

# Reports of the Auditor-General— 1980-81



Report

# 209

Joint Committee of  
Public Accounts

DEPARTMENT OF THE SENATE	
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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

209TH REPORT

REPORTS OF THE AUDITOR-GENERAL  
FINANCIAL YEAR 1980-81

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**DUTIES OF THE COMMITTEE**

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

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.

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## PREFACE

Each year the Committee examines all reports of the Auditor-General. Following the tabling of the Reports of the Auditor-General for the year ended 30 June 1981 in March and September 1981, the Committee sought written submissions from nine Departments in respect of eleven of the items raised. (See Appendix J). After discussions with the Auditor-General and departmental officers, the Committee took evidence on four of those items at Public hearings in Parliament House, Canberra, on 20 May 1982 as follows:-

### Department of Finance:

- . Expenditure in Excess of Warrants of the Governor-General
- . Closing of Accounts at Year End (including moneys unbanked)

### Department of Social Security:

- . National Benefits System
- . Assistance for Homeless Persons

The Committee had intended to take evidence from the Department of Business and Consumer Affairs. However, this Department was disbanded as a result of the Administrative Arrangements review effected early in May 1982. As the matter to be considered overlapped with the responsibilities of the Department of Finance in regard to the Closing of Accounts at Year End, representatives of the former Department of Business and Consumer Affairs were not called to give evidence at the Public Hearing.

Due to the dissolution of Parliament and the Federal election the Thirteenth Public Accounts Committee's term expired. In May 1983 the Fourteenth Joint Parliamentary Committee of Public Accounts was established. The Fourteenth Committee examined the work undertaken by its predecessor on the items raised in the Auditor-General's Report and, in respect of Assistance for Homeless Persons, decided to seek additional information from the Department of Social Security prior to tabling this report.

For and on behalf of the Committee.

Senator G. Georges  
Chairman

M.J. Falberg  
Secretary  
Joint Committee of Public Accounts  
Parliament House  
CANBERRA  
15 September 1983

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## CHAPTER 1

### DEPARTMENT OF SOCIAL SECURITY ASSISTANCE FOR HOMELESS PERSONS

#### Introduction

1.1 In his Report of 30 March 1981 the Auditor-General referred to an in-depth audit of capital assistance grants, under the Homeless Persons Assistance Act 1974, to 2 organisations for the construction of homeless persons centres. The assertion was made that one of these projects appeared to represent significantly less value for money as a homeless persons centre than the other. Identified as the most significant contributing factor to this situation was the failure of the Department of Social Security to promulgate standards and guidelines for use by organisations in establishing and constructing such projects with capital assistance provided under the Act.

1.2 Subsequent matters raised by the Auditor-General were mainly related to the future administration of the Homeless Persons Assistance Program. In summary the more important issues related to the following:-

- . Promulgation of standards and guidelines.
- . Contract conditions.
- . Procedures for payment and reimbursement of costs incurred by organisations.
- . Determinations and delegations under the Act.
- . Architect's fees incurred in relation to building sites not purchased.

#### Background

1.3 The Homeless Persons Assistance Act 1974, was introduced following the report of a working party established in February 1973, by the then Minister for Social Security, to examine and report on the problems of homeless men and women in Australia.

- 
1. Report of the Auditor-General upon the Financial Statements for the year ended 30 June 1981, Australian Government Publishing Service, Canberra 1981, p. 133.

1.4 The report of the working party was:

concerned with raising the standards of facilities and services for this group in the shortest possible time and the provisions of the Homeless Persons Assistance Act are based on its recommendations.<sup>2</sup>

1.5 The range of groups possessing the characteristics of homelessness is diverse: the chronically homeless, homeless youth, itinerant seasonal workers, discharges from psychiatric and alcoholic treatment centres, distressed and unemployed travellers, and ex-prisoners.<sup>3</sup> The range of facilities available to the homeless include night shelters, long-term hostel accommodation, medical clinics, occupational therapy, counselling and referral services, detoxication units, day care, recreation and drop-in centres.

1.6 The 1973 Report of the Working Party on Homeless Men and Women defined a homeless person as one who 'falls below an objectively defined poverty line at least from time to time, and is effectively single permanently insofar as he is cut off from or has no relatives or close friends. Though he may be receiving some form of outside support he has few independent resources, often has no immediate means and in some cases has little future prospect of self-support. He is without a conventional home and lacks most of the social or economic supports a home normally provides. The term "Homeless Person" may include such casual, seasonal or migratory workers who present welfare problems while passing through a community or staying in it for a relatively short time.'<sup>4</sup>

1.7 Section 3 of the Homeless Persons Assistance Act 1974 gives a broad definition to the meaning of 'homeless person' -

- (a) a person who has attained the age of 16 years and -
  - (i) has no settled home and is in need of approved assistance; or
  - (ii) although having a settled home, is temporarily in urgent need of approved assistance; or
- (b) a person in respect of whom a person referred to in paragraph (a) is qualified to receive an endowment under Part VI of the Social Services Act 1947-74;

- 2. Reports of the Auditor-General Financial Year 1980-81. Minutes of Evidence, Joint Parliamentary Committee of Public Accounts, Parliament of the Commonwealth of Australia, 1980, p. 227.
- 3. Department of Social Security Guidelines for Administration of the Homeless Persons Assistance Program, 1983. Part 1.A.2.
- 4. *ibid.*, Overview Section, 'The 1973 Working Party on Homeless Men and Women'.

1.8 The Act makes provision for the payment of Commonwealth capital grants to eligible organisations for the purchase of land and/or buildings, the construction of buildings, renovation or alteration of existing buildings to be used permanently by or on behalf of that organisation for or in connexion with a homeless persons assistance centre. Grants may also be made in respect of rental of premises, the purchase and installation of fixtures, furniture, furnishings or equipment used for or in connexion with a homeless persons centre.

1.9 Provision is also made on an ongoing basis for the payment of grants at prescribed rates, in respect of food and accommodation provided to residents and meals provided to non-residents; and up to 50% of the wages of a person employed as a social welfare worker.<sup>5</sup>

1.10 Initially the capital funding provisions of the Act were to apply only for a period of three years from the date of assent. However, 1 year extensions were made in November 1977 and September 1978; and finally the prescribed period was removed altogether in November 1979.<sup>6</sup>

1.11 The Homeless Persons program was an initiative in a new field as far as the Commonwealth was concerned and its basic intent at the start was to upgrade existing 'skid row facilities'<sup>7</sup> and to focus assistance towards established organisations with proven performance in the care and support of homeless people.<sup>8</sup> Considerable discretion is available under the legislation as to the maximum amounts of assistance to be provided (up to 100% of cost for capital grants). Interpretation of the program has allowed extensive flexibility for organisations to pursue varied philosophies and management procedures in providing services and facilities for homeless persons.

#### Matters Raised by the Auditor-General

##### Promulgation of Standards/Guidelines

1.12 The Auditor-General suggested that the Department of Social Security should promulgate standards which organisations, seeking Commonwealth assistance under the Homeless Persons Assistance Act, would be required to observe when planning, designing and constructing buildings and procuring furniture and equipment. In support of this suggestion, attention was drawn to the promulgated standards

- 5. Homeless Persons Assistance Act 1974, Appendix A.
- 6. Homeless Persons Assistance Amendment Acts 1977, 1978, 1979. Appendices B, C and D.
- 7. Minutes of Evidence, *op. cit.*, p. 253
- 8. *ibid.*, p. 228

in use for many years in respect of Commonwealth capital grants under the Aged or Disabled Persons Homes Act. An extract from these standards was provided at Attachment A to the Department's submission.9

1.13 Under the Aged or Disabled Persons Homes Act 1954, Commonwealth subsidy is, in general, payable at the rate of 2:1 up to a ceiling limit currently \$18,150 per unit. If the unit cost of a specific project exceeds that ceiling limit the maximum subsidy of \$12,100 is payable and the balance must be met by the sponsoring organisation from its own resources.10

1.14 The Homeless Persons Assistance Act provides for Commonwealth capital grants of up to 100% of cost. Consequently there is little incentive for sponsoring organisations and their architects to restrict costs on new projects and the lack of specific standards and guidelines have made the Department's responsibility of ensuring cost effectiveness for the Commonwealth's contribution under the Act more difficult.

1.15 Initially the Department of Social Security sought on an ad hoc basis the technical assistance and expertise of the then Department of Housing and Construction in connection with design and construction costs and the administration and monitoring of homeless persons projects. A 'memorandum of agreement' was eventually negotiated between the permanent heads of the Departments of Social Security and Housing and Construction to formalise assistance to be provided in the examination of such plans and designs throughout the construction phase of projects.11 The main areas in which the Department of Housing and Construction provides assistance include: the evaluation of sketch plans, a report on the adequacy of the project for the proposed purpose, a recommendation as to contractual arrangements, assistance in tender analysis, supervision and monitoring of construction, an assessment of variations, advice on rise and fall aspects and advice on the maintenance and operational costs of proposals.12 Changes in administrative arrangements may require the agreement be re-affirmed by the Permanent Heads of the respective Departments.13

1.16 The two largest homeless persons facilities funded to the date of this inquiry were the two projects referred to in the Auditor-General's Report of March 1981. Both of these are located in the inner city area of Brisbane. In accordance with the practice adopted by the Auditor-General and the Department

9. Minutes of Evidence, op. cit., pp. 202-226.

10. Ibid., p. 204.

11. Ibid., p. 241.

12. Ibid., p. 278.

13. Ibid., p. 276.

of Social Security, reference is made in this report to the two homeless person projects in question as Project A and Project B.

