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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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AND MARCH 1981

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

THIRTEENTH COMMITTEE

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\* Ex-officio member being Chairman,  
House of Representatives Standing  
Committee on Expenditure.

#### 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.

## PREFACE

The Committee has conducted a series of inquiries related specifically to matters raised by the Auditor-General in his Reports for 1979/80 and March 1981.

The Committee examined those reports and as a consequence sought written submissions from ten departments and took evidence from seven of those departments at Public hearings in Parliament House, Canberra, as follows:

7 April 1981	- Department of Defence
9 April 1981	- Department of Transport
12 May 1981	- Department of Business and Consumer Affairs and Department of Trade and Resources
14 May 1981	- Department of Business and Consumer Affairs and Department of Trade and Resources
26 May 1981	- Department of Industry and Commerce
2 June 1981	- Department of Industry and Commerce
4 June 1981	- ACT Schools Authority
13 October 1981	- Department of Foreign Affairs
15 October 1981	- Department of Foreign Affairs

Matters arising from the evidence received during the hearings into the Department of Trade and Resources and Department of Business and Consumer Affairs; and the Department of Industry and Commerce will be reported to the Parliament in separate Reports.

At the commencement of these Inquiries there were a number of changes of Committee personnel. Mr K.M. Beazley, MP and Mr A.G. Cadman, MP resigned due to conflict of other parliamentary business and were replaced by Mrs R.J. Kelly, MP and Mr P.D. Shack, MP respectively.

From the outset Mrs Kelly informed the Committee that she had been Chairperson of the ACT Schools Authority during the period that the financial statements of that Authority were the subject of discussion between the Authority, the Department of Finance and report by the Auditor-General. Consequently, to avoid any possible conflict of interest, Mrs Kelly disqualified herself from taking part in the Committee's examination of and development of conclusions relating to the financial statements of the ACT Schools Authority reported in

Chapter 3 of this Report. The Committee wishes to state that the conclusions and recommendations in that Chapter do not necessarily reflect the views of Mrs Kelly.

For and on behalf of the Committee.

David M. Connolly, MP  
Chairman

M.J. Talberg  
Secretary  
Joint Committee of Public Accounts  
Parliament House  
Canberra  
23 February 1982

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CHAPTER 1  
DEPARTMENT OF DEFENCE  
HMAS STIRLING - NAVAL SUPPLY

Introduction

1.1 In his Report of April 1980, the Auditor-General drew the Parliament's attention to a number of shortcomings in the administration of the Naval base HMAS Stirling in Western Australia. The Auditor-General's comments related to weaknesses in the areas of:<sup>1</sup>

- . methods used to take on charge, assets and equipment;<sup>2</sup>
- . inadequacies in the security of workshop ready use stores and bulk material holdings;
- . lack of meter facilities for recovery of electricity and telephone charges for visiting ships;
- . unavailability of naval tugs resulting in costs being incurred for use of civilian services;
- . underutilisation of workshop equipment and lack of a formal planned maintenance system for base and ship utility services;
- . delay in the preparation of Post Refit Analysis Report following a maintenance refit of HMAS Moresby during March/May 1979;
- . adequate records of maintenance undertaken were not completed for small craft attached to HMAS Stirling, HMAS Leeuwin and HMAS Moresby; and
- . special purpose tooling, costing approximately \$18,000 was purchased by Navy in 1975 and loaned to a private contractor for use on a pipe bending machine without prescribed procedures having been followed for recording the loan.

1.2 This chapter examines in detail the issues raised by the Auditor-General and addresses the related issue of Naval Supply.

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- 1 Report of the Auditor-General upon Audits, Examinations and Inspections Under the Audit and other Acts - April 1980, AGPS Canberra 1980, pp. 37-39.
- 2 Equipment and Fixed Assets on issue to HMAS Stirling.

## Background

1.3 The proposed operational role of HMAS Stirling has been subject to a significant level of variation since the Defence White Paper of November 1976 indicated that the base would be able to provide for the deployment of four destroyers and three submarines and give support to visiting Royal Australian Navy task groups and allied ships.

1.4 On 17 February 1977, in Press Release 35/77, the Minister for Defence announced:

- "1. Royal Australian Navy ships would be based at HMAS STIRLING, the Naval Support Facility at Garden Island Western Australia, from early 1979....
2. The ships would operate from there on a permanent basis and would represent a further demonstration of the Government's interest in developing an appropriate defence capability in the Western Australian area.
3. Two destroyers and two submarines would be deployed to Garden Island to join the survey ships HMAS Moresby and HMAS Diamantina, and the patrol boat HMAS Acute."

1.5 On 22 September 1977, in the context of the Defence Review,<sup>1</sup> the Minister announced, inter alia:

"On 17 February this year, I announced that HMAS STIRLING, the new Naval Support Facility in Western Australia, would be commissioned in 1978. I also announced that seven naval units would be based at HMAS STIRLING. Budget priorities will not allow all seven naval units to be based at HMAS STIRLING at the time of commissioning. Initially, three naval units will continue to be based there. The build-up of personnel to man the base and the construction of houses for them will be carried forward, but at a slower rate than earlier planned. It is still the Government's intention, however, that the base be commissioned in 1978, as planned. The additional four ships will be deployed as soon as resources permit, probably early in 1980. The base will of course, be used by visiting ships from our own and allied navies."

1.6 On 24 October 1978, in the context of the Defence Review,<sup>2</sup> the Minister said:

1 House of Representatives, Hansard, 22 September 1977, p. 1481.

2 House of Representatives, Hansard, 24 October 1978, p. 2197.

"Provision has been made for modest growth in regular Navy and Air Force personnel strengths of 150 and 70 respectively this year. This will provide for the manning of the recently commissioned Western Australian naval support facility and new equipment being brought into use in both Services."

On 25 March 1980 in a statement on Defence<sup>1</sup> the Minister stated, inter alia:

"I should make mention of some major developments in respect of defence facilities, and especially those fronting the Indian Ocean. There will be development of HMAS STIRLING at Cockburn Sound. In the later half of this year, ships will be base-ported at STIRLING for periods of several months, and before the end of the program period, ships will be home-ported there. The United States Government is currently considering whether it will seek base or home porting facilities at STIRLING for ships of the United States Navy. The Government has authorised the construction of a new armament depot at STIRLING and the construction of additional housing at nearby Rockingham, to support the increased activities at STIRLING. A new fuel installation is also planned for the short term. In the longer term, further facilities are planned to increase the support capabilities of STIRLING."

On 11 June 1980 in Press Release 95/80 the Minister announced inter alia:

"A guided missile destroyer and a destroyer escort from the Australian Fleet are to be base-ported at HMAS STIRLING in Western Australia for a period of about six months....

There will be development of HMAS STIRLING at Cockburn Sound. In the latter half of this year, ships will be base-ported at STIRLING for periods of several months, and before the end of the (five year) program period, ships will be home-ported there.

Base-porting means that ships will operate from HMAS STIRLING for periods up to six months, and will be able to carry out some maintenance work there. However, families of the crews will not be entitled to be moved to Western Australia at public expense."

1 House of Representatives, Hansard, 25 March 1980 p. 1142.

1.8 The term home-porting means inter alia that families have an entitlement to removal.

1.9 HMAS Stirling has had a chequered career in terms of proposed usage due to a number of factors including increasing budget strictures and a changing strategic scenario for the Indian Ocean. The Committee feels that this situation has had a significant bearing on the efficacy of forward planning mechanisms within the Department of Defence and the administration of the base and that this has been reflected in the Auditor-General's comments.

#### Matters Raised by the Auditor-General

##### Methods to take on Charge Assets.

1.10 This relates to the recording of the receipt of items of equipment issued to HMAS Stirling. In a letter of September 1979 from the Auditor-General to the Regional Secretary of the Department of Defence in Western Australia he said:

"Vouchers to take on charge installed assets were not raised prior to commissioning of HMAS 'Stirling'. Acknowledgement of receipt was given by signal to Navy Office, Canberra. The system whereby the only apparent record of installed equipment was held on file was not considered to be satisfactory. Secondly a List of Equipment was not being maintained in accordance with the requirements of ABR4, chapter 55, paragraphs 3501 to 3515."

1.11 The Committee was informed that the ABR4 is the Naval Storekeeping Manual and is the instruction to ships and establishments on accounting for stores and equipment. It emerged that at the time of Audit, HMAS Stirling was in the process of changing over to a new computerised stores accounting system known as the Royal Australian Navy Ship and Establishment Allowance List (RANSAL) System which was approved by Treasury in 1973. This system does away with the Lists of Equipment mentioned by the Auditor-General which were manually maintained at the establishment. Instead, all items issued to a base are input to a computer located in Canberra which produces a consolidated list of equipment as required. Holdings of equipment on board ships or on bases are then verified by a Supply Operations and Assistance Program (SOAP) team which visits the ship or base and physically checks all equipment against the computer print out.<sup>2</sup>

1.12 Regarding the raising of vouchers to take on charge installed assets prior to commissioning of HMAS Stirling, the

1 Auditor-General's Report 1979/80 - Department of Defence - HMAS Stirling Minutes of Evidence, AGPS Canberra 1981 p 14.  
2 *Ibid.*, p. 14-15.

Department claimed that vouchers were not raised at HMAS Stirling. Normal naval procedures require the receipt of assets and equipment to be acknowledged to Navy Office Canberra where they are assigned an Assembly Identification Designation and recorded on the RANSAL computer file.<sup>1</sup>

1.13 It would appear that at the time of audit, the auditors were not aware of the change in stores issue and accounting arrangements at HMAS Stirling. The Department advised that the Auditor-General has now been informed of the new arrangements.

##### Security Inadequacies in Stores and Bulk Material Holdings.

1.14 The Department acknowledged the Auditor-General's comments that there was inadequate security of the engineering ready use store and trades people had ready access to stores and tools. It was stated that this was an original design fault and now had been corrected through the fitting of new doors to the stores and restricting access to sailors detailed for stores duty. Similarly, a security compound had been erected around the bulk materials holdings with shipping containers being used for the storage of materials affected by the environment.<sup>2</sup>

1.15 The Committee noted that the base facilities are surrounded by a security fence and isolated on an island with entry and exit across a causeway controlled 24 hours per day by Naval Police. Also, the materials held in the bulk materials compound were generally of the type not easily portable.

##### Electrical and Telephone Billing Arrangements.

1.16 The Auditor-General noted a lack of metering facilities for the recovery of electricity and telephone charges for ships visiting HMAS Stirling. The Department confirmed that there were no metering facilities for electricity and telephone services to visiting ships prior to 18 September 1979 and 24 July 1979 respectively. Prior to that date electricity charges were based on an assessment made from three-hourly readings of load meters. For telephones an agreed flat daily rate was charged. Coin operated telephones were available for private telephone calls. Metering facilities are now in place and generally all bills are cleared before a visiting ship leaves port.<sup>3</sup>

##### Equipment

1.17 The Auditor-General commented unfavourably on the underutilisation of some items of workshop equipment.

1 Minutes of Evidence, *op. cit.*, p. 7.  
2 *Ibid.*, p. 7.  
3 *Ibid.*, p. 8 and p. 17.



1.18 From the evidence taken it would appear that the underutilisation of equipment is the result largely of the frequent fluctuations in the proposed operational role of HMAS Stirling with its resultant affect on manpower. The Committee was informed that bases such as HMAS Stirling, irrespective of their actual physical capacity, are staffed by officers and sailors according to the level of activity they are expected to maintain. The Department explained that much of the equipment in place at HMAS Stirling at the time of Audit (mid 1979) was originally ordered or purchased when there was a requirement for the base to support four destroyers and three submarines which would have required a personnel establishment of around 320.<sup>1</sup> At that time however, only three units were deployed at the base and the personnel establishment was in the order of 178.

1.19 Whilst we cannot condone wasteful purchase of equipment, the Committee realises that within the context of rapidly changing roles for a base such as HMAS Stirling, a certain level of over-provision of equipment is difficult to avoid and that this may result in a level of underutilisation from time to time.

1.20 It did emerge however, that since the Audit review, this equipment has been receiving increasing use both from Australian and foreign navies, particularly as a result of the 25 March 1980 and 11 June 1980 decisions by the Minister for Defence to again increase the level of activity at the base and the 19 January 1980 decision to increase the bases personnel establishment. In addition, it is not unusual for foreign navies, when visiting HMAS Stirling, to provide their own personnel to operate equipment at the base.<sup>2</sup>

#### Maintenance of Equipment

1.21 In his report the Auditor-General noted a number of shortcomings in the maintenance of equipment at HMAS Stirling. Firstly he noted that a formal planned maintenance system was not documented for workshop equipment or base and ship utility services and secondly that adequate records of maintenance undertaken were not completed for small craft attached to HMAS Stirling, HMAS Leeuwin and HMAS Moresby. He cited a Navy Office report following the annual inspection of HMAS Stirling in August/September 1979 which observed that due to manning shortages, maintenance is carried out on an urgent defect basis as personnel and parts become available.

1.22 The Committee noted that when considering the maintenance of workshop equipment and base and ship utility services at HMAS Stirling, it was necessary to differentiate between that equipment supplied and maintained by the

Department of Housing and Construction and that supplied and maintained by Naval personnel. The first category includes the more readily obtainable equipment such as workshop machinery, lathes, drilling machines, welding machines and balancing machines. The second category, whilst difficult to define, generally includes equipment of a special nature which is, or could be, fitted to ships or is on the base for a specific purpose such as operator training. Included in this category might be radar or communications equipment, gun mountings or service equipment which for a variety of reasons is not kept on board ship.

1.23 The department claimed that the maintenance of non-specialist equipment and plant was wholly the responsibility of the Department of Housing and Construction. Navy's only concern is that it be available as and when required.<sup>3</sup>

1.24 On the other hand, the Committee was informed that the specialist equipment for which Navy was responsible was maintained generally in accord with makers instructions. Ship fitted equipment has maintenance schedules but it had not been possible to establish schedules for other specialist equipment because of the shortages of personnel of a suitable category to undertake the task. However, it would appear on the evidence presented to the Committee that this task is now being progressed.

1.25 Manpower shortages were again cited by the Department as the reason for the lack of adequate records of maintenance being maintained for small craft at HMAS Stirling, HMAS Leeuwin and HMAS Moresby. The Committee was informed that the ten small craft at these bases including harbour personnel boats, stores boats, a lighter and a diving boat were maintained at the time of the audit, being based on regular inspection. Decisions were made to overhaul where the condition of the equipment was falling below acceptable standards. However, because of manpower shortages and inadequacies, small craft maintenance was not afforded priority over other maintenance tasks.<sup>3</sup>

1.26 The Department acknowledges that at the time of audit, documentation for the maintenance of such craft was incomplete and there were no planned maintenance schedules. It appears however, that is now being completed and action is in hand to progressively update maintenance records held. The Department confirmed that maintenance on these craft is now carried out on a regular basis.

1 Minutes of Evidence, op. cit., p. 28.

2 Ibid., p. 28.

3 Ibid., pp. 10 and 45-46.

1 Minutes of Evidence, op. cit., p. 3.

2 Ibid., p. 27.

## Post Refit Analysis

1.27 The Auditor-General noted that considerable delay had occurred in the preparation of a Post Refit Analysis Report following a maintenance refit of HMAS Moresby during March/May 1979 and that no evidence was available at HMAS Stirling of corrective action to reduce the incidence of such problems in future refits.

1.28 The Committee was informed that a Post Refit Analysis Report (PRAR) is an internal Navy Maintenance Branch process. Its prime purpose is to consolidate lessons learned from a refit of a ship so that they can be applied to benefit the next refit. It is usually prepared by a small team from Navy Office, Canberra two or three weeks after the completion of the refit.

1.29 In the interests of economy the PRAR of HMAS Moresby was undertaken by an officer based in the West. The Department claimed that while the analysis was done and the major findings sent to Canberra so that the necessary action could be taken, the presentation of the final report took 12 months. The Department claimed that this was due to the fact that it coincided with the beginning of the build-up of activities at HMAS Stirling and it was overtaken by tasks of higher priority.<sup>1</sup>

## Availability of Naval Tugs

1.30 A major part of the Auditor-General's comments on the administration of HMAS Stirling relate to the issue of the availability of Naval tug boats for use in and around HMAS Stirling. He said

"The unavailability of Naval tugs and certain other facilities resulted in costs being incurred for use of civilian services due to the remoteness of the establishment. Notwithstanding the formal entitlement of HMAS Stirling to 2 naval tugs, \$54,000 was expended in 1978-79 on hire of civilian tugs."

1.31 The "formal entitlement" to tugs to which the Auditor-General referred was in fact contained in a Naval Project Directive (NPD) which is a planning document produced by Navy Office and as such does not necessarily constitute Government approval for their purchase. Any NPD would contain details of all administrative requirements of the particular base for which it was produced including lists of all facilities and equipments necessary for it to fulfil its proposed function. The purchase of any equipment listed on a NPD needs to be considered within the context of Naval funding

priorities and then within the context of the overall Defence budget for any particular financial year, as part of the Defence five year rolling program. Further, the decision not to proceed with the purchase of the tug boats as listed in the NPD for HMAS Stirling was based on the 1977 decision to defer home-porting of destroyers and submarines at HMAS Stirling and within the context of competing priorities for funds, the hiring of tugs was thought to be the more cost effective option at the time. However, in the light of the 25 March 1980 decision to base port ships at HMAS Stirling, two tugs have been included in Navy proposals for the Defence Five Year Program 1981/82 - 1985/86. It was anticipated that tender for the provision of the tugs be called in June 1981 with a decision around December of that year.<sup>1</sup>

1.32 Regarding the cost of hiring tugs, the Department stated of the \$54,000 expended on this task in 1978/79, \$19,906 was at HMAS Stirling and the remainder at other Western Australian ports.

1.33 From the evidence, the decision to defer the purchase of tugs in favour of hiring is open to some criticism. The Committee is concerned that although there was a demonstrated need for tug boats at HMAS Stirling (albeit less than the perceived need in the NPD), the Department proceeded with the purchase of some other types of equipment which is under-utilised or not used at all.

1.34 In addition, the Committee feels that the increasing frequency of visits of ships to the HMAS Stirling and Fremantle areas by both Australian and foreign Navies would indicate the necessity for the early purchase of the tug boats.

## Pipe Bending Machines

1.35 In his report the Auditor-General stated that special purpose tooling, costing approximately \$18,000, was purchased by Navy in 1975 and loaned to a private contractor for use on a pipe-bending machine for work on a Navy contract. At the time of audit reviews in February 1979 the tooling was still held by the contractor without prescribed procedures having been followed for recording the loan.

1.36 In October 1977 Navy purchased its own pipe-bending machine at a cost of approximately \$20,000. This machine remains unused to date as no special purpose tooling is held for it. The special tooling on issue to the private contractor is not adaptable to the Navy machine. Additionally the Navy's machine is designed for bending pipe to a maximum diameter

1 Minutes of Evidence, op.cit., pp. 39-40.

three inches whereas the requirement in respect of at least one ship is for a capacity of up to six inches.

