auditor-General's Office has advised that in January 1978 the Public Service Board was advised of the need for setting common minimum control standards for computer based data processing systems. The advice was referred to the IDC on ADP which created a special sub-committee (Sub-Committee on Standards for the Control of Computer-Based Systems) with representatives from the Public Service Board, Taxation Office, Audit Office and the Departments of Defence, Finance and Veterans' Affairs, to investigate the problem. The scope of standards under consideration is very broad and naturally includes the adequacy of management (or audit) trails. The first phase of the task will be completed shortly, although any standards issued as a result are more likely to be in the nature of guidelines than mandatory standards. However, the Audit Office holds the view that the ultimate aim should be the issue of mandatory standards, deviations from which would require special approval.

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In response to the Committee's fourth recommendation the Department of Finance would point out that its Canberra Drawing Account is maintained in the Reserve Bank, Sydney, and the standard procedure is that details of Stop Notices are telexed to the Accounting Office, Sydney, which completes the necessary Reserve Bank form and lodges it with the Sydney Branch of the Bank. There is thus no significant delay in the lodgement of Stop Notices and no practical avenue for improving the procedures. Proposals have been put to the Reserve Bank that it accept telex advices of Stop Notices from the Accounting Office, Canberra; however, the Bank has maintained its requirement for Stop Notices to be on its standard form and signed by a duly authorised officer.

Furthermore, records in the Accounting Office, Canberra indicate that advice of the duplication of cheque issues was furnished to the Accounting Office on 7 April 1978 (not 5 April as stated in paragraph 4.21) and Stop Notices were lodged with the Reserve Bank, Sydney on that day.