1.17 Project A provides overnight accommodation for 202 homeless persons and Project B provides overnight accommodation for 166 persons plus a 'drop-in centre' for day-time activities for other than overnight residents and extensive dining facilities for both residents and non residents. The provisional grants approved in 1976 for these projects were \$2.1m for Project A and \$1.8m for Project B. The tender prices approved in 1979 for these projects were \$1.978m for Project A and \$2.354m for Project B. By the time of completion of construction, the actual costs to the Commonwealth for these projects were: project A, \$2.457m or \$12,164 per bed, and for project B, \$3.352m or \$20,190 per bed.

1.18 The Committee accepts that Project B provides a wider range of facilities and services for homeless persons and operates major day care dining and kitchen facilities from its location. For the three months ended 30 June 1982 operational statistics in respect of the two projects indicated that Project A provided food and overnight accommodation to 15,988 persons and 7,376 meals on premises to non-residents. In comparison, Project B provided food and overnight accommodation to 13,602 persons and 79,789 meals on premises to non-residents. In addition, meals to other centres totalled 19,500.14 In respect of the two projects, a straight-out comparison of average costs per bed is not an entirely suitable or valid guide to 'value for money' as a homeless persons centre. The Committee is, however, concerned with the costs of these two projects.

1.19 There is ample evidence in the correspondence between Social Security and the Auditor-General<sup>15</sup> that the 'reasonableness' of the construction costs of these two projects was assessed and substantiated by the then Department of Housing and Construction. However, the basic designs of the two projects appear to have been left largely to the sponsoring organisation's architects. Plans and photographs of the two projects provided to the Committee support the view that project A is basically a functional design whereas project B is a more complex design with an apparent greater emphasis on aesthetics.

1.20 Since the Auditor-General's March 1981 Report on this matter the Department of Social Security has initiated the introduction of an interim upper limit of \$14,000 per bed for capital funding of projects under the Homeless Persons

14. Public Accounts Committee File 1981/7.

15. ibid.



Assistance Act. This interim ceiling limit has been set pending a survey of various existing homeless persons centres to determine what is an appropriate upper limit. This is expected to be in the vicinity of \$12,000 to \$13,000 per bed.<sup>16</sup>

1.21 The Committee is pleased to note that following a joint review with the then Department of Transport and Construction the Department of Social Security plans to promulgate standards and guidelines for use by organisations planning to establish homeless persons centres with the aid of capital grants under the Homeless Persons Assistance Act.<sup>17</sup> The review is being done in conjunction with a review of the current standards and guidelines applicable to nursing homes and aged persons homes funded under the Aged or Disabled Persons Homes Act.

#### Contract Conditions

1.22 When the Homeless Persons Assistance Program was first initiated it was administered at the State Office level within the aged persons area of the Department of Social Security.<sup>18</sup>

1.23 The procedures followed in the administration of the Homeless Persons Assistance program were expected to be consistent with the principles outlined in the aged persons manual. Guidelines specifically aimed at the Homeless Persons program for use by the staff administering the program, were not issued until May 1976. However, the guidelines were of a broad guidance nature rather than the detail necessary to control a major civil works program. In terms of the technical administration of the Homeless Persons Program, reliance was placed upon the aged persons guidelines.<sup>19</sup> In view of the Department's extensive experience in the capital funding of projects under the aged persons homes program the Committee finds this lack of detailed guidelines in the Homeless Persons Program surprising.

1.24 In reply to the Auditor-General's comments regarding attention to contract conditions relating to such matters as penalty provisions, provisional sums, retention sums, and bank guarantees, the Department indicated that whilst these were essentially matters for the sponsoring organisation, its solicitor and architect, there was a policy in relation to 'rise-and-fall' clauses. The department has insisted on inclusion of a standard provision formulated by the Department of Housing and Construction to alleviate possible problems when calculating builder entitlement.<sup>20</sup>

1.25 The Committee agrees with the Auditor-General's comment that it is vital to ensure that contract conditions protect the interests of the Commonwealth as well as the other parties directly involved in construction projects. This is particularly so where the funds involved are being provided by the Commonwealth to the extent allowed for under the Homeless Persons Assistance Act.

1.26 The Department is currently in the process of finalising amended guidelines for use by staff involved in the administration of the Homeless Persons Assistance Program. An assurance has been given to the Committee that the specific matters raised by the Auditor-General in relation to contracts between organisations and builders will be included in these new guidelines.<sup>21</sup>

#### Procedures for Payment/Reimbursement of Costs Incurred by Organisations

1.27 For the purpose of payments and reimbursements of costs incurred by organisations, the Committee is pleased to note that the Department, while considering its previous approach of accepting architects' certificates to be satisfactory, in order to meet Audit requirements, has agreed to adopt the form of certification used by the Department of Housing and Construction. This is to be incorporated in the revised guidelines.<sup>22</sup> Under this requirement officers of the Department of Housing and Construction will monitor construction progress of projects and provide confirmation that projects have reached appropriate stages. This advice is to include what are seen as reasonable costs, relative to that progress, dissected into costs associated with the original contract along with approved variations from that contract, such as rise-and-fall.

#### Determinations and Delegations Under the Act

1.28 Section 16 of the Homeless Persons Assistance Act provides that:

the Minister may, by writing under his hand, delegate to an officer of the Australian Public Service, either generally or otherwise, all or any of his powers and functions under this Act except this power of delegation.

Under this section the Minister's power of approval of projects has been delegated to certain senior officers in the State administrations as well as the central office of the Department of Social Security.<sup>23</sup>

21. Minutes of Evidence, op. cit., pp. 273-274.

22. Ibid., p. 280.

23. Ibid., p. 245.

16. Minutes of Evidence, op. cit., p. 200.

17. Ibid., p. 199B.

18. Ibid., p. 249.

19. Ibid., p. 250.

20. Public Accounts Committee File 1981/7.

1.29 The Auditor-General raised queries regarding the effectiveness of delegations of the Minister's powers under section 5 of the Act and sought comments on the application of sections 11 and 12. Section 11 provides that:

Payments under this Act shall be made at such times, or by such instalments at such times, as are determined by agreement between the Minister and the eligible organisation concerned or, in the absence of such an agreement, by the Minister.

However, section 12 relates to the payment of advances and empowers the Minister to determine the timing and level of such advances without any reference to an agreement with the organisation concerned.

1.30 As a result of the Auditor-General's queries the Department reviewed the legal effects of the delegation of the Minister's powers under the Homeless Persons Assistance Act. In the light of this reconsideration a new instrument of delegation was executed in February 1982. This instrument reinforced the intent of previous instruments of delegation and increased the powers and functions delegated to specific State officers to include those powers and functions under sections 11 and 12.

#### Architects Fees Incurred in Relation to Building Sites Not Purchased

1.31 The Department of Social Security accepted as a valid cost of an approved project fees of \$10,000 charged to an organisation by an architect in respect of preliminary work in regard to the assessment of sites prior to eventual selection. Because of Audit concern over the validity of such costs as coming within the cost of an approved project, the Department sought legal advice on the matter from the Attorney-General's Department.

1.32 The legal opinion provided by the Attorney-General's Department by letter dated 10 March 198224 indicated some doubt as to the possible interpretation of the term 'cost' of an 'approved project' for the purposes of the Act. However, on the basis of the specific circumstances relating to the case in question, particularly in regard to the wording of the recommendations formally approved by the Minister's delegate on 6 October 1976 and subsequent dates, it was considered that the architect's fees associated with investigation of the abandoned sites could not be properly regarded as part of the cost of the approved project in this case.

24. Public Accounts Committee File 1981/7.

#### Recent Developments

1.33 Since the Committee's public hearings into this matter on 20 May 1982, the Fourteenth Committee requested additional information from the Department of Social Security. A copy of the Departments additional submission of 8 June 1983 is at Appendix E.

1.34 The Committee is pleased to note that this submission lists a number of initiatives that have been undertaken in respect of the Homeless Persons Program:

- The maximum capital funding limit per bed of \$14,000 has been finalized and approved by the Minister for Social Security. This is an interim funding limit pending an assessment and evaluation by the Department of Housing and Construction of the various types of facilities provided for homeless people under the program.
- Compilation of the 1983 Department of Social Security Guidelines for Administration of the Homeless Persons Assistance Program for organizations planning to establish homeless persons centres and staff involved with the administration of the Homeless Persons Program. Priority will be given to projects which are small-scale, non-institutional, innovative and oriented towards assisting the homeless to avail themselves of the facilities offered by the broader community, such as private accommodation, health services and employment.
- The formal agreement for assistance between the Departments of Housing and Construction and Social Security did not require re-affirmation. The agreement formalised the cooperation between the two departments which existed for some time.
- The amount of \$10,000 for architectural fees paid by Project A in respect of abortive work done has been reimbursed under the Homeless Persons Assistance Program based on advice from the Department of Finance.