1.37 In reply to audit observations the Department advised the Auditor-General that a conservative estimate for the additional tooling required for the Navy machine was \$20,000. In view of the larger capacity available on the contractor's machine with Navy tooling and with an estimated cost of \$60,000 for a new machine with the increased capacity, it was considered that the most cost-effective solution in the then current circumstances had been reached for bending larger pipes. The Auditor-General reported that the rationale behind the purchase of such a small capacity machine was not known to Naval staff in W.A., but the requirement for a larger machine still exists.

1.38 The Committee was informed that the purchase of a pipe bending machine with only a three inch capacity was because of the fact that with one exception, the three inch capacity machine is normally adequate for the type of maintenance undertaken by HMAS Stirling. That exception is when a refit is done of HMAS Moresby; a task at a level of maintenance for which HMAS Stirling was not designed but undertakes for economic and training reasons. The base has access to a six inch capacity machine through a local contractor with the loan of Navy's tooling. In addition, Departmental witnesses claim that some of the six inch tooling held by Navy can be adapted at a small cost to suit the three inch machine they have.<sup>1</sup>

1.39 Regarding procedures followed to loan out the tooling, the Department stated that the loan of equipment to private contractors is a normal procedure for most Naval bases and that generally the contractor is not charged for its use if he uses it solely on the contract work for which he tenders. In the case of the pipe bending equipment at HMAS Stirling, the Department acknowledges that the equipment was loaned out against an ordinary stores demand issue note and not the proper loan form. They did add however that they had a signature for the equipment, they knew at all times where it was and it had been returned to the base in good order.<sup>2</sup>

#### Navy Supply System

1.40 On examination of the issues raised by the Auditor-General, the Committee became concerned that the Naval Supply system may not be adequately meeting the needs of HMAS Stirling. In relation to the refit of HMAS Moresby, the Auditor-General wrote:

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1 Minutes of Evidence, op. cit., p. 48.

2 Ibid., p. 47.

"Difficulty in obtaining spares for ships refitting in the West Australian Area has been a long recognised problem. The 1978 HMAS Moresby post refit analysis report stated that every authority concerned with the refit complained the supply of stores was the major cause of overrun of the maintenance period. For some items required for the 1979 refit, orders were placed before the completion of the 1978 maintenance period. The general transfer to HMAS Stirling of special-to-type stores for HMAS Moresby is still under consideration by Navy Office."

1.41 The Committee was informed that HMAS Stirling is supplied mainly from local resources for routine type stores such as cleaning cloths, nails etc. The commanding officer and the supply officer have delegations for the purchase of this equipment. Components of a technical nature however are generally supplied from the naval supply centre in Sydney.<sup>1</sup>

1.42 Whilst HMAS Stirling holds a limited range of spares for immediate use, witnesses claimed that in an emergency, spares can be dispatched from the Sydney Supply Centre to HMAS Stirling within 24 hours if necessary, depending on the priority time frame attached to the request.

1.43 Regarding the refitting of a vessel such as HMAS Moresby, the Department claimed that the ordering of spares would generally commence on the completion of the last refit. Any equipment that was found to be in a debilitated condition at one refit but would last until the next would be ordered so that it would be in place at the appropriate facility in time for that refit. Problems do however occur when equipment breaks down without warning, parts are not in stock and there are long lead times in procuring them. Similarly, the Department points out the difficulty in assessing spares requirements for refits, claiming that often it was not possible to know what was required until the equipment was opened up and examined.

#### Conclusions and Recommendations

1.44 Within the context of the four changes in the operational role for HMAS Stirling between 1976 and 1980 with the resultant effects on Department of Defence ordering procedures and the manning levels at the base, the Committee accepts the explanations of the Department for the majority of the Auditor-General's queries. The Committee also notes that at the time of writing, most queries had either been rectified or were in the process of being rectified. However, two areas did emerge as being the result of inadequate planning and as such, open to some continued criticism.

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1 Minutes of Evidence, op. cit., p. 13.

1.45 The Committee feels that the issue of the Pipe Bending Machine indicates a lack of proper planning by Defence Staff and a lack of liaison between the Department in Canberra and HMAS Stirling. Clearly there is a need for a pipe bending facility of up to six inch capacity. The Committee was not given adequate explanation of why a machine with a capacity of three inches was purchased which, in addition to being too small for some of the tasks required of it, is incompatible with the six inch capacity tooling owned by the Navy but loaned out to a private contractor.

1.46 The Committee expresses its strong disapproval at the obvious lack of co-ordination and liaison that this issue represents with the commensurate waste of taxpayers' money. In addition, the Committee cannot justify or excuse the neglect of proper procedures for the loan of equipment to private contractors.

1.47 The Committee finds it difficult to see justification in the decision not to purchase tug boats for the base, in favour of hiring them, in economic terms. Whilst accepting that the decision was made in the context of competing Defence priorities, there was a demonstrated and increasing need for them at the base. To provide the necessary facilities at the base, the Committee recommends that the purchase of the Tug Boats for HMAS Stirling be progressed as a matter of priority.

1.48 During the Inquiry the Committee expressed some concern over the centralisation of the supply centre in Sydney. It felt that for sound tactical and operational reasons it would be more efficient to disperse the stores supply function, particularly to the Western Australia area. The Committee was therefore pleased to be informed that this aspect was receiving consideration in a major total review of the Navy supply organisation which is currently under consideration by the Chief of Naval Staff. The Committee requests that the outcome of the review be made available when the review is complete. It is understood however, that since an assessment of the range and depth of stores required at HMAS Stirling will be a major task requiring considerable technical and supply effort, this task will not be commenced until the decision on the ships to be ported at the base is made.

1.49 The Committee suggests that care be exercised by the Auditor-General when reporting issues to the Parliament. It emerged throughout this inquiry that some of the comment by the Auditor-General, whilst technically correct has resulted in unnecessary expenditure by the Department of Defence. An example of this is the matter of a security compound around bulk material holdings at HMAS Stirling. It is clear to the Committee that whilst this compound did not have a security fence at time of audit, the materials held therein were not

easily portable. Further, the fact that the base is isolated, on an island and secured by Naval Police would make theft of such goods very difficult indeed. Also, the Committee requests the Auditor-General to ensure that his field officers, particularly those in regional offices, are fully aware of any changes to accounting systems or procedures in departments before reporting any perceived deficiencies to the Parliament.

CHAPTER 2  
DEPARTMENT OF TRANSPORT  
SECOND HOBART BRIDGE

Introduction

2.1 This Chapter is primarily concerned with the payment of an advance of \$450,000 from the Department of Transport to the Tasmanian Department of Main Roads to meet contractors claims for performance bond, insurance and establishment costs as part of the construction phase of the Second Hobart Bridge. The payment was made on 3 June 1980 under Division 958 of Appropriation Act No. 2 1979-80 (Payments to the States and the Northern Territory).

2.2 In his 1979/80 Report, the Auditor-General noted certain unsatisfactory features concerning this advance, particularly with respect to the timing of the payment and the Department's authority to pay. The Committee conducted a public inquiry into this matter on 9 April 1981. In conducting this inquiry the Committee was also concerned with the procedures adopted by departments for the payment of advances generally.

Background

2.3 Following the Tasman Bridge disaster in Hobart on 5 January 1975 when the Australian National Line's vessel the "Lake Illawarra" hit the Tasman Bridge with consequent loss of life and serious damage to the Bridge, the Australian Government undertook to provide financial assistance to Tasmania to meet the full costs to the State and its authorities of:

- . agreed works and services judged to be attributable to the disaster or to be necessary to cope with the effects of the disaster; and
- . the investigation of proposals for a further permanent bridge across the Derwent River at Hobart.

2.4 As well as the reconstruction of the Tasman Bridge, the agreed measures included, inter alia:

- . emergency services provided immediately after the disaster;
- . the maintenance and upgrading of roads to cope with additional traffic caused by loss of the use of the Tasman Bridge.

- the obtaining of ferries;
- the provision of temporary bridging across the river; and
- the provision of additional State Government services on the eastern shore of the River.

2.5 The Tasman Bridge Restoration Act 1975, passed by the Australian Parliament in May 1975 in conjunction with complementary legislation passed by the Tasmanian Parliament, ratified the Joint Tasman Bridge Restoration Agreement between the Australian and Tasmanian Governments. It provides, inter alia, for a Tasman Bridge Restoration Commission, the functions of which include the restoration of the Tasman Bridge. The administrative costs of the Commission are being met by the Australian Government.

2.6 In June 1975 the Australian Government, following an investigation of, and report on, proposals for a further permanent bridge across the Derwent River by a Joint Australian/State Government expert advisory committee, undertook to provide financial assistance for the construction of a new permanent bridge at Dowsing Point and for the restructuring of the Tasman Bridge so as to provide an additional traffic lane.

2.7 The first stage of the work was to carry out the technical investigations and design associated with the provision of the new bridge. These studies, completed in 1978-79, were funded by the Commonwealth at a total cost of \$1.2M.

2.8 On 21 August 1979 the Prime Minister advised the Premier of Tasmania that the Commonwealth had authorised the construction of the bridge, and the Minister for Transport advised that the Joint Committee was to continue to supervise the calling of tenders and actual construction of the bridge. The total cost is estimated to be about \$35M of which \$1M was required in 1979-80. A further \$10M was provided in the 1980-81 Budget for these works.

#### Auditor-General's Report

2.9 At paragraph 2.22.5 of his 1979-80 Report<sup>1</sup> the Auditor-General stated:-

<sup>1</sup> Australia, Parliament, Report of the Auditor-General upon the financial statements prepared by the Minister for Finance for the year ended 30 June 1980 and upon other accounts, Parliamentary Paper 157/1980, Canberra 1980, p. 128.

"During a recent audit examination it was noted that an amount of \$450,000 had been paid to the Tasmanian Department of Main Roads as an 'advance payment for contractor's claims for performance bond, insurance and establishment costs in June/July 1980'. However, in a letter dated 26 May 1980 which accompanied the claim, the Chairman of the Joint Commonwealth/State Committee referred to a decision of the Committee that an advance should be sought from the funds provided for 1979-80 to meet contract payments which will become due early in 1980-81. The letter stated that consultants had estimated that the payments becoming due early in 1980-81 would be \$350,000 mid-July and \$100,000 mid-August.

My Office also noted that the Arrangements, as agreed by the 2 Governments in 1976, provided for reimbursement of costs incurred by the State Department but did not provide for the making of advance payments.

Representations were made to the Department on 6 August 1980 indicating that it was not evident to my Office that there was a need for the payment of \$450,000 to be made in 1979-80 and in advance of the date on which there was a demonstrated need for funds; and that the making of the advance was in accordance with the Arrangements as agreed between the 2 Governments. No evidence was sighted by my Office that the Department sought approval from competent authority for the making of the advance.

In an interim reply the Department advised it does not accept the assumptions or the interpretations placed on the facts by my Office; and that as the key point is a matter of legal interpretation urgent advice had been sought from the Attorney-General's Department."

#### Payment of the Advance

2.10 During the course of the inquiry the Committee was advised that the letter of 26 May 1981 to which the Auditor-General refers had attached to it a formal claim for the advance payment. The claim referred to payments which would be made during June and July 1980. However the covering letter from the Chairman of the Joint Committee on the Second Hobart Bridge contained conflicting information as it stated that the payments would become due in July and August 1980.

<sup>1</sup> Joint Committee of Public Accounts, Auditor-General's Report 1979-80, Second Hobart Bridge Minutes of Evidence, AGPS, Canberra 1982, p. 76.

2.11 The departmental witness informed the Committee that from the Department's own knowledge and experience, it knew as a matter of fact that the payments would become due in June 1980. As a result of this the Department admitted that it had not carefully read the letter. The witness further explained that payment of the \$450,000 advance by the Tasmanian Department of Main Roads, prior to reimbursement by the Commonwealth could cause short term liquidity problems in Tasmania.

2.12 The Committee was also told that the Department was mindful of the early closing date for payment of accounts by the Department of Finance, which was 20 June 1980 and of the fact that funds to be made available in 1980-81 for the project did not provide for this expenditure.

#### Legal Advising

2.13 As part of the preparation for the administrative arrangements associated with this project, the Department of Transport sought legal advice from the Attorney-General's Department on the basis on which it should act. Advice was subsequently received which the department interpreted as indicating that it had authority to advance or pay to Tasmania at the appropriate time the \$1M appropriated by the Parliament.

2.14 Acting on the basis of this interpretation the Department certified and paid the claim on 3 June 1980.

2.15 On 3 August 1980 the Auditor-General's Office advised the Department that in its opinion no authority existed for payment of the claim. The Auditor-General's view was that the draft administrative and financial arrangements for the construction phase of the bridge project, which included provision for advance payments, were not in effect. The Auditor-General further advised that the existing investigation and design phase arrangements, which did not allow for advance payments, should apply to the construction phase until the new arrangements were promulgated.

2.16 Further advice on this matter was sought by the Department of Transport from the Attorney General's Department. This advice supported the Auditor-General's interpretation that no authority existed for payment. The Committee has been informed that the Department of Transport accepts this advice, and agrees, in hindsight, that there was no authority for payment.<sup>4</sup> However, the Department has

pointed out that following promulgation of the construction phase arrangements by the Minister for Transport on 14 January 1981, provision now exists for advance payments.

#### Conclusions and Recommendations

2.17 It appears to the Committee that, having regard to the circumstances of this case, the Department of Transport acted in good faith in paying the advance of \$450,000 to Tasmania in 1979-80. However, the Committee is not satisfied that the Department took sufficient care to ensure that the necessary conditions for the payment of a particular purpose grant were met. Finance Direction 13/15 states:

"Grants which are to be applied to a particular purpose, as distinct from general assistance grants, are not to be made significantly in advance of a clearly demonstrated need for funds."

The Committee reminds all departments that the mere existence of an appropriation is not in itself sufficient authority to expend Commonwealth moneys.

2.18 Further the Committee noted that the covering letter to the claim was not carefully examined and that funds for this purpose while appropriated in 1979-80, were not provided for in 1980-81. In these circumstances, the Committee refers departments to the Department of Finance procedures for forward commitment and to Finance Direction 8/10:

"Payment shall not be made in advance of satisfactory performance or delivery unless it is provided for in the contract and the claim for payment is supported by a certificate by the officer authorised for the purposes of Regulation 45(1)(g)(ii). Contracts shall not provide for advance or progress payments merely to avoid the lapsing of an appropriation."

2.19 The Committee considers that Departments should have clear and unambiguous authority to be able to advance funds. In cases where authority is not clear or rests on the subjective interpretation of agreements, opinions or directions, advice should be sought from the appropriate authorities which are, the Department of Finance, the Attorney General's Department or the Auditor-General's Office.

1 Minutes of Evidence, op. cit., p. 76.

2 Ibid., p. 73.

3 Ibid.

4 Ibid., pp. 54, 73, 74, 80.

1 Minutes of Evidence, op. cit., pp. 54, 82.

## CHAPTER 3

### ACT SCHOOLS AUTHORITY

#### DELAYS IN THE PRESENTATION OF FINANCIAL STATEMENTS

##### Introduction

3.1 In his Report<sup>1</sup> the Auditor-General drew attention to unresolved questions concerning the extent of the A.C.T. Schools Authority's responsibilities for the establishment and conduct of schools, the extent and nature of its responsibility for accounting for moneys and other assets received by schools from non-government sources and the effects which those questions had on both the Authority's financial statements and the Auditor-General's responsibility under the A.C.T. Schools Authority Ordinance 1976. The Auditor-General also stated that the Authority had not submitted for audit financial statements in an approved form for the financial years ended 30 June 1976, 1977, 1978 and 1979.

3.2 In his March 1981 Report the Auditor-General noted that his predecessor was appointed personally to the position of Auditor of the Authority and that, because the appointment does not carry through to him, he is awaiting advice as to whether he will be given the responsibility, as Auditor-General, for auditing the Authority. Consequently, the Authority did not until recently have an auditor, as the previous Auditor-General resigned on his retirement.

3.3 The Committee held a public inquiry into the A.C.T. Schools Authority on 12 June 1981. The purpose of the inquiry was to examine in detail the Auditor-General's comments and to determine the reasons for the extended delay in the Authority submitting annual financial statements for audit. During the inquiry the Committee also considered the accounting standard of the Authority in conjunction with its interest in the draft and report of the Joint Working Party on Financial Statements of Commonwealth undertakings which was prepared by the Department of Finance and the Auditor-General's Office in June 1980. The Committee expects to publish a discussion paper on this Report at a later date.

##### Background

3.4 The Australian Capital Territory Schools Authority was established by the Schools Authority Ordinance 1976 which came into effect on 1 January 1977. The Authority's functions are to establish and conduct in the Territory, on behalf of the Commonwealth, pre schools, primary schools, high schools and secondary colleges and such other educational or related services as the Minister for Education approves or directs.

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1 Auditor-General's Report 1979-80, op. cit., p. 167.



3.5 Under The Schools Authority Ordinance 1976 it is prescribed that each school will have a school Board. The typical board consists of the school principal, one member appointed by the Authority, two members elected by the teachers at the school, three members elected by parents and citizens, and in the secondary school sector, two members elected by students.<sup>1</sup> The board has wide advisory powers with respect to the routine administration of the school.

3.6 In general terms the responsibility of the Authority is to provide overall administration and policy making for all schools, whereas routine decision making in individual schools is the responsibility of the School Board. This situation is consistent with a philosophy of education which is based on devolution of responsibility to the local school level in the Australian Capital Territory.<sup>2</sup>

3.7 The Ordinance provides that the Authority shall, as soon as practicable after the end of each financial year, prepare and furnish to the Minister, a report on the operations of the Authority during that year, together with financial statements in respect of that year in such form as the Treasurer approves. Before furnishing financial statements to the Minister, the Authority is required to submit them to the auditor for report. The Minister laid the report and financial statements together with the auditors' report before the House of Assembly. To date, the financial statements of the Authority have been confined to moneys appropriated by the Parliament.

#### Auditor-General's Report

3.8 In paragraph 2.29 of his 1979/80 Report the Auditor-General stated:-

"The Schools Authority Ordinance provides for the accounts and records of financial transactions of the Authority and records relating to assets of or in the custody of the Authority to be inspected and audited at least once in each financial year by an auditor appointed for the purpose; and for the auditor to report to the Minister the results of the inspection and audit. I have been appointed auditor of the Authority.

My reports to the Minister on the inspection and audit for the period ended 30 June 1977 and the years ended 30 June 1978 and 1979 have referred to unresolved questions concerning the extent of the Authority's responsibility for the establishment and conduct of

1 Joint Committee of Public Accounts, Minutes of Evidence, ACT Schools Authority, AGPS Canberra 1981, p. 527.

2 Ibid., p. 518.

schools; the extent and nature of the Authority's responsibility for accounting for moneys and other assets received by schools from other than Government sources and the effect which those questions had on both the Authority's financial statements and my responsibility under particular sections of the Ordinance.

My report on the inspection and audit for the year ended 30 June 1979 referred to a number of representations made to the Authority on unsatisfactory aspects and indicated concern that the Authority had failed to respond to some of those representations including those relating to the extent of the Authority's responsibilities.

At the date of preparation of this Report, the Authority has not submitted for my audit financial statements in final form for the 6 months ended 30 June 1977 and the years ended 30 June 1978 and 1979."

3.9 At paragraph 25 of his March 1981 Report the Auditor-General further stated:-<sup>1</sup>

"The Authority has since submitted for audit the financial statements for the period and years referred to above and reports on the audit of those financial statements have been furnished to the Minister as required by the Schools Authority Ordinance 1976. The audit reports mentioned that:

- pending legal advice to clarify the position the financial statements did not account for moneys and other assets received by schools from other than Government sources; and
- the extent of the Authority's financial responsibilities relating to the establishment and conduct of pre-schools, primary schools, high schools and secondary colleges in the Australian Capital Territory required resolution.

The reports stated that until those matters were resolved it could not be determined whether they had any effect on the financial statements.

In addition, the reports on the financial statements for the period ended 30 June 1977 and the year ended 30 June 1978 referred to the Authority expending moneys prior to obtaining the approval of the Minister to estimates of expenditure as required by section 29 (2) of the Ordinance and, contrary to the provisions of section 30 of the Ordinance, the Authority had opened and maintained bank accounts with other than approved banks. The report on the financial statement for the year ended 30 June 1979

1 Auditor-General's Report, March 1981, op. cit., p. 84.

referred to the Authority continuing to operate bank accounts with other than approved banks until October 1978.

At the date of preparation of the Report the Authority had not submitted for audit financial statements for the year ended 30 June 1980.

My predecessor, Mr D.R. Steele Craik CB, OBE, was appointed personally to be auditor of the Authority and resigned the appointment on his retirement. Because of the personal appointment it does not carry through to me as his successor in the office of Auditor-General. I am awaiting advice as to whether, as Auditor-General, I will be given the responsibility for auditing the Authority."

#### Delaying factors

3.10 In a submission dated January 1981<sup>1</sup> the Schools Authority informed the Committee that the factors which delayed the preparation of reports and financial statements for the periods ended 30 June 1977, 1978 and 1979 were:

- the debate regarding the appropriate accounting standard for an Executive Authority such as the ACT Schools Authority (cash vs accrual); and
- lack of any response from the Deputy Crown Solicitor to the Authority's request for a legal advising in relation to the Authority's responsibilities for accounting for moneys and assets received by schools from other than Government sources.

#### Cash and Accrual Accounting Standards

3.11 Cash accounting is a system, used by government departments which, briefly, shows only the receipts and payments of an organization during the year. Accrual, or commercial, accounting discloses in addition the assets and liabilities of an organization at a particular time to enable the preparation of a balance sheet and, where appropriate, a profit and loss statement.

3.12 The Senate Standing Committee on Finance and Government Operations<sup>2</sup> when examining the accounting standards for statutory authorities concluded "that prima facie accrual accounting is superior to cash accounting from a parliamentary

1 Minutes of Evidence, op. cit., p. 478.

2 Australia, Parliament, Senate Standing Committee on Finance and Government Operations - Statutory Authorities of the Commonwealth. Parliamentary paper 2/1980, AGPS Canberra 1980, pp. 73-74.

viewpoint because accrual accounting provides the greater disclosure of the financial affairs of an authority. Accrual accounting includes items which are excluded from a cash accounting system such as provisions for superannuation and long service leave, debtors and creditors accounts, stores and inventory records and year-end adjustments for expenses owing and revenue due. An important point is that where an authority is being supported by government funds accrual accounting shows the full measure of that support. Modern accounting standards also provide for accrual accounting".

3.13 The Senate Standing Committee did however have difficulties in recommending that all statutory authorities should adopt accrual accounting and stated that they would need to consider further the general question of the accounting standards which should be adopted by authorities, which are to all intents and purposes, government departments.<sup>1</sup>

3.14 The Report of the Joint Working Party on Financial Statements of Commonwealth Undertakings, which the Joint Parliamentary Committee of Public Accounts is currently considering, has however recommended full accrual accounting for the majority of Commonwealth Statutory Organizations including the ACT Schools Authority.

#### The appropriate accounting standard for the A.C.T. Schools Authority

3.15 The A.C.T. Schools Authority considers that cash accounting is in its situation the most appropriate standard to use. The Authority opposes any move from its present, cash-based statements until such time as some comprehensive Government policy on accounting standards has been announced.<sup>2</sup>

3.16 In evidence to the Committee the Authority's witness stated that cash accounting was the most appropriate form of disclosure standard because the Authority:-<sup>3</sup>

- is completely staffed under the Public Service Act
- is subject to staff ceilings and other public service manpower controls
- has no freedom either to raise funds or other moneys independent of the Commonwealth Budget
- has no power to buy and sell property or to invest or borrow money
- is subjected to the scrutiny of Senate Estimates Committees
- is subject to the same controls, examinations and constraints that are placed on any conventional government department.

1 Statutory Authorities of the Commonwealth, op. cit.

2 Minutes of Evidence, op. cit., p. 480.

3 Ibid., pp. 542-543.

3.17 In its submission to the Committee the Authority drew attention to the fact that the A.C.T. Health Commission, which has identical statutory obligations in respect to financial statements, has the freedom to report on a cash basis with no conditions attached. However, the approval for cash based statements was an interim arrangement only until 30 June 1979 on the expectation that the Schools Authority should achieve a permanent form of accrual based statements thereafter.<sup>1</sup>

3.18 The Authority considers that there would be considerable practical difficulties in introducing accrual based financial statements. With the devolution of the fullest amount of responsibility to the individual school level, many of the local administrators would not be familiar with accounting procedures and therefore the authority could foresee considerable difficulties with obtaining sufficient correct information necessary for accurate balance day adjustments required under an accrual based system. In addition the Authority believes that there would be a considerable amount of resources required to establish or to progress to an accrual accounting standard. The Authority also foresees difficulties relating to the cost of services provided free of charge by other departments being incorporated into accrual based statements.<sup>2</sup> The Authority provided the Committee with a chronological list of discussions with the Department of Finance and the Deputy Crown Solicitor. (see Appendix 1)

3.19 The Department of Finance informed the Committee that its concern for use of accrual accounting stems from the Minister for Finance's role in approving a proper form of accounting for statutory authorities. In advising the Minister for Finance whether accounts submitted provide a proper form of accounting the Department has regard to two criteria. One is whether or not in an operational sense the information needs of Parliament and of the public generally will be met, and the second is whether the statements conform to the general standards of the accounting profession.<sup>3</sup>

3.20 The Department of Finance advocates the use of accrual accounting for statutory corporations because they stand alone, have powers to enter into contracts, to acquire property and to incur liabilities. The Department also considers that there is a need for the public generally to be informed of what the body owns, what it owes and the overall cost of running the organization. It does not consider that a comparison could be drawn in legal terms between a statutory corporation and a department of State. Additionally, recent developments in accounting standards have repudiated the theory that there should be two different types of accounting

concepts applying to business and non-business operation. In terms of information requirements the Department of Finance would agree with this development.<sup>1</sup>

3.21 Another factor the Department of Finance takes into account is that most non-profit and charitable organisations incorporated under the Companies Act are required to prepare accounts on an accrual basis. The Department of Finance would find it extremely difficult to recommend that a statutory corporation not adopt an accrual accounting system, unless it is exceptionally small and the additional information provided is trivial. The ACT Schools Authority does not fall into this category.

3.22 In relation to the A.C.T. Schools Authority the Department of Finance has since 1977 sought a commitment by the Authority to the eventual production of accrual based financial statements. In 1977 the A.C.T. Schools Authority was just commencing operations and the Department of Finance considered it an opportune time, prior to the setting up of accounting systems to establish clearly the basis on which the Authority would be expected to report. The Department of Finance has also been concerned to demonstrate that accrual accounting is not only desirable, but that its implementation is practical. At a meeting on 24 October 1977 between officers of the Authority, the Department of Finance and the Auditor-General's Office, a number of constructive suggestions were made regarding the implementation of accrual based financial statements.<sup>2</sup>

3.23 At the inquiry the Committee was advised that the Capital Territory Health Commission is one of only ten bodies which out of a total of approximately 110, reports on the basis of pure receipts and payments only, and that the majority of Commonwealth bodies which produce financial statements report on an accrual or modified accrual basis. The Department of Finance does not believe the use of cash accounting for the Capital Territory Health Commission is appropriate and is currently examining this matter with a view to recommending changes.<sup>3</sup>

3.24 During the inquiry the Committee sought an assessment from the Department of Finance observer on the amount of skilled resources required for the implementation of an accrual accounting system for the Authority. The Committee was informed that although no extensive study has been made of the situation, the Department would be sceptical of claims that large numbers of skilled staff are necessary to implement accrual accounting in non-profit bodies. Organizations such

1 Minutes of Evidence, op. cit., pp. 479-480.

2 Ibid., p. 558.

3 Ibid., p. 553.

1 Minutes of Evidence, op. cit., pp. 553-554.

2 Ibid., pp. 490 and 492.

3 Ibid., pp. 554 and 556.

as chain stores, or post offices for example which do not have large numbers of highly qualified staff in their branch offices are able to produce basic accrual accounting data. The collection of such data can be assisted by computer technology.<sup>1</sup>

3.25 The Committee was told by the Department of Finance that it had accepted that there might be practical problems associated with the implementation of accrual accounting, and has recommended approval of cash based statements on an interim basis, until 30 June 1980, provided a move towards accrual accounting is made by the inclusion of information in footnotes. The Minister for Finance approved the Authority's cash based statements for 1976-77, 1977-78 and 1978-79 on 14 September 1979.

3.26 On 2 February 1981 the Authority wrote to the Department of Finance notifying their intention to present financial statements on a cash basis, and the Department responded by notifying the Authority on 9 March 1981 that it would not be recommending that the Minister for Finance approve cash based financial statements for the year ended 30 June 1980. This action has been taken by the Department of Finance to allow the disagreement between it and the A.C.T. Schools Authority to be resolved at ministerial level.<sup>2</sup>

3.27 The Department of Finance has now advised the Committee that as a result of discussions between Ministers agreement has been reached whereby cash based financial statements for 1979-80 and 1980-81 would be approved on the condition that accrual accounting would be adopted by the Authority for its 1981-82 and subsequent statements.<sup>3</sup>

3.28 The Department of Finance in recognising the practical problems associated with the introduction of accrual accounting for the Authority has offered assistance in the resolution of these problems. In evidence given to the Committee the Department of Finance indicated that it would be swayed by a commitment towards the gradual introduction of accrual accounting by the Authority whilst the problems were considered. The Department has provided the Committee with a chronological list of discussions with the Authority. (see Appendix 2)<sup>4</sup> The Department of Finance does not see any connection between the legal problems relating to the definition of the Authority's moneys and the introduction of accrual accounting now that the advice of 28 May 1981 has been received from the Crown Solicitor.<sup>5</sup>

1 Minutes of Evidence, op. cit., pp. 565-566.

2 Ibid., pp. 493-494, 567 and 572.

3 Committee File 1980/9. Auditor-General's Report 1979-80 - ACT Schools Authority, Part B(4).

4 Minutes of Evidence, op. cit., pp. 490 and 572.

5 Ibid., pp. 490 and 533.

3.29 The Auditor-General's Office has advised the Committee that it supports full accrual accounting for the A.C.T. Schools Authority.<sup>1</sup>

#### Non-Government Moneys

3.30 A major concern of the Auditor-General relates to the extent of the A.C.T. Schools Authority's responsibility for non-government money's and other assets received by schools. The Authority's financial statements at present only account for moneys appropriated by Parliament, and are subject to audit by the Auditor-General. Moneys donated to schools form part of the schools' accounts and are thus subject to audit. However, moneys raised locally by school boards and community groups such as Parents and Citizens Associations are considered to be private moneys and are not subject to audit by the Auditor-General. Some of this money is accounted for in audited statements of Parents and Citizens Associations, but substantial amounts are not audited at all.<sup>2</sup>

3.31 The A.C.T. Schools Authority in a supplementary submission of August 1981<sup>3</sup> provided the Committee with details of non-government moneys received by schools and Parents and Citizens associations. Table 1 summarises this information for the period 1 July 1978 to 31 May 1981. More detailed information is provided at Appendix 3.

Table 1

#### Moneys Received by A.C.T. Schools from non government sources

Category	1978/79	1979/80	1980/81 (to 31 May)
<u>(a) Money received by Schools</u>			
Voluntary Contributions	590,393	622,470	626,524
Other Receipts	1,102,705	1,223,586	1,218,573
<u>(b) Parents and Citizens Associations</u>			
	495,167	534,184	478,857
Total	2,185,265	2,380,240	2,322,954

3.31 The Committee was informed by the Authority that the Auditor-General had expressed the view in May 1978 that a legal advising should be sought, for financial statement

1 Minutes of Evidence, op. cit., p. 563.

2 Ibid., p. 525.

3 Committee File 1980/9, op. cit.

purposes, on the Authority's statutory obligations under its ordinance for accounting for moneys and assets received by schools from other than Government sources. The Audit Office also suggested that this clarification was necessary before further consideration was given to the form and content of the Authority's financial statements.<sup>1</sup>

#### Legal Advisings

3.32 Paragraph 12 of the Schools Authority's submission states that negotiations with the Deputy Crown Solicitor regarding the legal advising suggested by the Auditor-General commenced on 3 August 1978. Despite continued pressure on the Deputy Crown Solicitor no formal acknowledgement or response had been received by the time the submission had been made to the Committee in January 1981. The Authority regarded this situation as intolerable as qualified audit reports would continue until such time as the outstanding legal advising is received. The Authority further stated that it intended to approach the Minister for Education requesting that he ask the Attorney-General to intervene because of the extended delay. Details of the correspondence between the Authority and the Deputy Crown Solicitor are included in Appendix 1.

3.33 In reply the Deputy Crown Solicitor informed the Committee that the negotiations of 3 August 1978 took the form of a general discussion and that no request for advice had been made in writing. He understood that he was not required to answer in writing. As many of the matters to be considered are extremely complex, a great deal of accurate and factual information was required for the Deputy Crown Solicitor to supply a considered advising. This information was not provided until August 1980. The Deputy Crown Solicitor stated that he was not aware of the urgency of the situation and, due to limited and inexperienced resources within his own office, no priority was given to the matter until September 1980. A draft opinion was given to the Authority in February 1981. The final opinion was provided on 28 May 1981, a few days before the Committee's inquiry.<sup>2</sup>

3.34 During the inquiry it became apparent to the Committee that the issues involved were complex and that there had been a considerable amount of informal discussion between the Authority and the Deputy Crown Solicitor's Office<sup>3</sup> prior to a formal request for an opinion to be supplied.

3.35 The legal opinion of 28 May 1981 came to the conclusion that as the Schools Authority Ordinance 1976 stands it is practically impossible to strictly comply with the provisions relating to finance, since it would be necessary to

examine every transaction involving non-government money to determine whether it is a financial transaction of the Authority within the meaning of section 34 of the Ordinance. (see Appendix 4) Following receipt of the advice the A.C.T. Schools Authority has considered proposals to amend the Ordinance so as to improve accountability and control of non government moneys received by schools.

#### Proposals to amend the Schools Authority Ordinance 1976

3.36 The Committee requested the A.C.T. Schools Authority to provide details of a proposal to more clearly define the accountability for moneys received from non-government sources within the A.C.T. Schools Authority Ordinance 1976. In a supplementary submission<sup>1</sup> of 28 August 1981 the Authority gave the following information on this matter:

##### (i) Part VI - Finance of the Authority:

Define moneys of the Authority as specifically excluding pre-school, primary school, high school, and secondary college moneys raised locally by schools.

##### (ii) Part VII - School Boards:

(a) Provide an interpretation for 'year' as the period commencing 1 January and terminating 31 December.

(b) Repeal the whole of the existing Section 48 (Reporting Periods) and in its stead insert -

- a finance section requiring school boards to prepare a budget of estimated receipts and expenditure for each year, for locally raised moneys, at such dates as the Authority directs. Moneys not to be expended otherwise than approved by the school board.
- a section requiring school boards to keep, for locally raised moneys, proper accounts and records of transactions and adequate control over assets. The form of the accounts being determined by the Authority.
- a section requiring school boards to prepare an annual report, including a financial statement for locally raised moneys in such form as the Authority determines. Financial statements to be subjected to audit examination and report by an auditor appointed by the Authority; he shall report to the Authority.

1 Minutes of Evidence, op. cit., p. 480.

2 Ibid., pp. 495-496.

3 Ibid., pp. 530-532.

1 Committee File 1980/9, op. cit.

- a section requiring school boards to have in relation to locally raised moneys, accounts and records of financial transactions and records relating to assets, inspected and audited once at least in each year by an auditor appointed by the Authority. The auditor to report results to the Authority.

3.37 An expanded and more technical version of these proposals formed the basis of a submission to the A.C.T. Schools Authority. This submission, which was prepared by the Director of the Authority was assented to by the Authority on 22 June 1981. A copy of the submission is at Appendix 5.

3.38 The Authority considers that the above proposals should overcome many of the unsatisfactory features mentioned in the Auditor-General's Reports of 1979-1980 and March 1981 relating to the responsibility of the Authority.

#### Personal Appointment of the Auditor-General as the Authority's Auditor

3.39 In evidence given to the Committee the Department of Finance advised that legal opinion had indicated that it was impossible for the Auditor-General to be appointed in his official capacity as auditor of the Authority, as the Schools Authority was created under an ordinance rather than an act of Parliament. The acceptance of the personal appointment by the former Auditor-General was an arrangement to overcome this legal situation.<sup>1</sup>

3.40 The Department of Finance informed the Committee that they have asked the Attorney-General's Department to prepare draft statutory rules to prescribe the A.C.T. Schools Authority for the purposes of the Audit Act so that the Auditor-General can be appointed in his official capacity. These statutory rules will result in the official appointment being backdated to 1 July 1980.<sup>2</sup>

#### Use of unapproved bank accounts by the Authority and expenditure of moneys prior to Ministerial approval of estimates

3.41 The A.C.T. Schools Authority advised that they did not realise that under the Ordinance estimates of expenditure had to be approved by the Minister subsequent to appropriation, but prior to actual expenditure. This was pointed out to the Authority, and corrective action was taken. Ministerial approval has been obtained for the Authority's current appropriation.<sup>3</sup>

1 Minutes of Evidence, op. cit., pp. 509-513, 516-517.

2 Ibid., p. 570.

3 Ibid., pp. 563-564.

3.42 In relation to the use of unapproved bank accounts the Authority advised that they did not realise that the accounts which had been approved for the interim A.C.T. Schools Authority on its creation in 1974 had to be re-approved by the Minister for Finance. Corrective action has been taken in this matter and the authority now has a delegation from the Minister for Finance to open bank accounts at other than the Reserve Bank.<sup>1</sup>

#### Conclusions and Recommendations

##### Delays in presentation of Reports

3.43 The Committee considers that a delay in excess of three years before the A.C.T. Schools Authority presented its first set of financial statements is totally unacceptable, notwithstanding the complexity of the issues which caused the delay. The Committee believes that appropriately notated qualified reports presented to the Minister within three months of the close of the financial year to which they relate provide considerably more relevant, timely and useful information to the community than an unqualified report presented years later. The Committee trusts that there will be a considerable improvement in the speed of reporting by the Authority.