1.35 The Committee is particularly pleased to note that rather than maintain the continued development of large institutional buildings, the new guidelines for the administration of the homeless persons program encourages projects which are small-scale. In particular, priority will be given to projects providing smaller residential centres, which are non-institutional, innovative and clearly oriented towards assisting the homeless to avail themselves of the facilities offered by the broader community, such as private accommodation, health services and employment. With the new

emphasis on small-scale centres, the upper limit of Commonwealth subsidised staff accommodation will be limited to two staff units.

### Conclusions and Recommendations

#### Project Tasks

1.36 The Committee concludes that the differences in the costs to the Commonwealth of \$2,457m or \$12,164 per bed for Project A and \$3,352m or \$20,190 per bed for Project B requires further analysis.

1.37 The Committee does concede that Project B provides a wider range of facilities and services for homeless persons and consequently, a direct comparison of average costs per bed is not an entirely valid guide to 'value for money' as a homeless persons centre. The Committee concludes that emphasis on a cost per bed basis ignores the other important functions that are provided by homeless persons projects and suggests that for cost comparison purposes, where multi purpose complexes are involved, a formula be developed on the basis of weighted averages between overnight accommodation and other facilities and services provided.

1.38 The Homeless Persons Assistance program was considered a Commonwealth initiative when it was introduced in 1974 although service organisations for some time previously had been providing care and support services for homeless people. In addition, the Department of Social Security had gained extensive experience in the provision of capital assistance for construction of welfare oriented premises under the Aged or Disabled Persons Homes Act long before the Homeless Persons Assistance legislation was introduced.

1.39 Consequently, the Committee concludes that the Department should have been able to draw on past experience to formulate appropriate parameters of standards and costs for use by organisations seeking financial assistance in the provision of homeless persons facilities and services. In this regard, for example, appropriate minimum and maximum floor areas per bed for overnight accommodation could have been laid down as well as appropriate minimum provisions for dining, recreational and staff facilities for drop-in or day care centres.

#### Standards and Guidelines

1.40 The Committee considers that until recently, the lack of specific standards and guidelines and a ceiling limit per bed for capital funding of projects has made the Department's responsibility for ensuring cost effectiveness of the Commonwealth's contribution under the Act more difficult.

The Committee concludes that as a result of the Homeless Persons Assistance Act providing Commonwealth capital assistance of up to 100% of project cost, there has been little incentive for sponsoring organisations and their architects to restrict costs on new projects.

1.41 Accordingly, the Committee approves of detailed Departmental standards and guidelines which organisations and their architects are required to observe when planning, designing and constructing homeless persons facilities as a guide to the nature and extent of Commonwealth financial assistance. The Committee also recommends the promulgation of standards for furniture, equipment and inclusions for Homeless Persons Centres.

1.42 During the preparation of the report the Committee was pleased to note that the Department was in the process of formulating revised and more detailed guidelines on administrative procedures to be followed by departmental staff involved in the Homeless Persons Assistance Program and that the specific points raised by the Auditor-General are to be incorporated therein. The Committee wishes to be informed of the completion of these guidelines.

1.43 The Committee recognises the need for a flexible administrative approach to the Homeless Persons Program in order to encourage a variety of service organisation responses to the problems associated with the homeless. However, the Committee agrees with the Auditor-General's comment that service organisations should be made aware in advance of requirements and limitations on design in terms of eligibility for assistance funding.

1.44 The Committee recommends that detailed Departmental standards and guidelines be incorporated along with physical building standards and guidelines into a comprehensive Program Manual. The Committee does not suggest that there should be complete standardisation in the facilities or design of homeless persons centres but rather the Department draw on past experience with both Homeless Persons and Nursing Home Programs to develop a Program Manual.

1.45 The Committee considers that a Program Manual would be of immeasurable assistance and guidance to both organizations embarking on homeless persons projects and the Departmental staff evaluating and administering the program, without sacrificing the necessary degree of flexibility required for the successful development and administration of community welfare projects.

## Contract Conditions

1.46 The Committee approves the Memorandum of Agreement of August 1981 whereby the Department of Housing and Construction undertakes to provide a number of professional services to assist the Department of Social Security in the administration of the Homeless Persons Program.

1.47 The Committee recommends that in addition to the services rendered under the Memorandum of Agreement, the Department of Housing and Construction provide a Design Service to organizations embarking on a homeless persons project.

1.48 The Committee recommends that the Design Service be undertaken by suitably qualified officers of the Department of Housing and Construction prior to formal approval for capital funding of a project by the Department of Social Security.

1.49 In particular, the Committee recommends that the Design Service include evaluation of the architectural design plans in terms of compliance with the Program Manual.

1.50 The Committee also recommends that in conjunction with the Department of Housing and Construction, the Department of Social Security undertake regular evaluation studies on existing homeless persons facilities to assess past design decisions. Results of evaluation studies would be used to systematically update the data base for homeless persons projects - the Program Manual. In this regard the Committee recognises the need for future flexibility in the Homeless Persons Program.

1.51 The Committee is concerned that the sum of \$10,000 for architects fees incurred in respect of sites not purchased was invalidly accepted by the Department of Social Security as a cost incurred in the overall project. It is not entirely clear from the evidence available to the Committee whether this problem has arisen due to inadequate administration of the approval procedures required by the Homeless Persons Assistance Act or whether it was due purely to an incorrect interpretation of the legislation. In either case the result can only be seen as a reflection on the efficiency of the Department in administering the legislation. The matter should be clarified in the guidelines.

## CHAPTER 2

### DEPARTMENT OF SOCIAL SECURITY

#### NATIONAL BENEFITS SYSTEM

#### Introduction

2.1 The Auditor-General's 1980/81 Report referred to an in-depth audit of the National Benefits System (NBS) undertaken during the period from October 1980 to January 1981. The objectives of the audit were to examine the history of the development and implementation of the system, to comment on the adequacy of management control over that process and to evaluate the system in operation in South Australia and the operations and security of the Adelaide computer centre.

2.2 As a result of the investigations the Auditor-General reported that he considered that the development of the NBS was not adequately controlled and to some extent, did not proceed in accordance with generally accepted practice. Because of the continuing operational difficulties and ongoing changes occurring in the system at the time, the Audit Office was unable to finalise the necessary testing and consequently could not reach a conclusion on the adequacy of the system's internal controls in a normal operational environment.

2.3 Since the Committee's public hearings into this matter on 20 May 1982, the Auditor-General at paragraph 18.1 of his September 1982 Report<sup>2</sup> and Paragraph 16.12 of his May 1983 Report<sup>3</sup> has commented further. The Auditor-General generally concluded that the NBS was working in a satisfactory manner and normal day-to-day computer processing was being handled without any major problems, but that a large number of processing problems and system faults remained to be dealt with.

2.4 These later comments of the Auditor-General have not been specifically considered in the context of the Committee's inquiry. However, where appropriate, these comments have been

1. Report of the Auditor-General upon the Financial Statements for the year ended 30 June 1981, Australian Government Publishing Service, Canberra 1981, p. 119, para. 2.19.1.
2. Report of the Auditor-General upon audits, examination and inspections under the Audit and other Acts September 1982. Australian Government Publishing Service, Canberra 1982.
3. Report of the Auditor-General upon audits, examinations and inspections under the Audit and other Acts, May 1983. Australian Government Publishing Service, Canberra, 1983.

used to update information previously supplied to the Committee. A copy of the Auditor-General's comments is at Appendix F. The Department of Social Security provided the Committee with an additional submission and a copy is at Appendix G.

2.5 The Auditor-General's 1980/81 Report contained specific comments and criticisms under the following headings:

- Cost Effectiveness/Strategic Analysis
- Internal Audit
- System Development
- Project Management
- Implementation
- Control Over Source and Object Modules
- Manual of ADP Standards
- Ongoing Operational Difficulties
- South Australian Operations

#### Background

2.6 As part of its responsibility for administering the Social Services Act 1947 the Department of Social Security issues cheques for the payment of unemployment, sickness and special benefits (US&SB). Prior to 1972 these cheques were produced manually using front feed typewriters. In response to a forecast of increased volumes of unemployment benefits due to industrial action in the Victorian power industry in 1972, the Department produced an ADP system relying on punched card input to print cheques using the Department's computer. This system, known as the Basic Unemployment Benefit System (BUBS) was introduced in Melbourne in 1972 and extended to other States over the next 2/3 years.<sup>4</sup>

2.7 A very significant increase in the number of persons eligible for the US&SB during the mid 1970's led to a number of additions being made to the then existing basic system. Extensions to the system were, however, severely limited by the basic nature of the original systems design. At that time the Department did not have adequate resources to enable it to produce a new ADP system for this purpose as it was then responsible for producing and implementing an ADP system for Medibank. Responsibility for Medibank was transferred to the

4. Reports of the Auditor-General Financial Year 1980-81, Minutes of Evidence Joint Parliamentary Committee of Public Accounts, Parliament of the Commonwealth of Australia, 1980, p. 13.

Department of Health in 1976 and a large number of Social Security ADP staff were also transferred to that Department.