##### Accounting standard for the Authority

3.44 The Committee is disturbed to note that the A.C.T. Schools Authority had decided to continue with a cash accounting system in spite of a consistent attitude since 1977 by the Department of Finance and the Auditor-General's Office that accrual accounting should be adopted. The Committee concurs that accrual accounting should be the accounting standard for the Authority.

3.45 In regard to the practical operational problems associated with the introduction of accrual accounting, the Committee recommends that the Authority seek advice and assistance primarily from the Department of Finance and, where appropriate, the Auditor General's Office so as to resolve these problems quickly. Should additional qualified accounting staff resources be required for the introduction of accrual accounting the Committee recommends that the Public Service Board sympathetically consider an appropriate submission for temporary or consultancy arrangements.

3.46 The Committee endorses the agreement between the Minister for Finance and the Minister for Education whereby the ACT Schools Authority's financial statements for 1979-80 and 1980-81 would be prepared on a cash basis, with accrual accounting to be used in subsequent years. The Committee

1 Minutes of Evidence, op. cit., pp. 564-565.

expects that statements for the year ended 30 June 1982 and beyond shall be in full accord with accrual accounting standards and practices recommended by the Department of Finance for use in statutory organizations.

3.47 The Committee also expects that the audited financial statements of the Authority, prepared on a cash basis for the years ended 30 June 1980 and 1981 will be submitted to the Minister for Education at the earliest possible time. The accrual based statement for the year ended 30 June 1982 should also be submitted to the Committee at the same time as it is given to the Minister for Education.

#### Legal Advisings and Non-Government Moneys

3.48 The Committee is concerned that negotiations regarding the provision of a legal advising to the A.C.T. Schools Authority concerning the accounting for non-Government moneys received by schools took approximately three years, notwithstanding the complexity of the issues involved. The Committee considers that the excessive time which this opinion took to prepare, related to administrative inefficiency and misunderstanding within both the Deputy Crown Solicitor's Office and the A.C.T. Schools Authority Office on the practices to be followed. This is unacceptable to the Committee.

3.49 The Committee considers that the proposals to amend the Schools Authority Ordinance 1976 which were assented to by the Authority on 22 June 1981 should substantially improve the accounting for non-government funds received by A.C.T. schools. As these funds are considerable, totalling in excess of 2.3M in 1979/80, the Committee recommends that the appropriate amendments be drafted without delay. The Committee considers however that the draft proposed amendments should be circulated to both the Department of Finance and the Auditor General's Office for opinion and comment on specific technical issues. The Committee wishes to be kept informed of the progress relating to the amendment proposals.

3.50 In respect of the audit of non-government funds the Committee supports the Schools Authority proposal that private auditors should be employed, but considers that the Auditor General should also have access to the records relating to the receipt and disbursement of private funds. Examination of particular transactions involving non-government moneys should assist the Auditor-General in his audit of the Authority's financial statements.

3.51 The Committee strongly recommends that a summary statement showing the aggregate receipts and disbursements of non-government moneys received by A.C.T. Schools should be appended to the A.C.T. Schools Authority financial statements. This summary statement should be compiled from the statements

of non-government moneys prepared by individual schools and privately audited. The Auditor-General should be required to certify that the summary statement is complete and has been correctly compiled.

#### Personal Appointment of Auditor

3.52 The Committee is gravely concerned that since the retirement of the previous Auditor-General, the Authority has had no auditor as the appointment was on a personal basis. However, the Committee is pleased to know that as a result of the promulgation of new statutory rules relating to the A.C.T. Schools Authority, this situation has been rectified and the Auditor General, in his official capacity, can audit the Authority with retrospective effect from 30 June 1980.

#### Use of unapproved bank accounts and expenditure in advance of Ministerial approval of estimates

3.53 The Committee, whilst not condoning the actions of the Authority on these matters, is satisfied that the errors related to the inevitable administrative problems and mistakes which occur with the establishment of any new organization. The Committee is satisfied that these matters have been corrected and that it is unlikely that the use of unapproved bank accounts and expenditure of moneys in advance of Ministerial approval by the Authority will occur in the future.

## CHAPTER 4

### DEPARTMENT OF FOREIGN AFFAIRS

#### ACCOUNTING AT OVERSEAS POSTS

##### Introduction

4.1 Overseas posts operated by the Department of Foreign Affairs provide common services in support of the Department's own functions and those of other departments represented at the location. Inspection of the common service accounting functions at the posts is carried out every 2-3 years by the Department's internal auditors. In addition the Auditor-General's Office carries out periodical independent assessments of the accounting operations of posts including an evaluation of internal audit reports and inspections of selected posts by Audit officers based in Canberra, London and Washington.

##### Auditor-General's Report

4.2 Paragraph 9.1 of the Auditor-General's Report,<sup>1</sup> March 1981, reported on five inspections during October-December 1980 of posts in Africa mainly to assess the standard of accounting and financial administration at each post. The results of the Audits were reported as follows:

" An analysis of the Audit observations indicated common unsatisfactory matters at a number of posts, namely:

- Payments were accelerated towards the end of the financial year to avoid the operation of Section 36 of the Audit Act 1901....
- The practice continued of recording commitments against available funds after the supplier's invoice is received rather than when the obligation was incurred, thus bypassing a key control in the expenditure system.
- Film libraries, an integral part of the information function at the posts, were generally poorly maintained and controlled. Among problems identified were:
  - obsolete and damaged films;
  - poor and inadequate storage; and
  - inaccurate and inadequate associated records."

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<sup>1</sup> Report of the Auditor-General, March 1981 AGPS Canberra 1981, para. 9.1, p. 35-42.



The following recommendations were made at the conclusion of the audit inspection:

- " The Department should emphasise to accounting personnel the importance of recording the commitment of funds at the appropriate time and should ensure that Senior Administrative Officers are aware of and acknowledge that this is an integral part of the expenditure control system.
- The Department should consider the need to issue more definitive accounting guidelines to posts to assist in ensuring the effectiveness of the commitments register as a means of controlling funds.
- The Department should emphasise in its various overseas finance training courses that in situations where compliance with the Finance (Overseas) Regulations and Directions is thought not possible due to external factors beyond the overseas post's control, then the Department should be informed promptly of the relevant details so that appropriate action may be undertaken as provided in the foreword to the Manual of Finance (Overseas) Directions.
- The Department should consider whether or not film libraries, in their current state, are worthwhile."

4.3 Paragraph 9.1 and 9.2 of the Auditor-General's Report are reproduced in full as Appendix 6 to this report.

#### Background

4.4 Matters of general Commonwealth financial administration outside Australia are subject to the Finance (Overseas) Directions and Finance (Overseas) Regulations, which came into effect on 1 July 1980. The Auditor-General's Report indicated that the number of accounting and financial irregularities observed in relation to the close of the financial year appeared as a general problem in the Department's financial administration. The Report also suggested that in view of the number of instances discovered by Audit at the posts inspected it was difficult to reach any conclusion other than that the breaches of the Audit Act, Finance (Overseas) Regulations and Directions were deliberate and revealed a lack of administrative control or lack of staff training.

4.5 At the time of his March 1981 Report the Auditor-General had not received a response from the Department on the matters raised. However the Auditor-General's Report for the year ended 30 June 1981, paragraphs 2.10.1 and 2.10.3, indicate that satisfactory assurances of remedial action have now been received.

#### Special Local Procedures

4.6 In a submission to the Committee<sup>1</sup> the Department denied that there were any general problems in its financial administration. The Department emphasised that training courses and directions to accounting personnel specifically cover the importance of recording the commitment of funds at the appropriate time. The commitment register was completely re-designed in 1979, and the revised format and instructions issued by Administrative Circular have resulted in significant improvements to posts' funds control procedures. The Department conducts, on average, eight training courses of two weeks duration each year devoted entirely to overseas accounting procedures and requirements. Attendance at these courses is compulsory for all administrative officers proceeding overseas and are often attended by Heads of Mission-Designate and other staff, including officers of other Departments. A special segment of the course is set aside for detailed instruction on the operation and maintenance of the commitment register culminating in a practical workshop exercise to ensure that officers clearly understand the advantages of and necessity for the proper maintenance and use of this important accounting record.

4.7 The Department will re-issue and where necessary expand the guidelines already provided to posts to assist in ensuring the effectiveness of the commitments register as a means of controlling funds.

4.8 The Department indicated that the breaches identified by the Auditor-General largely reflected the very real difficulties encountered in the administration of overseas posts working in environments that are not always conducive to absolute compliance with Finance (Overseas) Regulations and Directions. The Department also advised that in recognition of the difficulties faced by smaller posts, particularly in developing countries, a Joint Management Review of Overseas Accounting Procedures had been established with the Public Service Board and the Department of Finance. The Committee's comments on this review are in paragraphs 4.29-4.43 of this Report.

4.9 As an example of the type of difficulty faced by some overseas posts in observing established accounting procedures the Committee was advised<sup>2</sup> that at some posts local law or custom does not allow moneys received to be credited to the Commonwealth's bank account as required by the Finance (Overseas) Regulations and Directions. This situation

1 Report of the Auditor-General, March 1981 - Department of Foreign Affairs - Accounting At Overseas Posts, Minutes of Evidence, AGPS Canberra 1982, p. 3.

2 Ibid., pp. 21-31.

normally arises through the desire of the host country to control the flow of money through the convertible currency bank account which the Embassy or High Commission is permitted to maintain. The host country is concerned to maximise the in-flow of hard currency and limit outflow by refusing to permit deposits of local currency to the bank account. The effect of these laws is that at the posts concerned collections are added to authorised advances held by the cashiers and utilised as required to make cash payments. The Committee was advised that local laws of this sort apply at the following posts -

- Laos
- United Arab Republic
- Kenya
- U.S.S.R.

Receipts and expenditures at these posts can be sizable amounts (refer Appendix 7 where data for the June 81 to September 81 period is reproduced). It should be noted that as the various countries in which Australia is represented amend their respective banking regulations the number of posts could as a consequence, vary.

4.10 The Department's submission to the Committee indicated that instructions to staff emphasise that where compliance with the Finance (Overseas) Regulations and Directions is not possible the Department is to be informed promptly so that appropriate action may be taken.<sup>1</sup> However no special procedures have been developed for the five missions upon which the Auditor-General reported nor have any specific procedure manuals been prepared relating to the particular circumstances applying at those posts.

#### Conclusion and Recommendation

4.11 The Committee accepts that full compliance with the Finance (Overseas) Regulations and Directions will be difficult at some posts because of local laws and customs and that in some cases special procedures will need to be approved to meet local requirements.

4.12 It is a matter of concern to the Committee that special procedures have not been approved where necessary for the overseas posts mentioned in the Auditor-General's Report. The Committee recommends that the Department survey all overseas posts with a view to determining those areas in which difficulty is experienced in complying with Finance (Overseas) Regulations and Directions and seeking approval for special procedures as necessary.

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1 Minutes of Evidence, op. cit., p. 4.

#### Internal Audit of Overseas Posts

4.13 In evidence to the Committee<sup>1</sup> the Department advised that internal audit of overseas posts encompasses the examination and evaluation of the post's systems particularly relating to accounting, personnel, property, common services and specific conditions of service applicable to each post. Emphasis is given to adequacy and efficiency of internal controls. Reviews are conducted approximately every two and a half years, currently by teams of three officers based in Canberra.

4.14 More frequent examinations are arranged where posts are considered to warrant further attention. General post liaison visits led by the Secretary or Deputy Secretary of the Department also occur every two years. The Department claimed that these visits, which are designed to review the operation of a post in a very general way, would flag any feeling detected that there is a need for examination of accounting or property matters. Because of the disparate nature of the Department of Foreign Affairs the Committee do not consider these visits adequate for this purpose.

4.15 The internal audit section of the Department has an establishment of twenty positions of which thirteen are at present filled. Six of these officers are designated to perform inspections of the eighty-three overseas posts.

4.16 The Committee was advised that the staffing of the internal audit section has been of considerable concern to the Department. An audit committee under the control of a Deputy Secretary has been established within the Department to oversight the operations of the internal audit teams. The audit committee has concluded that staffing of the section should be increased to sixteen and steps are now being taken to reach that level.

#### Conclusions and Recommendations

4.17 The Committee does not believe general post liaison visits are a satisfactory alternative to internal audit.

4.18 The Committee was informed that the staffing establishment of internal audit positions in the Department was increased in October 1980 from sixteen to twenty. However the number of occupied positions had only increased by one from twelve to thirteen although the current intention is to fill sixteen positions.

4.19 The Committee is concerned that twelve months have passed and only one additional officer has been recruited. It is essential that sufficient resources be devoted to this area

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1 Minutes of Evidence, op. cit., p. 34.

to ensure that at least a minimum acceptable level of administration is maintained. As indicated in our 184th Report,<sup>1</sup> the Committee intends to maintain a continuing interest in development of internal audit capabilities in departments and authorities. The Department of Foreign Affairs has made a firm decision to increase the internal audit staff to sixteen as quickly as possible and the Committee desires to be informed six months from the tabling of this Report as to the level of recruiting achieved.

#### Accelerated Payment of Accounts

4.20 Procedures for the payment of accounts either in Australia or overseas must recognise the requirements of Section 34 of the Audit Act which stipulates that a certificate to allow payment of an amount shall not be given unless the certifying officer is satisfied that payment may be properly made and prescribed checks are carried out before a payment is authorised. Section 36 of the Audit Act provides for the lapsing of unexpended balances of appropriations from the Consolidated Revenue Fund at the close of the financial year and Finance (Overseas) Directions prohibit the making of payments merely to avoid this.

4.21 Paragraph 9.2 of the Auditor-General's Report (Appendix 6) indicated that at four of the African posts inspected it had been possible to identify twenty six instances involving a total of \$176,250 where the payment of accounts was accelerated towards the end of the 1979-80 financial year to avoid the lapsing of balances of unexpended funds. The various methods by which payments were claimed to be accelerated were:

- payment of advances to officers before the end of the financial year to make official purchases of goods and services after the end of the financial year;
- raising cheques prior to the close of the financial year, the cheques to be held at the post until the receipt of the goods or services after the close of the year;
- raising cheques in the name of the supplier prior to the close of the financial year, the cheques to be given to officers who were to arrange the purchase of specified goods after the close of the year;
- payment to suppliers on the basis of quotations prior to the close of the financial year for goods to be received after the close of the year;

<sup>1</sup> Joint Committee of Public Accounts. 184th Report. Internal Audit in the Australian Public Service - A Discussion paper. Parliamentary paper 1/1981, AGPS Canberra 1981.

- raising cheques prior to the close of the financial year in excess of the amount of the invoice to enable the funds to be utilised for payments in the next financial year;
- payments of travel advances in May 1980 in advance of need; and
- an advance to the Cashier to pay overtime for May 1980 held and also used to pay overtime worked in June and July of the next financial year.

4.22 In a submission to the Committee<sup>1</sup> the Department emphasised that it does not condone the action of overseas posts in accelerating payments at the end of the financial year. All posts have been reminded by Departmental Administrative Circular of the requirements of Sections 34 and 36 of the Audit Act.

4.23 Evidence given at the public inquiry on 13 October 1981 confirmed that in some instances payment had been made in advance of requirement and could not be justified.<sup>2</sup> Nevertheless the Department considers that an appreciation of local conditions is required if the actions of posts are to be viewed in their proper perspective. Further, the Department disagreed that certain of the instances identified by the Auditor-General actually involved an acceleration of payment. For example in one instance when motor vehicles had been obtained it was necessary under local arrangements to make payment at the time of placing the order. Although delivery was not made until after the end of the financial year this should not be regarded as an instance of accelerated payment.

4.24 The Department also claimed that there is often difficulty in activating the program of overseas procurement, works, repairs and maintenance early in the financial year and it is therefore not unusual for the bulk of expenditure to be incurred late in the year.

4.25 Proposals to change this situation by making additional funds available during the Supply period have been made by the Joint Management Review of Overseas Accounting Procedures.

<sup>1</sup> Minutes of Evidence, op. cit., p. 5.

<sup>2</sup> Ibid., p. 55.

## Conclusions

4.26 The Committee has noted the action taken by the Department to emphasise to all posts the necessity to comply with sections 34 and 36 of the Audit Act and Finance (Overseas) Directions 12.09 and 12.12. The need for this action is demonstrated by the number and nature of the accelerated payments reported by the Auditor-General and the absence of evidence that the majority of these cases could be attributed to unusual local conditions.

4.27 The payment of advances to officers or the drawing of cheques in advance of actual need to enable payment to be made to the suppliers of goods or services after the close of the financial year cannot be condoned. If special circumstances exist because of local laws or customs which prevent compliance with established financial procedures action should be taken to obtain the formal approval of the Department of Finance to alternate procedures.

4.28 The Committee expects that this action together with the implementation of the relevant recommendations of the Joint Management Review which are discussed hereunder will remove the need for further adverse comments in Auditor-General's reports.

### Joint Management Review of Overseas Accounting Arrangements

4.29 In February 1981 a Joint Management Review of Overseas Accounting Arrangements was undertaken by the Public Service Board, the Department of Foreign Affairs and the Department of Finance. The Joint Management Review (JMR) was to investigate the overseas accounting arrangements of the Australian Government as administered by the Departments of Finance, Foreign Affairs and Trade and Resources with a view to providing recommendations which will enhance the effectiveness and economy of operation of those arrangements either within existing staff resources or with reduced staff resources. The terms of reference of the Review were:

- '(a) to identify the accounting services, information and control requirements and objectives, both in Australia and overseas, of major departments, and of other departments and authorities serviced to a significant degree by the overseas accounting arrangements;
- (b) to appraise the system and procedures presently adopted or planned in Australia by the major departments as part of the overseas accounting arrangements;
- (c) to examine and/or appraise the accounting system and procedures presently adopted or planned at a number of nominated overseas posts;

- (d) to examine and/or appraise the accounting systems and procedures presently adopted or planned at the Overseas Accounting Offices, including the effectiveness and efficiency of a single Accounting Office arrangement in Europe;
- (e) to identify and define the consequential changes required to current arrangements, systems, procedures and practices to enhance their effectiveness and economy of operations; and
- (f) to provide an implementation plan and timetable to give effect to the recommendations flowing from (e).'

The review is concerned with the definition and systems of the overseas accounting arrangements and the interface of those systems and arrangements with other administrative and accounting systems in Australia and overseas.

The J.M.R. is not asked to examine the relevant legislation (Audit Act, Finance (Overseas) Regulations and related Finance Directions) although demonstrated or perceived difficulties in the application of the legislation which are identified during the review or would arise from the application of the review team's recommendations are to be covered in the report. Nor is the review concerned with loan management accounting procedures or defence procurement policies and procedures (as distinct from payment procedures for such procurements).

Whilst the report is not required to formulate detailed organisational arrangements it is expected to suggest, as necessary, changes of a general nature which might be appropriate to those arrangements.'

4.30 The report of the JMR was completed in July 1981. As background to the review the report indicated that several accounting systems exist to handle Australian Government transactions overseas. These various arrangements have been introduced to meet problems as they have emerged and while the level and complexity of overseas accounting operations were relatively small and simple these arrangements worked without too much trouble. With growth and complexity of operations and the need for staffing restraint have come strains and problems and a requirement to simplify operations.

4.31 Under existing accounting arrangements there are two major accounting systems in operation overseas:

- an Accounting Office system operated by the Department of Finance through three overseas Accounting Offices (London, Geneva, Washington);

- an Imprest system operated by the Departments of Foreign Affairs and Trade and Resources.

4.32 Even within these two systems there are variations:

- the Geneva Accounting Office system has key elements different from those in London and Washington;
- the imprest systems operated separately by Foreign Affairs and Trade and Resources have different features.

4.33 The report indicated that of the ninety overseas posts, forty-five are imprest to Foreign Affairs and seven are imprest to Trade and Resources. The other overseas posts come under Accounting Offices at London (2), Geneva (24) and Washington (12).

4.34 The Overseas Accounting Offices in London, Washington and Geneva broadly service posts in the British Isles, North and Central America, and Continental Europe respectively. The Accounting Office system is based on regionalised recording of departmental ledger transactions which are subsequently consolidated by the Department of Finance in its central ledger in Canberra. In these regions many payments are made by the Accounting Office itself, at the request of overseas posts or departments in Australia. In addition, the Accounting Offices have a role in advising posts on matters of accounting policy and procedures.

4.35 The fifty-two overseas posts not serviced by Overseas Accounting Offices are referred to as 'Imprest Posts'. These posts pay all accounts locally and rely on their parent departments (Foreign Affairs or Trade and Resources) in Canberra for reimbursement of their imprest advances and for guidance in accounting matters. Their accounting transactions are brought to account in Canberra. Transactions (other than those of the department administering the post) are initially charged to the Advance to the Minister for Finance (AMF) and are cleared to appropriate charge codes only when the relevant department initiates a cheque in reimbursement of AMF.

4.36 The report noted that the overseas accounting arrangements are not in danger of collapse. Nor should it be said that either the Imprest or the Accounting office systems are in themselves cause for major dissatisfaction at posts. There are features of each system which caused inefficiencies and dissatisfaction but, in general, staff at overseas posts are satisfied with either system. There are, however, strong criticisms of the existence of both systems.

4.37 The wide ranging recommendations of the Joint Management Review are listed at Appendix 8 hereunder. These were examined by the Committee at a public meeting on 15 October 1981 attended by representatives of the Public Service

Board, and the Departments of Finance, Foreign Affairs and Trade and Resources.

4.38 The Committee sought to be advised of the principle proposals of the report, the benefits which are expected to flow from its recommendations with regard to the efficiency of overseas accounting operations, the standard of service provided to client departments and the elimination of the procedural and accounting difficulties at overseas posts frequently brought to notice in the reports of the Auditor-General.

4.39 The Committee was advised that it was proposed to introduce a uniform accounting system for overseas transactions based on three Department of Finance Accounting Offices located at Canberra, London and Washington. The Department of Finance Accounting Office at Geneva will be closed. Revised procedures will be introduced incorporating the most desirable features of the Accounting Office and imprest systems. The major benefits of the proposed uniform system will be to:

- Eliminate Advance to Minister of Finance as a regular administrative procedure;
- eliminate interdepartmental recoveries;
- introduce common
  - procedures
  - equipment
  - forms
- link directly into the Department of Finance Australian Accounting system;
- reduce overall level of imprest advances;
- halve the reimbursement cycle for most posts currently imprest to Australia;
- expedite flow of information to departments by extending daily update of ledger from fourteen posts to thirty-nine posts and dramatically reduce the current time lags for the remaining posts;
- reduce workloads at posts and in Australia;
- reduce staff levels overall both overseas and in Australia;
- extend the appropriate use of automation and provide a base for future automation;
- be capable of minor variations to suit local conditions;

- show early benefits after introduction; and
- introduce simplified procedures. The uniform system, by its nature will also simplify the training of staff.

4.40 Other recommendations of the JMR are aimed at eliminating or simplifying a variety of current rules, practices and operations which lead to non-productive effort. These cover such areas as document preparation, asset recording, appropriation of funds, delegation of functions and increased use of ADP systems.

4.41 The JMR has estimated that the proposals will result in net staff savings of four to five in Australia and thirteen to sixteen overseas. There should also be reductions in overtime and administrative costs and a repayment to revenue of approximately \$1 million due to the reduction in imprest advances.

#### Conclusions and Recommendations

4.42 The Committee received detailed explanations from the witnesses and observers on all aspects of the JMR proposals. The Committee has noted that the recommendations of the Report have been accepted by all participating departments and that the Government has approved introduction of the uniform overseas accounting system based on Department of Finance Accounting Offices located at Canberra, London and Washington.

4.43 In the Committee's view the recommendations of the JMR should lead to a significant improvement in the efficiency of accounting and management procedures at overseas posts and every effort should be made to adhere to the timetable for full implementation by the end of 1982. The Committee will expect to be advised in due course of the results of the proposed post implementation review.

4.44 However, the Committee recommends that as much accounting work as possible should be centralised in Australia in view of the heavy costs in maintaining accounting staff in overseas posts.

#### Misappropriation of Moneys at Australian Embassy, Washington

4.45 As this Report was in preparation the Committee's attention was drawn to the misappropriation of moneys (\$US671,802) by an employee of the Australian Embassy in Washington.

4.46 The fraud was detected in December 1981 and in January 1982 an investigatory team, comprising officers of the Department of Foreign Affairs, Finance and the Australian Federal Police was established to investigate the matter. The team completed its report on 22 January and its conclusions/

recommendations are to be assessed by the Department of Finance for their applicability to the Washington Accounting Office as well as the other Accounting Offices in London, Geneva and Australia.

4.47 The Committee understands that the Auditor-General will be commenting on this matter in a Report to Parliament, at which time this matter will be examined further.

DETAILED HISTORY

The History in Chronological Sequence Associated with the Finalisation of the Authority's Financial Statements for the Periods ended 30 June 1977 1978 and 1979,<sup>1</sup> as supplied by the ACT Schools Authority.

1.1.77 Schools Authority Ordinance 1976 came into effect.

As soon First report and financial statements for the period as prac- 1 January 1977 to 30 June 1977 to be furnished ticable (Ordinance - Section 33 (4)). after 30.6.77

14.10.77 First meeting between officers from the Office of the ACT Schools Authority (hereinafter referred to as the Schools Office) and the Department of Finance to discuss a draft pro-forma financial statement based on a cash accounting system. Clear indication at this meeting by Department of Finance officers that a cash-based financial statement was totally unacceptable.

20.10.77 Discussion paper prepared by the Schools Office and provided to Department of Finance officers prior to the next meeting scheduled for 25 October 1977. The Paper illustrated the difficulties likely to be encountered if the Authority were required to prepare its financial statements in accordance with accrual accounting principles.

25.10.77 Meeting with officers from Department of Finance, Auditor-General's Office and Schools Office. Department of Finance officers were unyielding in their resolve for accrual-based statements despite the protestations from the Schools Office representatives and confirmation from the Auditor-General's representatives that the Auditor would be able to fully discharge his statutory obligation under the Ordinance if cash accounting were adopted. The Department of Finance attitude was, as the form of the financial statements required Minister for Finance approval, accrual accounting was the only acceptable form, and anything less would not be recommended to the Minister.

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1 Minutes of Evidence, op. cit., pp. 480-486.

- 9.11.77 Further discussion paper prepared by the Schools Office and provided to Department of Finance officers prior to another meeting scheduled for 14 November 1977.
- 14.11.77 Meeting with officers from Department of Finance, Auditor-General's Office, Schools Office and two Authority Members to discuss Schools Office paper. Department of Finance officers remained inflexible in their requirement for accrual-based statements and dismissed many of the arguments put forward by the Schools Office representatives.
- 21.11.77 Meeting of the ACT Schools Authority requested the Chief Education Officer to prepare a cash-based pro-forma financial statement for discussion at the next authority meeting. The Authority also formed the opinion that the Schools Authority refers to both the 15 members and the body corporate depending on the Section of the Ordinance being considered. The Authority also agreed that to be consistent with the ordinance the necessary statement of accounts should cover only moneys received from Government sources.
- 5.12.77 The Authority endorsed the form of the financial statement to be submitted to the Minister for Education for transmission to the Treasurer for approval as required by Section 33 (1) of the Ordinance.
- 9.12.77 Approval of the Treasurer to a pro-forma financial statement, as endorsed by the Authority on 5 December 1977, was sought by the Minister for Education.
- 8.2.78 Advice from the Minister for Finance for, and on behalf of, the Treasurer that the pro-forma financial statement was unacceptable as it would be prepared on a cash accounting basis rather than on an accrual-basis.
- 1.5.78 Schools Office response to the Department of Finance again highlighting the many difficulties in relation to the preparation of retrospective financial statements on an accrual accounting basis. As preparation of statements on an accrual accounting basis was not seen as a practicable proposition in the immediate future, approval was again sought to a form of financial statement in accordance with the pro-forma Statement of Receipts and Payments as previously submitted on 9 December 1977, pending the development of system-wide procedures, the establishment of basic accounting data and the

investigations of physical and material resources required to provide for the possible preparation of commercially oriented statements.

- 10.5.78 Advice from the Department of Finance that they would be prepared to support a request through the Minister for Education to the Minister for Finance for presentation of financial statements for the periods ended 30 June 1977 and 1978 on a cash accounting basis. The Department of Finance stated, however, that their support would be conditional on the Authority giving an undertaking that the statements for the financial year ending 30 June 1979 would be on an accrual-basis. Administrative procedures were not sufficiently advanced for the Authority to be able to satisfy this condition.
- 16.5.78 Explanation to the Parliamentary Joint committee of Public Accounts regarding the reference in the Auditor-General's Supplementary Report 1976-1977 to the delay in submitting the financial statement for the period 1 January 1977 to 30 June 1977. (PAC reference 1977/7 of 18 April 1978).
- 26.5.78 View expressed by the Auditor-General's Office that a legal advising should be sought to determine, for financial statement purposes, the Authority's statutory obligations under the Ordinance, for accounting for moneys and assets received by schools from other than Government sources. The Audit Office also suggested that this clarification was necessary before further consideration was given to the form and content of the Authority's financial statements.
- 12.6.78 Meeting of the Authority considered the issues raised by the Auditor-General's Office. The Authority did not resolve to seek a legal advising from the Attorney-General's Department. Alternative action was proposed which included discussions with the:-
- 29.6.78 Minister for Education;
- 6.7.78 Auditor-General; and
- 3.8.78 Acting Deputy Crown Solicitor.
- 9.8.78 Formal request from the Department of Finance regarding progress.
- 13.9.78
- 31.10.78 Informal advice from the Office of the Deputy Crown Solicitor that a joint meeting of the Deputy Crown Solicitor and representatives from the



Auditor-General's Office and the ACT Schools Authority would be arranged to consider the form of the request to the Deputy Crown Solicitor for a legal advising covering the concerns that had been expressed by all parties. (This meeting was finally held on 28 July 1980 following several informal and formal reminders from the Authority to the Deputy Crown Solicitor which had elicited no acknowledgement or response.)

- 1.11.78 Progress report by the Schools Office to the Department of Finance.
- 8.11.78 Response from the Department of Finance adopting a more conciliatory approach to circumvent the difficulties faced by the Authority. Pro-forma statements (accrual-based) were provided by the Department of Finance for consideration by the Schools Office.
- 8.12.78 Meeting between officers of the Department of Finance and the Schools Office. Agreement reached at this meeting that preparation of accrual-based statements in accordance with the pro-formae proposed by the Department of Finance was not a practicable proposition at this stage. The meeting agreed that the Schools Office should submit an interim format (cash-based) which would allow the outstanding financial statements to be completed pending resolution of the issues outstanding.
- 4.4.79 Explanation to the Parliamentary Joint Committee of Public Accounts regarding the reference in the Auditor-General's Supplementary Report 1977-78 to the delay in submitting financial statements for the periods ended 30 June 1977 and 1978. (PAC reference 1978/2 of 9 March 1979).
- 11.4.79 An amended pro-forma Statement of Receipts and Payments submitted to the Department of Finance incorporating as many of the features proposed in their pro-forma statements of 8 November 1978 as practicable.
- 17.4.79 Formal reminder to the Deputy Crown Solicitor.
- 18.4.79 Meeting with Department of Finance to discuss the amended pro-forma Statement of Receipts and Payments. Agreement reached that cash statements would be appropriate, with certain minor amendments, as a basis of financial reporting for the first three accounting periods of the Authority's operations.

- 24.5.79 Report of progress to the Auditor-General's Office in response to their request of 6 April 1979.
- 25.6.79 Meeting of the Authority endorsed the form of the financial statement. As the agreed cash-based financial statement would relate to moneys from Government sources only the Authority was alerted to the fact that a qualified audit report was expected.
- 18.7.79 Form of financial statement as endorsed by the Authority submitted to Department of Finance for transmission to the Minister for Finance for formal approval.
- 19.7.79 Further formal reminder to the Deputy Crown Solicitor.
- 25.7.79 Department of Finance sought confirmation that certain footnotes would be included in the financial statements.
- 20.8.79 Response to the Department of Finance that the form of their suggested notes was acceptable.
- 14.9.79 Advice from the Department of Finance that the Minister for Finance had approved the form on 10 September 1979 subject to the proviso that it was an interim arrangement only for the periods ended 30 June 1977, 1978 and 1979 while problems in the way of accrual-based statements were being overcome.
- 16.11.79 Advice from the Auditor-General's Office that although the Minister for Finance had approved the form of the financial statement it was not considered appropriate to undertake an audit of any presented statements before the Deputy Crown Solicitor provides the legal opinion sought by the Authority.
- 19.12.79 Discussions between officers of the Schools Office and the Auditor-General's Office. Advice given to the Acting Chief Auditor that to avoid further delays it was the intention of the Authority to submit the financial statements for audit even though the legal advising was outstanding. A qualified audit report was envisaged.
- 18.2.80 Further formal reminder to the Deputy Crown Solicitor.
- 19.2.80 Financial statements for the periods ended 30 June 1977 and 1978 submitted to the Auditor-General for his audit and report in compliance with Section 33 (3) of the Ordinance.

## JOINT COMMITTEE OF PUBLIC ACCOUNTS

4 June 1981

SUMMARY OF EVENTS RELATING TO THE DEVELOPMENT OF A FORM<sup>1</sup>  
OF FINANCIAL STATEMENTS FOR THE ACT SCHOOLS AUTHORITY

- 15.4.80 Advice from the Auditor-General's Office regarding the preliminary audit of the Authority's financial statements for the periods ended 30 June 1977 and 1978. Certain amendments were suggested by the Auditor-General's Office.
- 28.7.80 Meeting from the Auditor-General's Office, the Schools Office and the Deputy Crown Solicitor to stress the importance of an early reply to the Authority's original request for a legal advising.
- 25.8.80 Financial statements for periods ended 30 June 1977 and 1978 amended and resubmitted to the Auditor-General's Office for final auditing.
- 26.8.80 Formal clarification sought from the Deputy Crown Solicitor on the issues discussed at the meeting of 28 July 1980.
- 26.9.80 Financial statement for the period ended 30 June 1979 submitted to the Auditor-General for his audit and report in compliance with Section 33 (3) of the Ordinance.
- 30.9.80 Auditor-General's reports to the Minister for Education on the financial statements for the periods ended 30 June 1977 and 1978. Reports were qualified as envisaged.
- 13.10.80 Informal reminders to the Deputy Crown Solicitor.
- 17.11.80
- 27.11.80 Auditor-General's report to the Minister for Education on the financial statement for the period ended 30 June 1979. Report was qualified as envisaged.
- 7.1.81 )  
14.1.81 ) Informal reminders to the Deputy Crown Solicitor.  
15.1.81 )

- 14.10.77 Discussion with ACTSA on the basis of the financial statements. ACTSA advise of difficulties if they are required to present accrual accounting.
- 20.10.77 Lengthy notes from ACTSA re: objections to presenting accrual accounts.
- 24.10.77 Meeting of Finance, ACTSA and Audit to discuss basis of financial statements. Agreement reached by all parties that accrual accounting be used with possible use of a cash system in early periods.
- 4.11.77 ACTSA provides Notes of financial statement format to be used as a basis for future discussion.
- 28.11.77 Memo, Finance to ACTSA requesting notification of progress towards completion of a set of statements to be recommended to the Treasurer.
- 9.12.77 Proposed statements from Minister for Education forwarded to the Treasurer for formal approval. (Statement of Receipts and Payments).
- 4.1.78 Request by Finance that ACTSA submit their proposed statements for consideration.
- 8.2.78 Letter, reply by the Minister for Finance on behalf of the Treasurer to the Minister for Education's letter dated 4.12.77 but not received until 27.1.78. Cash basis not acceptable, suggested that accrual basis more appropriate.
- 26.4.78 Memo, Finance to ACTSA pointing out that further to the memo of 4.1.78 no formal discussion had yet taken place.
- 1.5.78 Memo, ACTSA to Finance refuting the need for accrual based statements and resubmitting the Statements of Receipts and Payments.
- 10.5.78 Memo, Finance to ACTSA - notifying them that due to time constraints and information requirements Finance is willing to support an application for the approval of cash based statements. This would be conditional on accrual based statements being presented from 30 June 1979.
- 16.5.78 Memo, ACTSA to Finance requesting advice as to whether statements have been approved. No mention of our correspondence dated 10.5.78.