2.8 As a consequence it was not until 1977 that resources could be allocated to the development of a comprehensive US&SB system. By this time the need for such a system was becoming critical as the existing system (BUBS) was inadequate to cope properly with the increased overheads in the unemployment area. Detailed planning for the NBS commenced in late 1977 and system design work commenced early in 1978. It was implemented as a pilot system in South Australia in April 1980.<sup>5</sup> This system carries out automatically many processing functions that were previously done clerically or not done at all. The functions now done automatically include the following:

- improved facilities for review of benefits;
- the assessment of rate based on weekly continuing income and any reported casual earnings;
- the adjustment of rate of benefit when the beneficiary reaches 18 years of age;
- the automatic issuing of fortnightly sickness and special benefit cheques up to the period of authorised cover;
- the production of advices to clients to inform them of grant, variation or termination of benefit;
- the production of an advice to inform clients that a dependent child is about to attain 16 years of age, requesting information which will determine whether the child will retain eligibility as a student child;
- the automatic calculation of an overpayment when advised of changed circumstances;
- the production of a wide range of statistical data required for research and policy planning purposes;
- strengthened financial controls; and
- improved facilities for handling legislative changes.

2.9 The Departmental witnesses conceded, however, that the NBS would not necessarily reduce the delay in actioning notices for cessation of benefit payments or assist in the identification of beneficiaries fraudulently seeking to obtain multiple benefits nor reduce the overpayment accumulation of almost \$45 million outstanding as at 30 June 1981.<sup>6</sup>

5. Minutes of Evidence, op. cit. p. 14.

6. Ibid., pp. 28-30.

2.10 The reasons for people continuing to receive cheques either for unemployment benefits or pensions etc., for some period after notifying the Department that they have ceased to be eligible can be put down to clerical error rather than computer systems error. There are necessarily clerical systems that provide for the input of such information into the computer system and if clerical action is delayed there is no way the computer system can act on advice that a beneficiary is no longer eligible. It was emphasised that in view of the many thousands of cases handled by the Department it is inevitable, unfortunately, that some mistakes are made.<sup>7</sup>

2.11 Under the unemployment benefit arrangements beneficiaries are required to submit fortnightly income statements to the Department. If such a statement is not received the NSB is so designed that a payment should not be made to the beneficiary concerned.

2.12 It is a positive stimulus system and unless there is an input instruction to make a payment, a payment is not made. This is the reverse to the computer systems relevant to the payment of pensions and family allowances where payments are automatic unless there is a specific input for a payment not to be made.<sup>8</sup>

2.13 People deliberately attempting to fraudulently duplicate claims by registering under different or false names establish a separate identity in some way. The Department has specific rules and instructions to be followed by assessors in determining eligibility. Each applicant is required to attend a pre-grant interview and must produce forms of identification to satisfy the interviewing officer of his identity. It was pointed out that in Australia identification of individuals is generally fairly difficult in the absence of a national identification card system as is operated in many overseas countries. The vast majority of Social Security beneficiaries, however, are issued with some form of identification card on the establishment of eligibility for a pension or benefit.<sup>9</sup> The Committee accepts that these cards do not assist the Department in identifying new applicants for benefits or existing beneficiaries who may seek to fraudulently duplicate existing payments by fabricating a false identity.

2.14 The outstanding balance of overpayments of almost \$55 as at 30 June 1982 is an accumulation of overpayments over a period of years in respect of all categories of pensions and benefits payable under the legislation administered by the Department. This figure is constantly changing due to the addition of further overpayments, recovery of amounts and the

writing-off of approved amounts under sub-section 70C(1) of the Audit Act. For example, the opening balance at 1 July 1981 was \$49m; net debits raised during the year amounted to \$28.1m; recoveries and write-offs amounted to \$18.6m leaving a balance outstanding as at 30 June 1982 of \$54.5m at 30 June 1982.<sup>10</sup> In this regard it should be noted that overpayments raised in 1981-82 represented 0.85% of outlays on those benefits compared with 0.92% in 1980-81 and over 1% in each of the four preceding years.

2.15 It was emphasised to the Committee that overpayments do not necessarily arise from errors on the part of the Department. The vast majority of overpayments result from beneficiaries omitting to advise the Department, inadvertently or otherwise, of changes in their circumstances which result in either total loss of eligibility for a particular pension or benefit, or a reduction in the rate of payment. This latter case enables recovery of regular appropriate amounts from the continuing reduced pension or benefit.<sup>11</sup>

2.16 During the discussions concerning the administration of the Unemployment Benefit arrangements and the management of the recovery of overpayments questions were raised regarding the control over payment of unemployment benefits in situations where applicants had transferred to interstate or intrastate areas where it was extremely unlikely that work would be available. In reply the Departmental representatives indicated that provisions existed whereby if a person transferred from an area of low unemployment to an area of high unemployment, continuation or grant of benefit could be postponed.<sup>12</sup>

2.17 In this regard section 120 of the Social Services Act 1947 provides:

120.(1) The Director-General may postpone for such period he thinks fit the date from which an unemployment benefit shall be payable to a person, or may cancel the payment of an unemployment benefit to a person, as the case requires-

- (a) if that person's unemployment is due, either directly or indirectly, to his voluntary act which, in the opinion of the Director-General, was without good and sufficient reason;
- (b) if that person's unemployment is due to his misconduct as a worker;

10. Public Accounts Committee File 1981/7.

11. Minutes of Evidence, op. cit. p. 29.

12. Ibid., p. 83.

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

8. Ibid., p. 33.

9. Ibid., pp. 35-37.

- (c) if that person has refused or failed, without good and sufficient reason, to accept an offer of employment which the Director-General considers to be suitable; or
- (d) if, in the opinion of the Director-General -
- (i) that person is a seasonal or intermittent worker; and
  - (ii) the income of that person is sufficient for the maintenance of himself and the persons who are ordinarily maintained by him notwithstanding a period of temporary unemployment.

(2) A period of postponement fixed in relation to a person under sub-section (1) in the circumstances set out in paragraph (a), (b) or (c) of that sub-section shall not be less than 6 weeks or more than 12 weeks.

2.18 However, the Committee noted that there are no statistics kept by the Department of Social Security to identify the number of cases where postponement or cancellation action is applied.<sup>13</sup>

#### Matters Raised by the Auditor-General

##### Cost Effectiveness/Strategic Analysis

2.19 The Auditor-General commented that prior to the decision to proceed with the development of the NBS the Department did not carry out a complete evaluation of the costs involved nor was a comprehensive examination made of alternative means of achieving the desired short or long term objectives. Also the systems design did not take full advantage of existing technological developments and equipment capabilities; consequently it was not evident to Audit that the most cost effective long term solution had been achieved.

2.20 Evidence was provided to the Committee that an ADP system for the U&S8 area had been designed as early as 1963 when a feasibility study team was first looking at the introduction of ADP into the then Department of Social Services. However, the pensions and family allowance systems had the greatest priority.<sup>14</sup>

2.21 Virtually a manual typewriter system was operated for the production of cheques for the payment of unemployment benefits until 1971/72. At that time the basic unemployment benefits system (BUBS) was introduced in Melbourne and later extended to the other mainland States.

13. Public Accounts Committee File 1981/7.

14. Minutes of Evidence, op. cit., p. 24.

2.22 Whilst it had been intended to extend the basic system to provide the features foreshadowed in the 1973 report of the feasibility study team the Department's ADP resources were utilised in the high priority task of introducing the health insurance scheme, Medibank, during the mid 1970's. In 1976 the health insurance function was transferred back to the Department of Health. At that time a significant number of the Social Security ADP staff were also transferred to Health.

2.23 As a consequence it was not until late 1977 that detailed planning for a new unemployment and sickness benefits system was commenced. Actual system design work commenced early in 1978.15

2.24 By this time the average weekly number of unemployment, sickness and special beneficiaries had grown to approximately 310,000 as compared to 53,000 in 1973. As a direct result of this growth in the number of beneficiaries the department was experiencing difficulty in maintaining the existing basic system. It was emphasised to the Committee that the Department was in fact fearful that the system would collapse completely and it would not be possible to make the necessary payments manually.<sup>16</sup>

2.25 The Departmental witnesses conceded that a cost evaluation exercise in the normal sense was not undertaken prior to the decision for development of the NBS.<sup>17</sup> It was pointed out, however, that in view of the circumstances prevailing during the 1970's the Department had only two feasible alternatives namely:

- continue to try to maintain the basic system until new computing equipment could be acquired and design a system which would exploit the new technology, or
- within the constraints of the existing equipment, design a system which would carry out automatically many of the functions currently being handled clerically and be more readily maintained.<sup>18</sup>

2.26 The first alternative would have meant a delay of up to four years for the acquisition of equipment. Consequently the real and immediate problem was seen not as one of determining the most cost effective long term solution but whether the four year equipment delay involved would put at risk the whole system for the payment of unemployment and sickness benefits. Senior management of the Department elected to proceed with the latter alternative.

15. Minutes of Evidence, op. cit., p. 14.

16. ibid., p. 44.

17. ibid., pp. 43-44.

18. ibid., p. 3.

2.27 The original Departmental estimate of manpower resources for the development of the NBS, made in October 1978, was for a total of 33 man years which included an ADP component of 22 man years. In fact the ADP manpower resources expended in the development of the system were in the order of 30 to 35 man years.<sup>19</sup> However, specific records of the total resources input were not kept and it was pointed out that in view of many overlapping responsibilities, requirements and functions between the developing NBS and the existing BUBS it was not possible to accurately determine the total manpower input. While conceding that it had exceeded its original estimate and confirming that records were not kept of the total input the Department suggested that the actual effort expended would be well below the 100-150 man years suggested by the Auditor-General.