1 Minutes of Evidence, Op. Cit., pp 492-494.  
As supplied by the Department of Finance.

4 June 1981

- 26.5.78 Memo, Audit to Finance advising that Audit had requested ACTSA seek a legal advising on the Authority's functions and powers.
- 7.6.78 Memo, Finance to Audit requesting Finance be notified of outcome of legal advising.
- 20.6.78 Memo, Audit to Finance: copy of ACTSA memo notifying that a legal advising was not sought but alternative action proposed.
- 9.8.78 Memo, Finance to ACTSA inquiring how the financial statements are progressing.
- 13.9.78 Memo, Finance to ACTSA seeking a response to memorandum sent 9.8.78.
- 15.9.78 Memo, Finance to Audit enclosing a copy of the memorandum sent 13.9.78 to ACTSA.
- 1.11.78 Memo, ACTSA to Finance: progress report notifying of meetings that have taken place in order to clarify the extent of the responsibilities of the Authority.
- 8.11.78 Memo, Finance to ACTSA: Finance provided a draft set of pro-forma financial statements.
- 8.12.78 Meeting between Finance and ACTSA to discuss the Authority's difficulties. The meeting agreed that modified cash statements would be adequate provided the authority moves towards accrual based statements.
- 4.4.79 Memo, ACTSA to Finance stating that the reason statements have not been formally submitted is the form of financial statements has not yet been approved by the Minister for Finance. Also notified that an amended Statement of Receipts and Payments will be submitted shortly for approval.
- 11.4.79 ACTSA submitted statements for Minister for Finance approval.
- 18.4.79 Meeting between Finance and ACTSA to establish what is entailed in accrual based accounting. Cash based statements acceptable as an interim measure until 30 June 1980 provided a move towards accrual is indicated by the inclusion of information in foot-notes.
- 16.5.79 Memo, Finance to ACTSA asking the authority to provide the amended statements as discussed on 18.4.79 for approval as quickly as possible.

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- 18.7.79 Formal submission by ACTSA of amended statements for approval by Minister for Finance.
- 25.7.79 Memo, Finance to ACTSA requesting the format of the Notes be included in what will be forwarded to the Minister.
- 22.9.79 Memo, ACTSA to Finance confirming that suggested notes of 25.7.79 are acceptable.
- 14.9.79 Memo, Finance to ACTSA notifying authority that Minister's approval obtained on 10.9.79.
- 9.11.79 Memo, Finance to ACTSA offering assistance in resolution of problems encountered in introducing accrual based statements and requesting information on latest developments.
- 2.12.79 Memo, Finance to ACTSA requesting advice on progress of presenting statements to Auditor-General's Office.
- 4.3.80 Memo, Finance to Audit, expressing Finance's concern at delays in presenting statements.
- 10.3.80 Memo, Audit to Finance notifying that statements may be mentioned in the Auditor-General's report.
- Jan 81 ACTSA submission to JCPA Inquiry into the Auditor-General's Report 1979-80.
- 2.2.81 Memo, ACTSA to Finance notifying their intention to present financial statements on a cash basis.
- 9.3.81 Memo, Finance to ACTSA responding to their memo of 2.2.81 and advising them that we would not be recommending that the Minister for Finance approve cash based financial statements for the year ended 30 June 1980.

APPENDIX 3

Non-government moneys received by schools and Parents  
and Citizens Associations during the period 1 January 1977  
to 31 May 1981.

On the basis of information provided to me by individual School Principals and Teachers-in-Charge of Pre-Schools, the extent of non-government moneys received by schools and Parents and Citizens Associations during the period 1 January 1977 to 31 May 1981 is:

(i) Moneys received by schools -

. Period 1 January to 30 June 1977

Secondary Colleges -		
Voluntary Cnts.	\$204,798	
Other	<u>68,616</u>	\$273,414
High Schools -		
Voluntary Cnts.	\$261,748	
Other	<u>198,847</u>	\$460,595
Primary Schools -		
Voluntary Cnts.	\$36,216	
Other	<u>186,066</u>	\$222,282
Pre-Schools		<u>NIL</u>
	TOTAL	<u>\$956,291</u>

(Notes - 'other' covers such items as Levies for practical subjects, canteen Receipts, Bank Interest, Photocopier coin-in-the-slot, Commissions Received, for example, on school photographs, and contra type items like text books, camps/excursions, performing arts, book club, and collections for charities.)

Data not available from nine (9) Primary Schools.)

. Period 1 July 1977 to 30 June 1978

Secondary Colleges -		
Voluntary Cnts.	\$240,936	
Other	<u>229,758</u>	\$470,694
High Schools -		
Voluntary Cnts.	\$309,802	
Other	<u>408,153</u>	\$717,955
Primary Schools -		
Voluntary Cnts.	\$ 60,633	
Other	<u>397,865</u>	\$458,498
Pre-Schools		<u>NIL</u>
	TOTAL	<u>\$1,647,147</u>

(Note - Data not available from seven (7) Primary Schools.)

(ii) Moneys received by Parents and Citizens Associations and Pre-School Parents Associations -

. Period 1 January to 30 June 1977

Secondary Colleges	\$ NIL	
High Schools	43,322	
Primary Schools	123,417	
Pre-Schools	<u>106,163</u>	
TOTAL		<u>\$272,902</u>

(Notes - Data not available for one (1) High School, four (4) Primary Schools, and one (1) Pre-School.)

Data not provided for one (1) High School, thirteen (13) Primary Schools, and ten (1) Pre-Schools.)

. Period 1 July 1977 to 30 June 1978

Secondary Colleges	\$ NIL	
High Schools	73,891	
Primary Schools	199,142	
Pre-Schools	<u>205,118</u>	
TOTAL		<u>\$478,151</u>

(Notes - Data not available for one (1) High School, two (2) Primary Schools, and one (1) Pre-School.)

Data not provided for one (1) High School, thirteen (13) Primary Schools, and ten (10) Pre-Schools.)

. Period 1 July 1978 to 30 June 1979

Secondary Colleges	\$ 30	
High Schools	70,992	
Primary Schools	208,302	
Pre-Schools	<u>215,843</u>	
TOTAL		<u>\$495,167</u>

(Notes - Data not available for one (1) High School, and two (2) Primary Schools.)

Data not provided for one (1) High School, thirteen (13) Primary Schools, and ten (1) Pre-schools.)

. Period 1 July 1978 to 30 June 1979

Secondary Colleges -		
Voluntary Cnts.	\$233,841	
Other	<u>219,366</u>	\$453,207
High Schools -		
Voluntary Cnts.	\$291,346	
Other	<u>415,144</u>	\$706,490
Primary Schools -		
Voluntary Cnts.	\$65,206	
Other	<u>468,193</u>	\$533,401
Pre-Schools		<u>NIL</u>
TOTAL		\$1,693,098

(Note - Data not available from four (4) Primary schools.)

. Period 1 July 1979 to 30 June 1980

Secondary Colleges -		
Voluntary Cnts.	\$245,761	
Other	<u>253,793</u>	\$499,554
High Schools -		
Voluntary Cnts.	\$297,184	
Other	<u>467,536</u>	\$764,720
Primary Schools -		
Voluntary Cnts.	\$79,525	
Other	<u>502,257</u>	\$581,782
Pre-Schools		<u>NIL</u>
TOTAL		<u>\$1,846,056</u>

(Note - Data not available from three (3) Primary Schools.)

. Period 1 July 1980 to 31 May 1981

Secondary Colleges -		
Voluntary Cnts.	\$232,331	
Other	<u>256,763</u>	\$489,094
High Schools -		
Voluntary Cnts.	\$313,177	
Other	<u>482,459</u>	\$795,636
Primary Schools -		
Voluntary Cnts.	\$ 81,016	

4 June 1981

## JOINT COMMITTEE OF PUBLIC ACCOUNTS

Other 476,651 \$557,667Pre-Schools NILTOTAL \$1,842,397

(Note - Data not available from two (2) Primary Schools.)

. Period 1 July 1979 to 30 June 1980

Secondary Colleges \$30  
High Schools 73,012  
Primary Schools 218,720  
Pre-Schools 242,422

TOTAL \$534,184

(Note - Data not available for one (1) High School, and one (1) Primary School.

Data not provided for one (1) High School, thirteen (13) Primary Schools, and ten (10) Pre-Schools.)

. Period 1 July 1980 to 31 May 1981

Secondary Colleges \$30  
High Schools 66,958  
Primary Schools 204,369  
Pre-Schools 207,500

TOTAL \$478,857

(Note - Data not available for one (1) High School, and one (1) Primary School.

Data not provided for two (2) High Schools, thirteen (13) Primary Schools, and ten (10) Pre-Schools.)

Separate information is not available in relation to assets which have been acquired from non-government moneys raised locally by schools. As many schools had not been the subject of a physical stocktake for some years an extra-ordinary stocktake was undertaken early in 1978. All accountable items located at that time were deemed assets of the ACT Schools Authority in the custody of schools.

DEPUTY CROWN SOLICITOR'S OFFICE  
Qantas House  
London Circuit  
Canberra City  
A.C.T.

Telephone: 496444 Ext:  
PO Box 191  
Civic Square ACT 2608  
Your Ref:

Please Quote: RPH/EW

28 May 1981

The Chief Education Officer,  
A.C.T. Schools Authority,  
P.O. Box 20,  
CIVIC SQUARE. A.C.T. 2608

## Financial Statements - A.C.T. Schools Authority

I refer to correspondence and discussions with your officers regarding the form of the accounts of the Authority.

2. Section 32 of the Schools Authority Ordinance 1976 (which I will refer to as 'the Ordinance') provides that the Authority shall cause to be kept proper accounts and records of the transactions and affairs of the Authority. Section 34 of the Ordinance requires the accounts and records of financial transactions of the Authority to be inspected and audited by an approved auditor, in the present case the Auditor-General.

3. The difficulty that has arisen and in which you seek advice, is what constitutes 'proper accounts and records of financial transactions of the Authority'. To answer this question, it is necessary to look at the legislative provisions in the Ordinance relating to the Authority, its powers, duties and responsibilities.

4. The Authority is set up as a body corporate and consists of fifteen persons, all of whom except the Chief Education Officer is a part-time member, and most of whom represent specified groups in this Territory. The Chief Education Officer must be nominated by the Authority and is appointed for a term of years. The staff of the Authority is made available under the Public Service Act and the Commonwealth Teaching Service Act. In other words, it is not the employer of its staff.

5. The functions of the Authority are to establish and conduct in the Territory on behalf of the Commonwealth schools and such other educational or related services as the Minister for Education directs. The Authority is empowered to do all things necessary or convenient to be

done in performing its functions. Some particular powers are enumerated in section 7(1) of the Ordinance, one of which is 'to accept gifts devise bequests and assignments ... whether on trust or otherwise'.

6. There are a number of sections in Part VI of the Ordinance dealing with Finance. Two of these sections, namely 32 and 34, have already been referred to above. Section 33 provides that as soon as practicable at the end of each financial year, the Authority shall prepare and furnish to the Minister for Education -

'a report of the operations of the Authority during that year, together with financial statements in respect of that year in such form as the Treasurer approves'.

I understand there is still an unresolved dispute between the Authority and officers of the Treasurer as to whether those statements should be on a cash basis or on accrual basis.

7. The Ordinance also provides for the establishment of school boards. These boards consist of the principal of the school, a member appointed by the Authority and members elected by the teachers at the school, representatives of parents and citizens, members appointed by the Board and in some types of schools members elected by the students. Unlike the Authority these boards are not incorporated.

8. Their functions are specifically set out in Section 38. Some of these functions are more of an advisory nature providing for recommendations to be made to the Authority although it is specifically provided in sub-section 4 of section 39 that the Authority in its conduct of the school is not required to accept or act in accordance with a recommendation or to implement a policy determined by the Board of a school. It should be noted that the provisions of that sub-section giving a measure of control by the Authority over the activities of a school board do not extend to the function of the board expressly set out in section 38(1)(c) 'to determine the purposes for which funds made available for the school are to be expended'.

9. The scheme of the Ordinance seems to indicate a double tier arrangement over the way schools operate in the Territory, both tiers being largely comprised of community involvement. I understand that in fact that is the way the system works, with each individual school having considerable autonomy and independence in the detailed running of its affairs. Furthermore, each school operates differently depending upon the calibre of the persons comprising the particular school board.

10. With regard to finance, the Authority prepares estimates for each financial year, as is required by section 29. These fall into four categories:

- (a) salaries and payments in the nature of salary;
- (b) administrative expenses e.g. travelling, postage, office requisites, schools administration etc.;
- (c) other services e.g. subsidies to P & C Associates, curriculum development projects etc.;
- (d) capital works and services.

Money in respect of these items is received from the Commonwealth and then appropriate disbursements are made to the principals of each school. The money so received by the principal is paid into a bank account and payments are made out of that account for the particular purposes for which it has been received. For convenience, I will refer to this money as Government money. The spending of that money clearly comes within the term 'financial transactions of the Authority' referred to in Section 34 of the Ordinance.

11. The present difficulties have come about because the principals of the schools receive money other than Government money. This money is received in a variety of ways for a variety of purposes. It may be money for school excursions, or for school sporting teams or events. It may be a donation from the Parents and Citizens Associations either for the general purposes of the school or for a particular purpose, for example, the purchase of a teaching or training aid. I am told that some school boards require the parents to pay general levies or school fees and are used for the general administration of the school, a phrase which coincides with the second category of the estimates prepared by the Authority. This money, which I will refer to as other money, is received by the principal, or other person on his behalf and is placed in another bank account. The question is whether payments in and out of that account are 'financial transactions of the Authority' within the meaning of section 34 of the Ordinance. Consequent upon that question is a question whether the activities relating to this money form part of the operations of the Authority to be reported upon to the Minister or be included in the financial statements referred to in section 33 of the Ordinance.

12. The Authority takes the view that the financial statements required by section 33 should reflect only the Government money and not the other money dealt with by the schools. The former Auditor-General took the view that the financial transactions of the Authority included the transactions involving the other money.

13. There is no doubt about the position of the Government money. As regards the other money, it is impossible to say

## JOINT COMMITTEE OF PUBLIC ACCOUNTS

4 June 1981

with certainty whether the transactions involving the other money are financial transactions of the Authority. It would be necessary to look at each individual transaction to decide that question.

14. That answer, of course, does not solve the problem and has been the reason for the delay in endeavouring to find some way to overcome the difficulties involved. I would imagine that in a large school with an active school board and school activities it would be a mammoth task to go through each transaction to decide whether that transaction was a transaction of the Authority or not. In discussions with an officer of the Auditor-General's Office, he showed some concern in having to embark upon such a task.

15. I and some of my officers looking at the problem have tried to work out some form of general guidelines to cut down the volume of work needed to make the distinctions necessary but as a matter of practical reality this is just not possible, as time has shown. The circumstances of each transaction, the value of it, the reasons for it and the parties to it could be so different, and would undoubtedly differ from school to school, that I am convinced that such a solution is impossible.

16. It seems to me that the Ordinance should reflect the present practice of separate accounts. Clearly the expenditure of the Government money should be scrutinised by the Auditor-General. The same position should apply to any gifts or bequests received by the Authority under section 7(1) of the Ordinance. As to the other money, the receipts and payments of each school could be audited by a suitably qualified person appointed by the school board and approved by the Minister for Education or the Treasurer. The payment of the fees could be met by the Authority. This course would obviate another difficulty of having two different audit periods, that of the Government financial year from July to June and that of the school year (and the board year to use an expression) from January to December.

17. I have regrettably come to the conclusion that as the Ordinance presently stands, it is a practical impossibility to strictly comply with the provisions relating to finance. How the amendments should be done is of course a matter of policy for you and eventually for the draftsman.

(R.F. Hiscock)  
Deputy Crown Solicitor, A.C.T.

FOR SCHOOLS AUTHORITY	Paper No. 31 1/2 AM 1-8-1
	Meeting No.  
Action	Meeting Date / /19
FOR DECISION	From Director (Resources)
Title	Date 18 / 6 /19 81
	Session Recommendation <input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed
ORDINANCE AMENDMENTS - LEGAL ADVISING/ JOINT PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS	

Background

1. At the Issues Meeting on 12 June 1978 the Authority discussed a memorandum from the Auditor-General's Office which questioned the correctness of the Authority's 19 December 1977 Decision, viz

- "... that the Schools Authority refers to both the 15 members and the body corporate, depending on the section of the Ordinance being considered".
- "... the Authority agreed, that to be consistent with the Ordinance the necessary Statement of Accounts should cover only moneys received from government, ..."

Additionally, the auditor expressed the view that as differences of opinion seem to exist in relation to the Authority's statutory obligations and its responsibility for reporting non-government school moneys in financial statements, a legal advising should be sought from the Attorney-General's Department as a matter of urgency. The auditor also suggested that this clarification was necessary before further consideration be given to the form and content of the Authority's financial statements.

3. The Authority discussed these matters, and although it felt that its existing definition was the only practical definition, it agreed that the definition question should be discussed with the Minister and the auditor (Mr Steele Craik, Commonwealth Auditor-General).

4. On 29 June, 6 July and 3 August 1978 the then Chairman (Mrs Kelly) the then Chief Education Officer (Dr Beare) and I met with the Minister the Auditor-General, and the Deputy Crown Solicitor. The Deputy Crown Solicitor undertook to examine the Ordinance, talk with the Chief Auditor for the Australian Capital Territory and then to bring the parties together to frame the legal questions from which an advising would be provided to cover the concerns of the parties involved. Despite a series of telephone reminders and formal requests no further meetings with or contact by the Deputy Crown Solicitor occurred until 28 July 1980.



Auditor-General's 1979/80 Report to Parliament

5. Under the heading Audits of Statutory Authorities the Auditor-General at paragraph 2.29 of his 1979/80 Report to Parliament stated, inter alia

'At the date of preparation of this Report, the Authority has not submitted for my audit financial statements in final form (my underlining) for the 6 months ended 30 June 1977 and the years ended 30 June 1978 and 1979.'

The fact that the statements for the first two periods had been submitted in February 1980 and been subjected to preliminary audit was not mentioned. This preliminary audit raised a number of queries, and after resolution, the revamped statements were resubmitted in final form during August 1980.

6. Following its examination of the Auditor-General's Report for 1979/80, the Joint Parliamentary Committee of Public Accounts called for a submission on the matter of 'Delay in Preparation of Reports'. For the information of members a copy of the Submission is attached at Attachment 'A'. Following this the Joint Committee of Public Accounts advised that it proposed to proceed to an examination of officers on Tuesday 2 June 1981. Although two false starts occurred the hearing took place Thursday 4 June 1981. Mr Sadler and I appeared as the sworn witnesses at the hearing.

7. In view of paragraphs 11 to 15 of our Submission the Committee sought comments from the Deputy Crown Solicitor on 22 May 1981. As a result, positive discussions between Authority officers and the Deputy Crown Solicitor took place on Monday 25 May; the legal advising was received on 29 May.

Legal Advising

8. Attached as Attachment 'B' is a copy of the legal advising by the Deputy Crown Solicitor.

9. Members will note from this advising that the Deputy Crown Solicitor is of the opinion that the Ordinance as framed, in relation to financial transactions of the Authority, is unworkable as each individual transaction occurring at each school in respect of non-government moneys would need to be examined to decide the question as to whether such transaction constituted a financial transaction of the Authority for financial statement purposes. He further offers the opinion in the final paragraph that, as the Ordinance stands, it is a practical impossibility to strictly comply with the provisions relating to finance, and suggests amendments should be considered.

Decision Required

10. It seems to me that as a result of the legal advising now to hand that a decision is required on two specific points -

- (a) Should an amendment to the Ordinance be considered as a matter of urgency so that a clear distinction is drawn between what moneys are Authority moneys and which moneys are school moneys, and in addition clearly specifies where responsibility for reporting financial transactions occurs; and
- (b) Who should be appointed to audit the accounts and records of financial transactions for the receipt and expenditure of non-government school moneys.

11. In these connections the Joint Committee of Public Accounts asked during the 4 June hearing, whether, as a result of the recent legal advice, I had made any decision regarding procedures to be adopted for accounting for non-government moneys, or whether I would rather wait until the matter had been discussed by the Authority. Having signified a preference to wait until discussion had occurred we are under an obligation to report back to the Committee promptly on our intentions.

Possible Solution

12. One possible solution, which preserves the principle and philosophy of dévolution is to discuss with the Draftsman the practicability of amending the Ordinance as follows -

- (a) Under Part VI - Finance, add an Interpretation Section -

"In this Part, unless the contrary intention appears -  
'Authority' for the purpose of Sections 29 (Estimates), 31 (Application of Moneys), 32 (Proper Accounts to be Kept), 33 (Annual Reports), and 34 (Audit) excludes pre-school, primary school, high school, and secondary college moneys raised locally by the school"

- (b) To Section 36(1), add - "year" means the period commencing 1 January and terminating 31 December.
- (c) Repeal the whole of the existing Section 48 and in its stead insert -

"48A Finance

- (1) For moneys raised locally by the school, the board shall prepare a budget of its estimates of receipts and expenditure for each year and shall submit those estimates to -

(a) the parents of students at the school;

(b) teachers employed at the school; and

(c) in the case of a high school or secondary college - students at the school;

not later than such dates as the Authority directs.

- (2) Moneys shall not be expended by the school otherwise than in accordance with estimates of expenditure approved by the board.

#### 48B Proper Accounts to be Kept

For moneys raised locally by the school, the board shall cause to be kept, in such form as the Authority determines, proper accounts and records of the transactions and affairs of the school and shall do all things necessary to ensure that all payments out of the moneys locally raised are correctly made and properly authorized and that adequate control is maintained over the assets acquired by the school out of moneys locally raised and over the incurring of liabilities by the school.

#### 48C Board to report to parents, etc

- (1) The board shall, as soon as practicable after the end of each year, but not later than 14 February in the next succeeding year, prepare and furnish to -
- (a) the parents of students at the school;
  - (b) teachers employed at the school;
  - (c) in the case of a high school or secondary college - students at the school; and
  - (d) the Authority
- a report of the operations of the board and of the school during that year.
- (2) The report shall include a financial statement of all locally raised moneys received and expended by the school in respect of that year and in such form as the Authority determines.
- (3) Before furnishing to the parties referred to in sub-section (1) the financial statement of all locally raised moneys received and expended by the school, the board shall submit such financial statement to an auditor appointed by the Authority, who shall report to the Authority -
- (a) whether the statement is based on proper accounts and records;
  - (b) whether the statement is in agreement with the accounts and records of the school;
  - (c) whether the receipt and expenditure of moneys and the acquisition and disposal of assets, by the school during the year have been in accordance with the procedures determined by the Authority; and

- (d) as to such other matters arising out of the statement as the auditor considers should be reported to the Authority.

- (4) The first report and financial statement of the board under this Section shall relate to the operations of the board and of the school during the year that commenced on 1 January 1981.

#### 48D Assets of the school

In the event of the closure of a school, assets acquired by the school from locally raised moneys, may, at the discretion of the board be transferred to another school or donated to the Authority."

#### Auditor of Moneys Raised Locally by Schools

13. The question of audit of moneys raised locally by schools could be resolved by the Chief Education Officer arranging for the invitation of public tenders for provision of this service to the Authority. Following evaluation of tenders received the Authority's Tender and Contract Board would recommend to the Authority the appointment of a suitable auditor(s). Fees payable for this service rendered under the contract(s) would be the responsibility of the Schools Office from central system funds.

14. In this connection it is considered prudent to include a further amendment to the Ordinance -

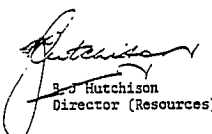
#### "48E Audit

- (1) The board shall, once at least in each year cause the accounts and records of financial transactions of the school for locally raised moneys and the records relating to assets of the school, acquired out of locally raised moneys, to be inspected and audited by the auditor appointed by the Authority for the purpose of sub-section 48C (3).
- (2) An auditor who carries out an inspection and audit for the purpose of sub-section (1) shall forthwith draw the attention of the Authority to any irregularity disclosed by the inspection and audit that, in the opinion of the auditor, is of sufficient importance to justify his so doing.
- (3) An auditor who carries out an inspection and audit for the purpose of sub-section (1) shall report to the Authority the results of the inspection and audit.
- (4) An auditor carrying out an inspection and audit for the purpose of sub-section (1), or a person authorized by him in writing, is entitled at all reasonable times to full and free access to all accounts, records, documents and papers of the board relating directly or indirectly to the receipt and payment of moneys raised locally by the school, or to the acquisition or disposal of assets by the school in relation to locally raised moneys.

- (5) An auditor referred to in sub-section (4) or a person authorized by him in writing, may make copies of, or take extracts from, any such accounts, records, documents or papers.
- (6) An auditor carrying out an inspection or audit for the purpose of sub-section (1) or a person authorized by him in writing may require a person to furnish him with such information in the possession of the person or to which the person has access as the auditor or authorized person considers necessary for the purposes of the inspection and audit, and the person shall comply with the requirement.
- (7) A person who fails to comply with a requirement under sub-section (6) is guilty of an offence punishable, upon conviction, by a fine not exceeding \$200."

Draft Resolution:

15. The Authority resolves to ask the Chief Education Officer to
- initiate as a matter of urgency proposed amendments to the Schools Authority Ordinance, 1976 as are outlined above in paragraphs 12 (a), (b) and (c) and 14.
  - initiate as a matter of urgency the necessary actions with a view to recommending to the Authority the appointment of an auditor(s) for moneys raised locally by schools.
  - transmit to the Joint Parliamentary Committee of Public Accounts details of the arrangements proposed so as to render the finance and accountability provisions of the Schools Authority Ordinance 1976, operationally practical.

  
B. J. Hutchison  
Director (Resources)

EXTRACT FROM AUDITOR-GENERAL'S REPORT AT MARCH 1981

**9. DEPARTMENT OF FOREIGN AFFAIRS**

**9.1 Accounting at Overseas Posts**

During October-December 1980, Audit inspected 5 posts in Africa mainly to assess the standard of accounting and financial administration at each post. Results of this inspection are reported in the following paragraphs.

*Audit findings*

An analysis of the Audit observations indicated common unsatisfactory matters at a number of posts, namely:

- Payments were accelerated towards the end of the financial year to avoid the operation of Section 36 of the *Audit Act* 1901. For detailed comment on this practice see paragraph 9.2 of this Report.
- The practice continued of recording commitments against available funds after the supplier's invoice is received rather than when the obligation was incurred, thus bypassing a key control in the expenditure system.
- Film libraries, an integral part of the information function at the posts, were generally poorly maintained and controlled. Among problems identified were:
  - obsolete and damaged films;
  - poor and inadequate storage; and
  - inaccurate and inadequate associated records.

*Recommendations arising from the inspection*

The following recommendations were made at the conclusion of the audit inspection:

- The Department should emphasise to accounting personnel the importance of recording the commitment of funds at the appropriate time and should ensure that Senior Administrative Officers are aware and acknowledge that this is an integral part of the expenditure control system.
- The Department should consider the need to issue more definitive accounting guidelines to posts to assist in ensuring the effectiveness of the commitments register as a means of controlling funds.
- The Department should emphasise in its various overseas finance training courses that in situations where compliance with the Finance (Overseas) Regulations and Directions is thought not possible due to external factors beyond the overseas post's control, then the Department should be informed promptly of the relevant details so that appropriate action may be undertaken as provided in the foreword to the Manual of Finance (Overseas) Directions.
- The Department should consider whether or not film libraries, in their current state, are worthwhile.

Inspection of the posts at Pretoria, Nairobi, Dar-es-Salaam and Cairo in October to December 1980 revealed some inadequacies in the administration and control of the accounting function including instances of inadequate internal check and procedural controls. The principal aspects referred in February 1981 for corrective action to the respective Heads of Missions at the post and to the Department's Central Office, included the following:

#### *Pretoria*

- **Imprest Account level**—The Authorising Officer authorised the issue of cheques notwithstanding that the accounting records showed insufficient funds were held in the official bank account. The locally engaged staff were requested to hold their salary cheques until a special advance was received from Canberra, so overdrawing of the official bank account was avoided.
- **Temporary advances**—The examination of records of temporary advances showed a need to improve control and review action to ensure prompt acquittance.
- **Locally engaged staff (LES) leave records**—A review revealed numerous arithmetical errors, leave taken and not recorded, leave taken without entitlement and leave credited in advance of due date.

#### *Nairobi*

- **Expenditure**—Instances of non-compliance with accounting control procedures in the processing of claims for payment, including payments being made without prior commitment authority, and accounts being paid without adequate supporting documents.
- **Cashier's Advance**—The Cashier did not bank collections of local currency, but paid them into the Cashier's Advance. Amounts collected were then depleted by making cash payments from the advance. The payment of collections to the Cashier's Advance is contrary to section 22 of the *Audit Act* 1901 and to Finance (Overseas) Direction 10.10.
- **Delegations**—The question of whether the Head of Mission, Nairobi or Dar-es-Salaam was the Chief Accounting Officer for the Trade post at Mauritius was referred to the Department. Nairobi pays the accounts of the Trade post operating in Mauritius. The Department should ensure that officers are working under the correct delegations.
- **Motor Vehicles**—The post has been over establishment for motor vehicles since March 1978, when a new vehicle was obtained. The replaced vehicle was tendered for sale for the first time only in April 1980, and was still in use at the date of inspection, November 1980.
- **Film Library**—Was poorly maintained and controlled.

#### *Dar-es-Salaam*

- **Expenditure**—Instances of non-compliance with accounting control procedures in the processing of claims for payment, including payments being made without prior commitment authority and delays often in excess of 6 weeks, in the payment of accounts.
- **Property maintenance**—Electrical re-wiring of the Official Residence (\$20 050). No evidence was sighted to indicate that competitive tenders had been called for the execution of this contract or a Certificate of Exemption issued as required by F(O)Rs, or that a contract was signed detailing the terms and conditions for payment.
- **Australian Information Service (AIS) radio tapes**—Approximately 200 radio tapes were held and were no longer required by the local radio station. It was proposed to the post that advice from AIS be sought in respect to the future use of the tapes.

- **Film Library**—Control was inadequate.

#### *Cairo*

- **Expenditure**—Instances of non-compliance with accounting control procedures in the processing of claims for payment, including payments being made without prior commitment authority and delays in the payment of accounts.
- **Advances registers**—A significant number of long outstanding advances had not been acquitted.
- **Travel**—Movement requisitions did not show evidence that tickets had been signed for by the person travelling and unused tickets and Miscellaneous Charges Orders due for refund dating back to 1976 were held by the post.
- **Property maintenance**—Renovation of the Head of Mission's residence, ££39 000 and Renovation of the Chancery, ££26 000—No evidence was sighted that competitive tenders had been called for the execution of these contracts or that Certificates of Exemption had been obtained.
- **US Dollar Cash Account**—This "account" which is held by the Cashier, represents repayments of unused balances of travelling allowance which were made originally in US dollars. The controls over the use of this account are considered satisfactory but no authority for its operation could be located.

Unsatisfactory accounting performance at Cairo has been reported over a number of years by the Department's internal auditors and a program of remedial action taken.

The recent inspection by my Office disclosed evidence of a marked improvement in the quality of current accounting work at the post.

#### *Cape Town*

Inspection of this post showed its accounting operations to be of an acceptable standard and well controlled.

#### *Department's response*

An interim response from the Department dated 16 February 1981, giving assurances of a detailed reply as soon as possible has been received in reply to a memorandum dated 5 February 1981 from this Office.

#### *New York*

Officers from my Washington Branch inspected this post in August 1980 and reported an overall satisfactory standard of accounting and administrative records. Several minor audit findings and observations were referred to the Head of Mission for comment and satisfactory assurances of necessary corrective action were received.

In the course of examination of the common services arrangements it was noted that there had been no reduction in the number of common service staff although there had been a reduction of more than 50 other staff positions in the previous 16 months, mainly by relocations to Washington.

This matter was referred to the Department's Central Office in October. An interim reply advised reorganisation is being considered within the Department.

#### *Washington*

Included in the common service functions provided by the Department for all representatives at the post are sections which provide library and travel services.

Officers of my Washington Branch have examined these functions since the previous report of the Auditor-General. Matters referred to the Ambassador for remedial action included:

- *Library*—Failure to adhere to procedures and practices common to library administration and deficiencies in financial control over library acquisitions.
- *Travel*—Inadequate administrative and financial controls, with available economies foregone in the purchase of air tickets and car rentals and a need for more effective management oversight of the travel section personnel.

Responses from the Embassy in October 1980 and January 1981 gave assurances of corrective action.

## 9.2 Accelerated Payments

The payments system of the Australian Government is designed to enable prompt payment of accounts while thoroughly safeguarding public funds. Section 34 of the *Audit Act* 1901 stipulates that a certificate to allow payment of an amount shall not be given unless the certifying officer is satisfied that payment may be properly made, and requires prescribed checks to be carried out before a payment may be authorised. Unless these procedures are followed public funds are put at risk.

Section 36 of the Act provides for the lapsing of the unexpended balance of an appropriation of the Consolidated Revenue Fund at the close of the financial year. Finance (Overseas) Directions prohibit the making of payments merely to avoid the lapsing of an appropriation.

In the inspections of Pretoria, Nairobi, Dar-es-Salaam and Cairo my officers identified 26 instances, involving in sum \$176 250, where the payment of accounts was accelerated towards the end of the 1979–80 financial year which for these posts was the period 1 June to 31 May. In my opinion this was done to avoid the lapsing of the balance of unexpended funds and, taken in conjunction with similar instances of accelerated payments reported at paragraph 2.9.1 of the Auditor-General's Report dated 10 September 1980, shows a need for the Department to ensure Chief Accounting Officers and Certifying Officers at posts are aware of and comply with the relevant provisions of the Audit Act and Finance (Overseas) Regulations and Directions.

The various methods by which payments were accelerated were:

- payment of advances to officers before the end of the financial year to make official purchases of goods and services after the end of the financial year;
- raising cheques prior to the close of the financial year, the cheques to be held at the post until the receipt of the goods or services after the close of the year;
- raising cheques in the name of the supplier prior to the close of the financial year, the cheques to be given to officers who were to arrange the purchase of specified goods after the close of the year;
- payment to suppliers on the basis of quotations prior to the close of the financial year for goods to be received after the close of the year;
- raising cheques prior to the close of the financial year in excess of the amount of the invoice to enable the funds to be utilised for payments in the next financial year;
- payments of travel advances in May 1980 in advance of need; and
- an advance to the Cashier to pay overtime for May 1980 held and also used to pay overtime worked in June and July of the next financial year.

The circumstances covered the purchase of motor vehicles, supply of furniture and fittings, supply of aid to Uganda, renovations and repairs at an official residence and payments made from the Head of Mission Discretionary Aid appropriation at Pretoria, Nairobi, Dar-es-Salaam and Cairo.

### Pretoria

Payments were made to suppliers before the receipt of the goods or services, resulting in accelerated payments in respect of:

- the purchase of 2 motor vehicles, totalling \$16 769;
- the payment of \$1201 for the re-upholstering of a lounge suite on the basis of a quotation; and
- 4 small accounts.

Cheques were raised in May 1980 and held at the post waiting until the goods or services were received, resulting in accelerated payments in respect of:

- the purchase of curtains (\$314) and the cost of re-upholstering lounge cushions (\$191) for which the cheques were still held at the post on 21 October 1980; and
- 3 other cases totalling \$2198 where the cheque was raised and held till after the close of the financial year.

### Nairobi

During the 1979–80 financial year the post was responsible for the purchase and delivery of aid to Uganda. Examination of the circumstances surrounding the payments revealed 9 payments totalling \$145 536 for which the cheques had been raised in May 1980, before the goods or services were received, and held by the post resulting in accelerated payments in respect of:

- freight costs of \$29 106 associated with the aid to Uganda. The cheque was raised and held until 23 September 1980;
- 2 payments equivalent to \$46 388 for the supply of furniture. The cheques were raised 7 to 8 weeks before the proposed delivery by the supplier. The supplier advised on 2 August 1980 that the items were ready for delivery;
- the supply of bedding at a cost of \$16 372. The cheque was raised and held until July 1980 when the supplier advised that the goods were ready for collection;
- 2 payments equivalent to \$30 727 for the supply of metal frame beds. The cheques were raised 4 to 6 weeks in advance of the proposed delivery. The supplier advised on 20 June 1980 that they were in the process of completing manufacture;
- the supply at a cost of \$9 845 of enamel plates, cups and cutlery. The cheque was raised in advance of delivery and paid to the supplier. The supplier advised on 10 July 1980 that the goods were ready for collection; and
- the supply of bedding at a cost of \$13 098. The cheque was raised and held until June 1980 when the supplier advised that the goods were ready for despatch.

In addition, before the end of the financial year the post raised and cashed a cheque for K Sh 600 to pay part of the costs associated with local language training. The balance was held by the Cashier over the close of the financial year and used to cover the cost of language training incurred in the 1980–81 financial year. As at 13 November 1980 a balance of K Sh 60 was held by the Cashier.

#### *Dar-es-Salaam*

Advances were paid without authority under Finance (Overseas) Regulation 29(1) to avoid the lapsing of funds and resulted in the following accelerated payments:

- An advance to meet the costs associated with the re-surfacing of a tennis court at the Official Residence, equivalent of \$4410. The advance was made to the Cashier on 12 May 1980 yet no payments were made until 24 July 1980, the Cashier still held the equivalent of \$827 as at 24 November 1980.
- An advance to make payments for local purchases of medical supplies from the Head of Mission Discretionary Aid appropriation the equivalent of \$8982. The advance was made to the Development Aid Officer and deposited to a private bank account. The money was held in the private bank account until 2 September 1980 when it was paid out for a partial delivery of the goods and the balance, equivalent to \$398, was repaid to Revenue.

Two advances were also made for travel prior to need. The 2 advances were for the equivalent of \$1300. Another advance of the equivalent of \$498 was paid to the Cashier to pay locally engaged staff overtime for May 1980. This advance was also used to pay for overtime worked in June and July 1980.

#### *Calao*

An advance was paid to purchase, from the HOMDA appropriation, knitting and sewing machines at a cost of \$1645. The cheque was raised in May 1980 and held until July 1980 when the request for the purchase was made.