2.28 As a result the Committee found it difficult to estimate the manpower resources expended in the development and implementation of the NBS. However, it considers that the Audit estimate is most likely to be appropriate to the overall situation taking into account development, design, implementation and subsequent monitoring. The original estimate was for '33 man years in total' but no attempt has been made to define exactly whether this estimate referred to all the procedures involved of system design, implementation and subsequent monitoring of the actual stages of introduction in the various States.

#### Internal Audit

2.29 The Audit review disclosed that there was minimal involvement by audit in the development of the NBS and its initial implementation in South Australia.

2.30 The Departmental witnesses conceded to the Committee that the degree of involvement of internal audit in the development and implementation of the NBS pilot operation in South Australia was minimal. The basic reason put forward for this was that there was only a very small internal audit section at that time.<sup>20</sup> During the Committee's hearing on the NBS the Department was in the process of expanding its internal audit resources.

2.31 As a result of experience gained in the implementation of the pilot NBS project in South Australia it became obvious that internal audit needed to be involved much earlier than it had been to that date. Consequently, in subsequent conversations in the other States ADP internal audit staff was much more directly involved on site at the computer centre and worked with the staff involved on the conversions.<sup>21</sup>

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

20. ibid., p. 57.

21. ibid., p. 59.

#### System Development

2.32 The Auditor-General commented on problems in the system development process. These included defects in the original design necessitating late changes to the system, the commencement of program specification before a detailed design had been completed, and difficulties with the co-ordination of the testing of the system.

2.33 The Committee was concerned as to why the NBS development commenced in 1978 in an environment of urgency when the Basic Unemployment Benefit System had apparently been overloaded since 1972. In explanation the departmental witnesses indicated that the BUBS had been coping with increasingly high volumes because changes had been progressively added to meet changing circumstances and Government policies. However, over the period of almost ten years in which the originally intended interim system had been operating the stage had been reached where it could not be guaranteed that necessary changes or additions could be made in anything like the time scale which the Government would have wished or that which management may have needed.<sup>22</sup> The basic system in many ways had grown from a very small system to a very large one by means of 'patches upon patches in programs'.

2.34 The system design used structured technologies of which there are two basic principles. The first is a technique marketed by the American Yourdon organisation; and the second is a technique marketed by an organisation called Business Intelligence System or Shrapnel.<sup>23</sup>

2.35 The Yourdon technique concentrates on a description of procedures or a flow of information which is very easy for both ADP and non-ADP people to understand. It uses only circles, called bubbles, with connecting lines depicting information flows. The circles represent processes which can then be broken down into other processes depicted by further bubbles giving a greater level of detail, hence the term 'structured'. This is supplemented by a data dictionary concept which clearly defines the data and processes being referred to thereby overcoming ambiguity on what is being described.<sup>24</sup> The Department has found that this technique had been very acceptable to all users as well as ADP staff.

2.36 The Business Intelligence System or Shrapnel mechanically converts the structured transformation of data into a hierarchy of modules in such a way that significantly increases the likelihood that similar results will be achieved even with completely different operators.

22. Minutes of Evidence, op. cit., p. 59.

23. ibid., pp. 60-61.

24. ibid., p. 61.



2.37 Basically these techniques were aimed at 'changing programming in the Department from being something like an art form into something more like a mechanical profession because of the concern with maintenance'.<sup>25</sup> The leader of the team involved in the development of the system had had some 15 years ADP experience and only one other member had had more than 10 years experience. But apart from the team leader and one other member, none had had any experience in implementing new systems in the Department of Social Security and had not had any working experience with the new technologies used in this development.<sup>26</sup>

2.38 In view of the new technologies being used and the lack of departmental ADP staff experienced in the use of these technologies the Committee was surprised that no attempt had been made to second more experienced staff from other departments. Also, only minimal use was made of outside consultants. In fact the use of consultants was virtually restricted to instruction in the use of the new structured techniques rather than in the overall development plan.<sup>27</sup>

2.39 Co-ordination and testing of the system was arranged in two stages. Firstly test data was run against the system by the programmers. The second stage involved Central Office operations staff and South Australian staff running their own data against the program to confirm that the correct or expected results were achieved.

2.40 Some adverse effects resulted from the commencement of the program of specifications before a detailed design had been completed. The main reason for this was the two year development period involved. Over such a period of time it is inevitable that change will occur and this necessitates changes to some of the earlier decisions even at the upper level of the logic and this will ripple down throughout all the lower levels. It was claimed that the shorter development time span the less likelihood there would be for this problem.<sup>28</sup>

#### Project Management

2.41 The Auditor-General commented that the lack of a project manager with sufficient authority to co-ordinate various aspects of the project was a significant factor in the problems experienced and that, at the time of review, the process of overcoming outstanding problems and of planning for implementation in other States was being hindered by the absence of a full time project manager.

25. Minutes of Evidence, op. cit., p. 62.

26. Ibid., p. 62.

27. Ibid., pp. 46-47.

28. Ibid., pp. 64-66.

2.42 The Departmental witnesses informed the Committee that there was no one officer who had overall control of the project.<sup>29</sup> This was one of the main lessons learned by the Department from experience in this project.

2.43 Initially the Department followed the historical practice of having the project under the direct control of a senior officer of the ADP Branch. This officer headed the joint ADP/State office working party established to develop the broad system design.<sup>30</sup>

2.44 As development progressed a Steering Committee consisting of the Branch Heads of the Systems and Operations Division of the Department was set up and an 'overview' of the systems specification was issued for consideration by all State Directors. Due to concern that the project would not meet its original timetable the Director-General decided in mid 1979 to reconstitute the Steering Committee as a joint Central Office/State Headquarters Committee at a more senior level.

2.45 The reconstituted Steering Committee comprised initially the First Assistant Director-General, Systems and Operations Division from Central Office, the State Director of the Victorian Administration and the First Assistant Director, Management, of the NSW Administration. Late in 1979 the State Director, South Australia joined the Committee.<sup>31</sup> This Committee continued to function with appropriately altered composition as the NBS conversion proceeded in the various States.

2.46 The Steering Committee met at approximately monthly intervals and considered progress reports from the Project Officer in charge of the various areas of activity -

- . ADP programming and systems testing;
- . preparation of clerical procedures and forms;
- . staff training;
- . timings on computer runs.

2.47 A very experienced officer of the Central Office Special Projects Branch who played a key co-ordinating role for the project was forced to take sick leave in mid-December 1979 and shortly afterwards retired from the service. Although the Department was aware that this officer had in fact intended to retire in February 1980 an appropriate back-up plan to meet such an eventuality was not available.<sup>32</sup>

29. Minutes of Evidence, op. cit., p. 74.

30. Ibid., p. 18.

31. Ibid.

32. Ibid., p. 70.

Whilst denying that the loss of this officer specifically caused the subsequent problems and difficulties which arose on the implementation of the pilot project in South Australia, it was found in retrospect that the loss had a bigger effect than was recognised at the time.

2.48 The Public Accounts Committee received an assurance from the Departmental witnesses that from the experience in this pilot project in South Australia steps have been taken to cover, as far as possible, the sorts of problems encountered there.<sup>33</sup> Following implementation of the pilot project in South Australia an Assistant Director-General was seconded for three months for full time attention to planning for implementation of the NBS in the Northern Territory and Queensland, and, then, as head of the Special Projects Branch, to maintain overall co-ordination of those projects reporting to the NBS Steering Committee.

2.49 The Committee notes that the Department profited from its mistakes and problems experienced in the implementation of the South Australian pilot project and continued the strategy used in the Northern Territory and Queensland conversions until the implementation of the NBS in all States was successfully completed in July 1982.

#### Implementation

2.50 Implementation of the NBS in South Australia originally scheduled for August 1979, was postponed to the end of February 1980, then to the end of March 1980 and finally to 14 April 1980. As at 28 March 1980, there were 76 critical operation reports which describe a situation where the results of processing are not in accordance with expectations. These were analysed by the Department and it was decided that only a small number needed rectification for implementation to proceed. The Department considered that the other known faults would not affect implementation.

2.51 The Auditor-General suggested that the decision to proceed with the implementation on 14 April 1980 proved to be in-advisable and costly. A series of problems arose, including the damage of 6,000 computer generated benefit master file records.

2.52 It was emphasised to the Committee by the Departmental witnesses that the management decision to implement the NBS in South Australia as a pilot project was based on the experience gained from the initial introduction of the pensions and family allowance systems. These were initially introduced in the late 1960's in the larger States of New South Wales and Victoria. After the implementation of these systems, when the state of the art was still relatively

new, it was found that a great deal of redesign work was required to enable the systems to cope with unforeseen problems that emerged.<sup>34</sup> South Australia was selected for implementation of the NBS as a pilot project on the grounds that it was of a size where unforeseen problems would not be so great and would be easier to correct or overcome to simplify implementation in the remaining States.

2.53 Various factors influenced the choice of a suitable date for the implementation of large systems. These factors included such matters as:

- legislative requirements to increase rates of benefit each six months in May and November;
- likelihood of systems changes and workload pressures arising out of Budget decisions in August each year; and
- peak processing demands that occur in December/January.

2.54 A provisional target date of August 1979 was initially set for implementation of the South Australian pilot project with the recognition that any postponement beyond that date would need to be for six months due to the constraints outlined. When it was realised in mid 1979 that this date would not be achieved a February 1980 date was set.