#### *Conclusion*

The number of accounting and financial irregularities observed in relation to the close of the financial year is disturbing and appears to evidence a general problem in the Department's financial administration.

It was recommended the Department consider introducing a positive systematic approach to the periodic return of accounting documentation to Australia for a more comprehensive examination of transactions processed by posts. It was also suggested the Department should emphasise in its training courses that the Department be informed when officers overseas considered compliance with Finance (Overseas) Regulations and Directions was thought not possible.

While the process whereby the Parliament provides annual appropriations and those appropriations lapse to the extent they remain unspent at the close of the financial year may appear irksome to officers concerned with financial management, the fact remains that Parliamentary control is weakened if the requirements of the law are not observed. In view of the number of instances discovered by Audit at the aforementioned posts it is difficult to reach any conclusion but that the breaches of the Audit Act, Finance (Overseas) Regulations and Directions were deliberate. I am concerned that this reveals either a lack of administrative control or a serious deficiency in staff training or both.

An interim response from the Department, dated 16 February 1981 giving assurances of a detailed reply as soon as possible, has been received in reply to a memorandum dated 5 February 1981 from this Office.

#### **9.3 Accounting at State Offices**

The Department of Foreign Affairs has offices in each State Capital of Australia and Canberra to carry out a range of functions including consular work and the issue of passports.

Reported below are the results of recent inspections of 2 of these offices.

#### *Brisbane*

Examination of passport issue and revenue collection functions disclosed a number of accounting control weaknesses. Assurances of remedial action were received in December 1980 from the Senior Foreign Affairs Representative in Brisbane.

#### *Perth*

A number of accounting control weaknesses in the collection and recording of revenue was referred to the local Representative for corrective action. A response in September 1980 gave assurances of remedial action claiming that separation of 3 sections of the office at different locations contributed to the unsatisfactory position.

In October 1980, the Chief Auditor Perth, reported that the Department had since relocated all staff to common premises at City Centre.

#### **9.4 References Continued From Previous Reports**

##### *Accounting at Overseas Posts — Suva and Wellington*

Paragraph 2.9.1 of the Auditor-General's Report dated 10 September 1980 referred to unsatisfactory aspects of accounting at the two posts, and indicated replies were awaited. Satisfactory assurances of remedial action have since been received from the Department.

##### *Overseas Computer Installations — London and Washington*

Paragraph 2.9.2 of the Auditor-General's Report dated 10 September 1980 included reference to unsatisfactory aspects of:

- ADP systems development at London; and
- the use of a mini-computer at Washington.

Subsequent examinations by my officers together with a review of the response received from the Head of Mission, Washington show the position is now satisfactory.

#### **9.5 Audits with Satisfactory Results**

##### *Accounting at Overseas Posts*

##### *London — Procurement of common services*

The Australian High Commission is responsible for provision of a wide range of common services and equipment to facilitate performance of the Department's function and those of other departments and bodies represented at the post.

An audit primarily concerned with compliance, and regularity aspects of procurement of a number of the common services, was carried out by my London Branch in October 1980 with satisfactory results.

RECEIPTS AND EXPENDITURE IN LOCAL CURRENCY  
FROM AUSTRALIAN DIPLOMATIC MISSIONS IN  
UNITED ARAB REPUBLICS, USSR, KENYA AND LAOS

POST	JUNE 1981		JULY 1981		AUGUST 1981		SEPTEMBER 1981	
	RECEIPTS	EXP	RECEIPTS	EXP	RECEIPTS	EXP	RECEIPTS	EXP
CAIRO	\$US1377.01	NIL	NIL	NIL	NIL	\$US400 (\$A352.77)	NIL	NIL
	(Receipts taken in \$US cash)							
MOSCOW	R58007.04	8658.57	R5280.71	11224.56	2739.39	3823.24	5440.40	1930.30
	(roubles)	(\$A9793.35)	(\$A6417.20)	(\$A13640.25)	(\$A93256.91)	(\$A4545.52)	(\$A6591.66)	(\$A2335.23)
Nairobi	K55010.65	8738.40	K5353.60	4970.40	1973.00	3274.50	3952.55	6381.50
	(Kenyan Shillings)	(\$A509.19)	(\$A888.00)	(\$A252.24)	(\$A484.52)	(\$A195.18)	(\$A323.93)	(\$A393.04)
VIETNAME	K1212346.00	1574.00	2464.00	113284.00	26390.00	21866.00	29202.00	28757.00
	(\$A167.22)	(\$A49.73)	(\$A953.36)	(\$A3332.99)	(\$A775.35)	(\$A642.43)	(\$A847.69)	(\$A834.77)

\* Additional expenditure over receipts is reimbursed from Local Currency Bank A/C.

These posts maintain dual currency bank accounts - one being a "hard currency" account to receive cash advances from the Department of Foreign Affairs and the other being a "local currency" account to receive payments by cheque, as required. Cashiers advances are also maintained in the "local currency" account and receipts are properly recorded.

Receipts are issued for all collections and all transactions are properly recorded. Payments normally exceed receipts, therefore there is usually a net transfer (by cheque) from the "local currency" bank account to the Cashier's cash advance each month. These cash advances are fully reconciled monthly and the Overseas Certifying Officer checks the advances at regular intervals in accordance with Finance (Overseas) Direction 1.13.

Where cash receipts exceed cash payments during a reimbursement period, the surplus is allowed to remain in the advance and an equivalent reduction is made to the reimbursement from Canberra to the "hard currency" account.

Source: Department of Foreign Affairs Supplementary Information Minute H CH 125207, 7 January 1982.

RECOMMENDATIONS OF THE REPORT OF THE  
JOINT MANAGEMENT REVIEW OF OVERSEAS  
ACCOUNTING ARRANGEMENTS.



REC.  
NO.

PARA.  
NO.

A UNIFORM SYSTEM (CHAPTER 2)

Overall System

1. A uniform system should be applied to all overseas posts.
2. Each post should be serviced by a nominated Accounting Office. (2.18)

Accounting Offices

3. There should be three Accounting Offices processing overseas accounts. These should be located in Washington, London and Canberra. (2.19)
4. The Washington Accounting Office should become the focal point for all accounting in the Americas by taking on Caracas, Lima, Santiago, Buenos Aires, Brasilia and Rio de Janeiro in addition to the 12 posts already serviced. Caracas should transfer to Washington as soon as possible. (2.20)
5. A single Accounting Office should be established to service Europe and nearby regions. This Office should be located in London. As a consequence the Geneva Accounting Office should close. This new European Accounting Office should service all posts currently serviced by London and Geneva. (2.21)
6. Posts that are currently imprest to Australia but are within the same broad time zone and have regular communication with London should also be serviced from the new London Office. Posts which fall within this category are Moscow (to transfer as soon as possible), Algiers, Lagos, Accra and Cairo. (2.21)
7. All other posts should be serviced by an overseas cell located in the Canberra Accounting Office, operating as Full Imprest posts. (2.27)

Currency purchases

8. Consideration should be given to the Reserve Bank of Australia (London Office) purchasing currency for the new London Accounting Office. (2.35)
9. Consideration should be given to alternative procedures for currency purchases for loan expenses (redemptions and repayments of interest/principal), for example, by having the various Commonwealth Accounts funded through the RBA (Sydney). (2.36)

10. A review be undertaken to see whether more posts currently imprest to Australia could be reimbursed in local currency rather than a hard currency. (2.37)

Modified procedures

11. The pre-determined, period exchange rate procedure currently used at Imprest posts should be introduced into all posts. Some minor amendments to the Finance (Overseas) Directions will be required to curtail some of the blanket provisions about determining special rates. (2.40)
12. All references to 'bank rates' in the Finance (Overseas) Directions should be removed. (2.43)
13. A redesigned combined Form 11/12/13 should be introduced as a common form. (2.44)
14. Greater recognition should be given to the role and responsibility of Overseas Certifying Officers. As a consequence (2.48)
  - (a) Finance (Overseas) Direction 1.07 should be deleted
  - (b) Supporting documents to vouchers should be retained at posts.
15. The policy of flexibility in payments of accounts at Drawing Account posts should be maintained with the emphasis on paying more accounts at posts, provided this can be done without undue pressure for increases in imprests or for more staff. (2.39)
16. The standard financial year of 1 July to 30 June will be adopted for all posts. The relevant Accounting Office will, however, determine the close-off date for each post having regard to location and communication problems. (2.39)

SMALL POSTS (CHAPTER 3)

17. Accounting operations at selected small posts be modified as outlined in Chapter 3 to reduce to a minimum the workload. (3.8)
18. Finance (Overseas) Regulation 22 be amended, if necessary, by the insertion of a sub-regulation similar to Finance Regulation 46(3) to enable cash payments to be made without preparation of a requisition. (3.15)

SELECTED ACCOUNTING TASKS (CHAPTER 4)

CONSULAR JMR

19. The Department of Foreign Affairs should consider the scope for establishing Cashier's Trust Accounts at more posts. (4.7)

20. MAPOP be amended to provide new procedures for urgent disbursement against an amount paid into TFOTH at a post. (4.8)
21. The Department of Foreign Affairs should examine the viability of installing cash registers at Jakarta and London. (4.10)
22. A Consular Trust Account should not be established. (4.13)
- EXCESS MEDICAL
23. DROS be amended to reduce administrative complexity while maintaining adequate protection and assistance to the officer. (4.14)
- LEAVE FARES
24. DROS be amended to clarify the instructions. (4.16)  
(DROS was amended in May 1981.)
- UTILITIES PAYMENTS
25. DROS requirements for the current utilities record at Washington be amended so that the need to maintain this record is eliminated. (4.21)
26. A more flexible approach should be taken by posts/Accounting Offices in the procedures used to meet payment of an officer's utility costs. (4.22)
- REPORTING/INFORMATION REQUIREMENTS
- Funds Control Returns
27. The various Funds Control Returns should be revised and standardised. (4.27)
28. Funds Control Returns should be forwarded to Canberra at the end of October, March and April only, unless otherwise requested. (4.27)
29. Additional funds requirements or savings should be notified to Canberra by memorandum. (4.27)
- Estimates
30. Departments with overseas representation should each make a conscious effort to reduce to a minimum their demands on posts for estimates data relying, where appropriate, on the facility to call for additional or supplementary information if the need arises. (4.32)
- Ledgers
31. A comprehensive program of training should be instituted to educate both post and central office personnel in the use of the central ledger facilities and reports. (4.35)

- Commitments Register
32. The Foreign Affairs Commitments Register should be used at all posts. (4.36)
33. The educational guide on the use of the Register, prepared by Foreign Affairs Internal Audit Section, should be widely circulated. (4.40)
- PAYMENTS
- Cash Expenditure
34. Finance (Overseas) Direction 19.11 should be amended to provide for a wider range of cash expenditure. It should also provide for a delegate of the Chief Accounting Officer (CAO) to approve individual cash expenditures within broad limits approved by the CAO. (4.41)
- Superannuation Payments
35. The current system of paying Superannuation/DFRB pensions overseas should be reviewed and standardised for all posts. They should be processed on the Finance ADP system by the Canberra Accounting Office in the same way as for salaries for A-based officers. (4.46)
- Taxation Payments
36. The Taxation Office should cease paying refunds overseas. The preferred option of the JMR is for taxpayers to provide an Australian address for payment of refunds and posting of assessment notices. (4.52)
- APPROPRIATION PROCEDURES
- Administrative votes
37. Appropriation items for overseas administrative expenses should be truncated. (4.54)
- Supply Period
38. Departments should seek increased funds to be made available to overseas posts during the supply period. A suggested increase is from 5/12 to 8/12 of annual requirements. (4.57)
- PROCUREMENT
39. The threshold figure for written quotations under Finance (Overseas) Regulation 24(1) be substantially increased - at least to \$1000. (4.61)

40. The Department of Foreign Affairs to examine the possible need to obtain further delegations under Finance (Overseas) Regulation 26(2) for Chief Accounting Officers to issue Certificates of Exemption. (4.62)
41. Posts should be made more aware of the exemption clause in Finance (Overseas) Regulation 24(1) when it is not practicable to obtain the required number of competitive quotations; and the correct procedures to be followed when this exemption is used. (4.63)
- ASSETS (CHAPTER 5)
42. Amend Finance (Overseas) Directions
- (a) to make it clear that the Permanent Head of the department responsible for various assets matters is the Permanent Head of the Department administering the post (5.8)
- (b) to provide for one register of assets. (F(0)D 21.03) (5.12/5.27)
43. Inventories should be the sole register of assets. Existing Assets Registers should be discontinued. Only minimum information should be kept on the inventory eg item description, quantity, purchase cost, and, for items purchased in the current financial year, the voucher number. (5.27)
44. Annual stocktakes of assets at residences should be replaced by a stocktake on change of occupancy. Blanket approval should be sought under F(0)D 21.06. (5.28)
45. Broad guidelines should be developed for Chief Accounting Officers to determine which chancery assets should be recorded. In the main these should only be portable attractive items. (5.29)
46. Stocktakes for items on chancery inventories should be not less than annually and should be on a sampling or selected items basis. A full stocktake should form part of the handover on change of Chief Accounting Officer. (5.30)
47. A separate full inventory should be maintained for non-consumable items held in store by the post, and recreational cottages. An annual stocktake should be undertaken. (5.30)
48. The requirement for set-order room-by-room inventories should be abolished. (5.31)
49. Inventories should be held at the post. The requirement for posts to send copies to the Overseas Property Office (OPO) should be abolished. (5.32)

50. The requirement for the 4 monthly Accommodation Return to OPO, Finance, PSB, and Foreign Affairs/Trade and Resources should be abolished. (5.36)
51. An Accommodation Register should be maintained by OPO. Other departments with an interest should have ready access. The Register should be based on - (5.33) (5.35)
- (a) Lease information supplied by posts
- (b) Exception reporting by posts on changes.
52. The Register should be validated on an infrequent and ad hoc basis by OPO sending a copy to a post for checking. (5.33)
53. Consideration should be given to reducing the workload on posts and within Australia in preparing and handling submissions from posts to penetrate rent ceilings between PSB inspections. (5.34)
54. The six monthly Motor Vehicle Return from posts to OPO should be discontinued. The OPO form "Proposal for Additional Vehicle" may need to be modified to provide further essential information to OPO. (5.37)
55. Manual of Overseas Property requirements should be simplified both in terms of the above recommendations, and more generally. (5.38)
- MANAGEMENT ASPECTS (CHAPTER 6)
56. Chief Accounting Officer delegations be extended to Senior Administrative Officers at or above the Clerk Class 9 classification. This will affect the following posts: (6.4)
- Bangkok  
Belgrade  
Hong Kong  
Kuala Lumpur  
Singapore
57. Clear guidance be provided as to the respective responsibilities of each of the Chief Accounting Officers at a post. (6.5)
58. Posts should examine the re-allocation of duties in accounting areas to allow greater use of LES. (6.7)
59. The Department of Foreign Affairs should consider extending appointments of LES as Cashiers. (6.8)

60. The regular program of internal audit inspections and the broader role it fulfils should be continued. Every effort should be made to maintain inspections at intervals of not more than 24 months. (6.11)
61. Formal agreement be made between the Departments of Foreign Affairs and Trade and Resources for an agreed program and scope of audits to be undertaken by Foreign Affairs on an agency basis for Trade and Resources. (6.12)

#### TRAINING (CHAPTER 7)

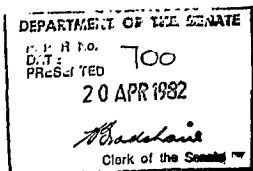
62. There should be a three tiered structure of formal courses and workshops as follows
- (a) 1 week residential course for officers without previous substantial experience in financial administration (7.4)
  - (b) A three day residential workshop for officers with previous relevant experience abroad (7.5)
  - (c) A module for use on its own, or as part of a senior management course, for senior officers and Chief Accounting Officers at posts. (7.6)
63. A series of audio-visual modules (some self-instructional) should be prepared on specific accounting operations or duties. These modules should be structured so that they are suitable for LES and A-based staff. (7.7)
64. The courses and modules should be developed by Foreign Affairs. Specialist advice and assistance should be made available from appropriate departments, particularly Finance. (7.25)
65. Officers from departments other than Foreign Affairs who need an understanding of overseas accounting arrangements should continue to be invited to the Foreign Affairs courses. (7.8)
66. Officers (who will serve overseas) from departments other than Foreign Affairs and Trade and Resources would benefit from attendance at a course on broad overseas accounting arrangements. The module at Recommendation 62 (c) would be appropriate. (7.9)
67. Foreign Affairs should attempt to mount, if funds allow, two or three conferences within the next two years for Senior Administrative Officers in different regions of the world. The technique should then be reviewed to assess its usefulness and the nature of subsequent conferences. (7.13)

68. Suitable senior LES should participate in some of the regional conferences proposed at Recommendation 67. (7.21)
69. Periodic visits to Australia by LES should not be totally abandoned. Such visits for intensive training will become more important as work undertaken by A-based staff is transferred to LES. (7.22)
70. Posts should submit an annual return on training and a statement of their plans and requirements (including funds) for the forthcoming year. (7.23)
71. Liaison visits to and from Accounting Offices overseas and posts should be maintained. Similar visits to the proposed ACT overseas accounting cell should be considered when officers return to Australia for re-posting. Visits from the Canberra Accounting Office to posts should not be totally ruled-out. (7.25)
72. An education and training program should be developed as part of the implementation program setting up the new Accounting Office in London and the overseas cell Canberra. (7.26)
73. The departments of Finance, Foreign Affairs and Trade and Resources should jointly explore the opportunity to provide 'live' experience for key overseas accounting staff, prior to posting, in the new overseas accounting cell located in the Canberra Accounting Office. (7.27)
74. Attention needs to be given to the adequacy and usefulness of the various administrative manuals. (7.33)
75. The revision of MAPOP should proceed as a matter of priority. (7.37)
76. Consideration should be given to restructuring MAPOP so that it corresponds more closely with the layout of the Finance (Overseas) Directions. (7.37)
77. An adequate index should be prepared for DROS. (7.39)

#### IMPLEMENTATION (CHAPTER 8)

78. A Joint Implementation Steering Committee should be established to guide and direct the implementation process. Membership should come from the Departments of Finance (chair), Foreign Affairs, Trade and Resources, Defence and the Public Service Board. The Department of Administrative Services (Property Directorate) should be invited when issues involving it are being considered. (8.3)

79. The target date for completion of full implementation of all recommendations should be December 1982. The target dates for many recommendations should be earlier than the final date. Some recommendations should be implemented immediately.
80. A joint post-implementation review should be undertaken after December 1982. It should address the overall effectiveness of the new arrangements including the extent to which all the potential savings were achieved. (8.33)
81. A staffing review of the Accounting Offices in London and Washington should be undertaken towards the end of 1983. (8.35)



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

194TH REPORT

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Australian Government Publishing Service  
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Report

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Joint Committee of  
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