2.55 The Steering Committee found that the ADP system proved to be more complex than expected and testing procedures continued to locate logic errors beyond the date when a clear system was scheduled to be available for conversion. Accordingly, two more postponements were agreed upon until it was decided at a meeting on 9 April 1980 to proceed with implementation on 14 April 1980.

2.56 The Department of Social Security considers that in reaching the decision to proceed on this date, the Steering Committee acted on the best information available at the time. There was also concern for developing staff morale problems due to the continued postponements. In addition, knowledge gained from the training program geared to a February 1980 implementation was becoming out of date and lost through staffing changes.<sup>35</sup>

2.57 At the time the decision was taken there were known faults in the system but it was considered that only one of these was regarded as critical for systems implementation. However, further problems were encountered due to a machine fault in the computer centre and the emergence of other system faults undetected by the pre-implementation system testing.

33. Minutes of Evidence, op. cit., p. 73.

34. Minutes of Evidence, op. cit., p. 57.

35. Ibid., p. 21.

2.58 It has been freely acknowledged by the Department that difficulties did occur from the implementation in South Australia and which required additional ADP and clerical effort to be resolved. Also it was conceded in retrospect that there was inadequate testing, particularly in regard to very late system changes or amendments, and that some of the operating controls should have been more rigorously enforced.

2.59 Nevertheless the Department has claimed that despite these problems:

... the implementation of the Budget decision in August 1980 relating to concession cards for sickness beneficiaries was handled by the NBS in South Australia much more expeditiously, and with less clerical effort, than was possible in the other States.<sup>36</sup>

Also, high priority attention from a special working party resulted in correction of the problems which occurred with implementation of the pilot project in South Australia and the lessons learned from this experience enabled successful completion of the implementation of NBS in all States by July 1982.<sup>37</sup>

#### Control Over Source and Object Modules

2.60 The Auditor-General expressed concern in both his 1977-78 and 1978-79 Reports at the lack of control exercised by the Department over the use and amendment of programs. Despite departmental advice at that time to the effect that active consideration had been given to the matter the NBS audit disclosed that the situation had not been rectified and it was probably only a matter of time before a major control related problem occurred.

2.61 A computer centre is maintained in each State capital city and computer processing for the associated State and/or relevant areas is run on that system using programs developed and maintained in Central Office. The separation of production and development and maintenance is a very important security, practical, logistical and economic factor.

2.62 The Committee was concerned, however, that the department did not have a fully integrated national system. Even the equipment used varies considerably between most States. In New South Wales and Victoria Nat Semi AS3000 equipment, is in use, but in Queensland, South Australia and Western Australia IBM 37/145's are used. A local system using MDS Mohawk equipment is in use in Tasmania.<sup>38</sup>

36. Minutes of Evidence, op. cit., Departmental Submission p. 22.

37. Public Accounts Committee File 1981/7.

38. Minutes of Evidence, op. cit., p. 26.

2.63 Because of the transfer of the Medibank functions to Health the Department of Social Security was forced to seek suitable alternatives for its central development program. Consequently from about September 1981 central development work has been done on the CSIRO's FACOM facilities. An assurance was given that all specific Social Security application programs developed on the FACOM computer run without change on the IBM and Nat semi computers.<sup>39</sup>

2.64 The Departmental witnesses indicated that a major investment in new equipment involving new systems had very recently been approved by the Government. This new system, referred to as 'Stratplan', involves re-equipment of hardware and re-design of system philosophy towards online data base systems. The NBS system was designed with the new Stratplan in mind and is expected to be able to be 'migrated' to this system along with the pensions and family allowance systems very easily. In fact it was claimed that the NBS 'is going to be by far the easiest of all of the systems to convert.'<sup>40</sup>

2.65 The Committee notes that in the development of Stratplan the Department has followed totally the procedures defined by the Committee in its 174th Report - ADP Use of Automatic Data Processing in the Commonwealth Public Sector.

2.66 Prior to the Government's policy changes in regard to Health and Medibank the Department had taken a decision to acquire the proprietary software packages PANVALET and PANEXEC for the specific purpose of improving control over all production program modules. However, on the transfer from the Medibank IBM equipment to the 'almost' IBM compatible FACOM environment it was found that the PANEXEC package would not work.<sup>41</sup> This meant that the Department had to withdraw from the transfer of its programs to PANEXEC.

2.67 The Department is convinced that the PANVALET and PANEXEC are the only packages which will give the required level of control and that the PANEXEC will be made to work in the FACOM environment. Considerable progress has been made towards this end with substantial assistance from the software vendor. Pending total resolution of the problem strict manual methods of control on program modules are being continued.<sup>42</sup>

#### Manual of ADP Standards

2.68 The Auditor-General commented that the Department's manual of ADP standards had fallen into disuse and as a result the NBS development team, recognising the importance of standards for data processing (DP) development and design, was

39. Public Accounts Committee File 1981/7.

40. Minutes of Evidence, op. cit., p. 52.

41. Public Accounts Committee File 1981/7.

42. ibid.

forced to expend resources generating its own limited 'standards'. However, there was only one copy available for the large number of DP personnel involved.

2.69 The Departmental witnesses assured the Committee that they had 'extremely up to date and very good standards manuals'<sup>43</sup> which were applicable to the systems developed in the early 1970's and to the continuing maintenance work environment relative to those systems. However, as the development of the NBS was based on newer technology and used the 'structured' approach to systems design it was considered that incurring the expense of a large number of manuals would have been imprudent until the new approach had been found to be acceptable. Once the new technique was accepted by the Department revised standards manuals incorporating the new methods were issued to all programmers involved in development of application systems.

2.70 A set of the revised ADP Manual of Standards and Facilities was made available to the Committee by the Department. The format of the manual is of a three level of division into its various components i.e. Chapters, Sections and Paragraphs in a loose leaf form. Additions and amendments are issued as required with such issues clearly indicating the relevant chapter, section, paragraph and date effected. It is the responsibility of section leaders to ensure that the manuals allocated to their section are kept up to date. This appears to be adequate and appropriate to the Department of Social Security's ADP area.

#### Ongoing Operational Difficulties

2.71 The Auditor-General reported that at the time of the audit there were still large numbers of outstanding operations reports and some data files contained a number of damaged records. As a result the office staff have to use a multiplicity of involved clerical procedures to overcome deficiencies in the system. A special code had been included in one of the computer programs to specifically by-pass certain transactions. Staff operating the Adelaide computer have available the use of a special program (UGFILTER) to remove any transactions that have caused processing interruptions.

2.72 Concern was also expressed at the Department's inability to run NBS programs on the nominated back-up computer owned by another Government instrumentality.

2.73 The Department has asserted that as at March 1982 there were only six records on the NBS computer master file which contained damaged fields as a result of program errors, and these had no bearing on the payment of benefits to

43. Minutes of Evidence, op. cit., p. 86.

eligible beneficiaries. It was emphasised that at any given time there will be a number of systems faults occurring in large ADP systems.<sup>44</sup> These faults are ranked in order of priority for attention with the highest priority going to those that may have an effect on the accuracy of payments.

2.74 The special program UGFILTER was replaced by a facility known as SAFE. This facility provides an output report on each use of the program and allows for ready control.

2.75 As with the other ADP systems in the Department of Social Security, the NBS is subject to continuous change in response to a number of reasons such as legislation amendments, improved methods of processing and alterations to liaison arrangements with outside organisations etc. Accordingly extensive testing procedures have been developed to ensure that any changes introduced provide the expected results and do not corrupt other parts of the system not intended to be affected.<sup>45</sup> Such testing is carried out by experienced users of the system in the State offices in conjunction with the Central Office staff responsible for the maintenance of the system.

2.76 Due to difficulties in using other Department's computer centres for the purpose of back-up facilities the Department of Social Security has developed a nationally integrated fall-back plan relying on its own computer centres in various States. A copy of the Department's 'Computer Centre Contingency Plan', approved by its Security Committee was provided to the Committee.<sup>46</sup>

2.77 A prototype plan for South Australia had been completed and some testing done by August 1982 and the whole plan is scheduled for completion, including testing by early 1983. Pending this completion and implementation of the formal plan there is an informal plan whereby each site is supported by at least one other site.

#### South Australian Operations

2.78 Following the Audit in South Australia the Auditor-General raised the following matters with the State Director:

- physical security was deficient in both data access control and in the area of fire protection at the State Headquarters computer centre and the Norwood minicomputer area;

44. Minutes of Evidence, op. cit., p. 6.

45. Public Accounts Committee File 1981/7.

46. ibid.

- . control over application data files and computer programs and over the access thereto was deficient;
- . computer back-up arrangements were inadequate;
- . the absence of standard procedures in relation to specific aspects of manual processing of the NBS input and source documents resulted in differing practices at the Department's regional offices with the prospect of future problems;
- . doubts existed concerning the overall effectiveness of controls over the entry of transactions to the system; and
- . a reconciliation of the NBS tax records as at 30 June 1980 had not been finalised.

2.79 Evidence was provided to the Committee that action had been taken or was proposed to rectify all of the agreed deficiencies raised by the Auditor-General in regard to the South Australian Branch of the Department in all areas relevant to the NBS. Physical security in the SHQ Computer Centre and the Norwood Mini-computer area has been significantly up-graded.<sup>47</sup> A new after hours perimeter security alarm system has been installed at both areas. Card key systems have been installed on the perimeter of all the Department's computer centres with the exception of Perth. At this centre access to the centre itself is controlled by combination locks and high quality locks are installed for the building access. Responsibility for access approval rests with local computer centre managers. Access to data files and programs is restricted to authorised ADP staff.

2.80 All of the Department's computer centres are protected by an automatic gas flooding fire extinguishing system including smoke detectors, automatic alarms and portable extinguishers in appropriate locations. Regular fire drills are standard practice for all staff.

2.81 A substantial set of instructions covering all aspects of security within the Department's computer centres have been incorporated in a 'Computer Operations Manual' a copy of which was provided to the Committee.<sup>48</sup> The types of controls provided include the following:

- . restricted access to the computer room itself;
- . restricted access, both physical and logical, to the data;

47. Minutes of Evidence, *op. cit.*, pp. 6-7.

48. Public Accounts Committee File 1981/7.

- . backup of data both on-site and off-site;
- . destruction of obsolete data;
- . stringent control over activities such as file conversion during major systems change;
- . division of responsibilities especially between operations, programming and clerical staff;
- . ensuring leave is taken;
- . maintenance of audit trails;
- . use of standard systems and procedures;
- . use of standard and proven hardware;
- . provision of competent preventative and corrective maintenance for the hardware;
- . division of the environments into operational and development/maintenance;
- . detailed checking of new/amended systems by specialist officers outside the ADP area;
- . checks of all tasks submitted and run; and
- . all computer time accounted for.

2.82 As outlined above the Department has developed an 'Integrated National Computer Centre Contingency Plan'. Pending finalisation and full implementation of this plan there is an arrangement whereby all computer sites are supported by at least one other site. The Department firmly believes this arrangement is providing adequate security pending finalisation of the more formalised arrangements.

2.83 At the time of the Audit standardised formal clerical procedures had not been determined because the Department was experimenting with a new 'off-file' processing concept available as a result of the development of the NBS. Because of additional information held on the computer master-file and available on microfiche certain transactions can be clerically processed without reference to the paper file providing distinct benefits of improved client service. The pilot projects on this aspect were conducted in the Woodville and Norwood Regional Offices under the Direction of Central Office personnel. In addition other Regional Managers were encouraged to consider how off-file processing could be best used in their individual offices.<sup>49</sup>

49. Minutes of Evidence, *op. cit.*, p. 9.

2.84 The entry of transactions to the NBS is subject to the same controls applicable to the other payment systems operated by the Department of Social Security. These controls are being examined as part of the ongoing review of the Department's clerical procedures.

2.85 Following comment in the Auditor-General's Report, a further attempt was made to reconcile the 1979/80 taxation master file. Although a full reconciliation was not achieved the discrepancy has been reduced from \$1139.43 to \$0.64. Intensive examination revealed that the discrepancy was not due to faults in the ADP programs. The 1980/81 taxation master file has been reconciled.<sup>50</sup>

#### Conclusions and Recommendations

##### Cost Effectiveness/Strategic Analysis

2.86 The Department has conceded that a cost analysis in the normally accepted sense was not undertaken in regard to the development of the NBS. However full examination and analysis of all possible solutions available with advances in technology would have resulted in quite lengthy delays and conceivably meant the collapse of the existing patched-up basic system. In view of the circumstances the Committee considers that this was understandable.

2.87 The Committee is however concerned that the manpower resources estimated to be required for the design and implementation of the NBS were inadequate and that the Department was unable to accurately determine the resources cost for its implementation. The Committee considers that the project was inadequately controlled and recommends that the Department should in future ensure that adequate records are kept to ensure proper assessment of the cost effectiveness of such projects.

##### Project Management and Implementation

2.88 The Committee recognises that the Department has taken notice of its NBS experience, particularly with regard for the need to provide for prompt replacement of key personnel lost from such projects. However, it is recommended that the management and implementation of large ADP projects such as the NBS be under the overall control of one individual senior officer, to be designated as the project manager with sufficient delegated authority to ensure the project's success.

2.89 The Committee accepts that the South Australian implementation of the NBS was a pilot project designed to reveal and enable correction of unforeseen faults and problems

in a State where correction of these would not be too great a problem. However, the Committee believes the Department's decision to implement the NBS on 14 April 1980 was premature and that the ADP system should have been more rigorously tested, particularly given the number and complexity of late system changes and demands. The Committee recommends that for all future pilot projects the Department develop an integrated pre-implementation testing procedure covering ADP system logic, support machinery and staff training. The Committee also recommends that pre-implementation procedures to test pilot programs be so designed to ensure that the operation and consequence of late system changes and amendments are fully understood by all associated personnel.

##### Control Over Source and Project Modules

2.90 The Committee recommends that the necessary investigation work and consultation required to ensure the resolution of the problems experienced with the PANEXEC program be given the highest priority and that pending this resolution the present manual controls be strictly applied.

##### Ongoing Operational Difficulties and South Australian Operations

2.91 The Committee recommends that the highest priority be given to the completion and implementation on a National scale of the Department of Social Security's 'Integrated National Computer Centre Contingency Plan'.

2.92 The Committee will continue to monitor the overall operational effectiveness of the National Benefits System.

50. Minutes of Evidence, op. cit., pp. 9-10.

## CHAPTER 3

### DEPARTMENT OF FINANCE

#### EXPENDITURE IN EXCESS OF THE GOVERNOR-GENERAL'S WARRANT AND THE CLOSING OF ACCOUNTS AT YEAR END

##### Introduction

3.1 The Auditor-General's 1980/81 Report raised two important matters concerning the Department of Finance.1 These are as follows:-

- Non Compliance with the Audit Act - Expenditure in Excess of the Governor-General's Warrant; and
- Closing of Accounts at Year End.

3.2 The Auditor-General's 1980-81 Report at Paragraph 2.4.3 also noted unsatisfactory features relating to the banking of moneys and the year end closing of Receivers Trust Accounts maintained by the former Department of Business and Consumer Affairs (BACA). Submissions received by the Committee from BACA indicated that new procedures had been developed to prevent a recurrence of the matters raised by the Auditor-General.

3.3 These new procedures were accepted by the Committee as being generally satisfactory. As a result, the Committee decided not to examine BACA witnesses, particularly as the Department had been abolished in May 1982.

##### Expenditure in Excess of the Governor-General's Warrant

3.4 The Auditor-General noted that payments in 1980-81 from the Commonwealth Public Account, charged to the Consolidated Revenue Fund under a special appropriation provided by the States Grants (Tertiary Education Assistance) Act 1978 had exceeded the amount specified in the Warrants of the Governor-General by \$5,100,372. Although expenditure in excess of appropriation was not involved, a further Warrant should have been obtained from the Governor-General before moneys were withdrawn from the Commonwealth Public Account for the purposes of the appropriation.

3.5 The spending of money against Parliamentary appropriations is subject to certain controls specified in Part V of the Audit Act 1901. Although Parliament may have

1. Report of the Auditor-General upon the Financial Statements for the year ended 30 June 1981, Australian Government Publishing Service, Canberra 1981, pp. 57 and 58 paragraphs 2.9.4 and 2.9.5.

appropriated funds for a specific purpose money still may not be drawn from the Commonwealth Public Account and charged to that appropriation without a Warrant of the Governor-General. The Minister for Finance cannot obtain a Governor-General's Warrant in excess of an appropriation.

3.6 On the basis of Governor-General's Warrants issued to the Minister for Finance, Warrant Authorities are issued to the permanent head of the department responsible for disbursement of the Parliamentary appropriation. The recipient department then issues advices to its various authorising officers.2

3.7 The Department of Finance witnesses conceded that a breach of the Audit Act requirements had in fact occurred in that an amount of \$5,100,373 (\$1 more than the figure quoted by the Auditor-General) more than the sum of Governor-General's Warrant held in respect of the standing appropriation for the States Grants (Tertiary Education Assistance) Act 1978 had been expended in 1980/81. This had occurred as the result of a clerical error in the manual system of recording receipt of Governor-General's Warrant and the issue of Warrant Authority to the recipient department.3

3.8 This manual recording system involves recording, on a control card the Warrant number, the date of receipt and the monetary amount involved. Warrant Authorities issued are also recorded in the same manner as the control card. Warrant Authorities are signed and issued by delegates of the Secretary of the Department of Finance. These officers are typically clerk class 6 level of the third division of the public service.4

3.9 Evidence was provided to the Committee that Warrant Authority for \$813,913,305 issued by a delegate of the Secretary of the Department of Finance on 16 November 1980 was not recorded on the appropriate control card. As a consequence when a further issue of Warrant Authority of \$75,907,559 was sought and issued on 17 June 1981, the records incorrectly indicated that there was sufficient Governor-General's Warrant to cover this amount.5 This error and the consequent payment in excess of the Governor-General's Warrant was not discovered by the Department of Finance. It was brought to the Department's notice by the Auditor-General after the close of the financial year.6

2. Reports of the Auditor-General Financial Year 1980-81, Minutes of Evidence, Joint Parliamentary Committee of Public Accounts, Parliament of the Commonwealth of Australia, 1980, p. 139.
3. ibid., p. 91.
4. ibid., p. 130.
5. ibid., p. p. 91.
6. ibid., p. 127.

3.10 The system of recording Governor-General's Warrant and the issue of Warrant Authority was believed to be so simple that errors would not occur and had not occurred for some years. As a consequence there was no adequate back-up or check system. Following the discovery of this error by the Auditor-General the Department has instituted a check system whereby following each issue of Warrant Authority by the delegate of the Secretary the transaction entries are checked by a second officer. Also, regular reconciliations are undertaken whereby all the Warrant Authorities issued are added up as a separate exercise and compared against amounts available from Governor-General's Warrants recorded on the control card.<sup>7</sup>

3.11 The observer from the Auditor-General's office indicated that to his knowledge the possibility of this type of error occurring due to the lack of adequate checks and reconciliation had not previously been brought to the Department of Finance's attention by the Auditor-General. However, the Audit Office regarded the proposed system of checks and reconciliations as being satisfactory and provided they were carried out regularly felt they would minimise the recurrence of similar errors in the future. It was suggested that if at all possible the system could be computerised.<sup>8</sup>

3.12 The suggestion that the system of recording the receipt of Governor-General's Warrant and the issuing of Warrant Authority be computerised was pursued by the Committee with the departmental witnesses. However, it was pointed out that an officer could fail to record the issue of a Warrant Authority with a computer system just as easily as with a manual system.<sup>9</sup>

3.13 In his 1979-80 Report, at paragraph 2.8.1, the Auditor-General stated that the Department of Finance had spent approximately \$8.61m in excess of the Governor-General's Warrant in respect of the special appropriation under the Superannuation Acts. The 1979-80 error is significantly different from the current error. In the current case, the Department of Finance had expended more than the total amount available from the Governor-General's Warrant. However, in 1979-80, the mistake was caused by recipient department authorising officers allowing expenditure in excess of warrant authorities issued to them by the Department of Finance.

3.14 As a result of the Auditor-General's comments the Department of Finance has developed computer systems which prohibit Departments expending more than the Warrant Authority issued to them.<sup>10</sup> These new computer system controls are contained in the Finance ledger system and:-

7. Minutes of Evidence, *op. cit.*, p. 128.

8. *Ibid.*, pp. 132-133.

9. *Ibid.*, p. 134.

10. *Ibid.*, p. 140.

enable authorised officers in head offices of departments to use the Finance computer network to provide warrant advice to subordinate Authorising Officers around Australia (previously the procedure called for Warrant Advice forms to be mailed from head offices of departments to subordinate Authorising Officers who then input the data to the system thus giving rise to delays and considerable scope for clerical error);

automatically report to, and prevent departments from inputting Warrant Advice into the system in excess of the Warrant Authority available (this check was not previously available).

3.15 These controls should minimise the possibility of similar errors occurring in the future.

3.16 At a more general level, the Committee notes that the legislative requirement for the Minister for Finance to obtain a Governor-General's Warrant has been in existence for many years, and may not necessarily serve as an appropriate control mechanism. The requirement could instead cause unnecessary inconvenience and delay in the issue of funds to meet payments against Parliamentary appropriations. Accordingly the Committee suggests that the Department of Finance in conjunction with Auditor-General's Office may wish to investigate the appropriateness of and necessity for the Audit Act requirements regarding Governor-General's Warrant.

#### Closing of Accounts at Year End

3.17 A major objective of the Department of Finance accounting system is the production of accurate financial statements pursuant to sections 49 and 50 of the Audit Act 1901. In this context the closing of accounts at year end is an important process.

3.18 The procedures for closing the accounts at the end of a year are prescribed by Finance Directions 17.1 and 17.2 and supplemented by procedural memoranda issued before 30 June by the Department of Finance and, in respect of local arrangements, by the accounting offices in each State and Territory. Additionally the Department of Finance in May of each year issues a detailed closing of accounts circular. Copies of the 1982-83 Circulars are at Appendix M.

3.19 Amongst other things, the closing of accounts instructions require departments to ensure that:-

significantly large amounts due and payable to the Commonwealth on or before 30 June were received in sufficient time to permit their lodgement to the credit of the Commonwealth Public Account before the close of accounts on 30 June;



- generally accounts for payment were submitted by 19 June; however, every effort was to be made to process accounts up to and including 30 June, particularly where significant amounts were involved;
- errors disclosed after 30 June that would distort the presentation of figures for the year were to be reported to the Department of Finance for a decision as to whether an adjustment was to be made. Approved adjustments were to be advised to the Audit Office, and;
- reimbursement of drawing accounts in respect of 30 June expenditure was to be completed on 30 June.

3.20 An important audit objective of the closing of accounts procedures is to provide assurance that the receipts and payments of the financial year are reflected in the annual financial statements. In this regard the Auditor-General considered that the incidence and variety of deficiencies disclosed in 1980-81 suggest that adherence to the closing of accounts directions is inadequate in some departments. A particular concern of the Auditor-General is to ensure that significantly large amounts of money, due on or before 30 June, are received and processed in sufficient time to permit lodgement in the Commonwealth Public Account before the close of accounts on 30 June.

3.21 The Auditor-General cited a number of instances where the directions for the closing of accounts had not been adhered to.<sup>11</sup>

3.22 These included:

- Receivers of Public Moneys. A review of Receiver Trust Accounts at the (former) Department of Business and Consumer Affairs disclosed that:
  - Moneys had been held in Receivers Trust Accounts for periods up to 10 weeks; and
  - Moneys amounting to \$4,229,315 were held in Receivers Trust Accounts at 30 June 1981, including moneys which were paid into the Commonwealth Public Account in July.
- Moneys received and unbanked. A total of \$47,028,247 had remained unbanked by the (former) Department of Business and Consumer Affairs and the Australian Taxation Office on 30 June 1981.

11. Report of the Auditor-General 1980/81, op. cit., pp. 58-60.

- Revenue not credited to the Consolidated Revenue Fund. Revenue amounting to \$918,921 received by the Department of Transport on 10 June 1981 was credited to the Trust Fund instead of the appropriate head of revenue in the Consolidated Revenue Fund.

Further, Revenue totalling \$3,937,414 received by the (former) Department of Business and Consumer Affairs in April and June 1981 was not paid to the credit of the Consolidated Revenue Fund until early July 1981.

- Cash and Investment Balances. In a number of instances at 30 June 1981, departmental drawing accounts had not been reimbursed for cheques issued to that date.

- Drawing Accounts overdrawn. During 1980/81, it was noted that drawing accounts operated by the Department of Finance in Darwin, and the Department of Veterans' Affairs in Brisbane and Perth were overdrawn at the reserve bank.

- Reconciliation of bank accounts with the cash record. The Commonwealth Public Account at Darwin had not, at the date of printing of the Auditor-General's Report, been reconciled with the relevant accounting record as at 30 June 1981.

- Unpaid accounts and accelerated expenditure. More than 500 accounts from 21 Departments were paid in July 1981 for amounts totalling over \$5m. The accounts had become due and payable in June 1981. Further, over 50 accounts totalling in excess of \$1m were paid in June 1981 in advance of due date or prior to the receipt of goods and/or services.

3.23 The Department of Finance witness emphasised to the Committee that in accordance with Section 2AB of the Audit Act, the responsibility for ensuring that the legislative requirements are carried out in respect of the operations and transactions of Departments and authorities rests with the appropriate Permanent Head.<sup>12</sup> However, the Department of Finance, in respect of the closing of accounts procedures assists Departments where appropriate. The Department of Finance also provided the Committee with a detailed paper on the types of Bank accounts operated by the Commonwealth and a copy is at Appendix I.

3.24 During the Inquiry the Departments of Finance and Business and Consumer Affairs provided the Committee with the following information in respect of the specific criticisms made by the Auditor-General.

12. Minutes of Evidence, op. cit., p. 94.

## Receivers of Public Moneys

The then Department of Business and Consumer Affairs's submission of 31 March 1982 contained details of new procedures which were introduced as a result of a major review of its practices relating to the receipt of public monies. These procedures have the 'in principle' support of the Department of Finance and the Auditor-General's Office.

3.25 The new procedures are that all Receivers Trust Accounts will be closed. Instead, the department will directly credit the Commonwealth Public Account through revenue heads or credit the Trust Fund - other Trust Monies where correct revenue heads are not known. This will ensure that all moneys received are banked immediately to the Commonwealth Public Account. Subsequent adjustment action will, where necessary, be taken after banking.<sup>13</sup>

### Moneys Received and Unbanked

3.26 Evidence provided by the Department of Finance showed that in respect of 1980-81 substantial amounts were brought to account indicating the efforts made by accounting officers in Departments to record collections received on 30 June 1981. In Business and Consumer Affairs, \$91.5m was banked on 30 June 1981, which was approximately 3 times the average daily amount credited by that department to the Commonwealth Public Account. The Australian Taxation Office banked approximately \$268m on 30 June, which is an amount also significantly higher than its average daily banking.<sup>14</sup>

### Revenue not Credited to the Consolidated Revenue Fund

3.27 Information supplied by the Department of Finance showed that an amount of \$918,912 received by the Department of Transport was, through clerical error, paid into the Trust Fund instead of the Consolidated Revenue Fund. Where such errors are made, provision is available within the Finance Ledgers System to enable departments during the financial year to correct such errors.

3.28 Arrangements can also be made after the close of the financial year for manual adjustments to be made to the Central Finance Ledger in respect of amounts incorrectly recorded as at 30 June. No request was made by the Department of Transport for a manual adjustment of the figures reported as being incorrectly recorded in the Appropriation/Revenue Ledger as at 30 June 1981.<sup>15</sup>

13. Minutes of Evidence, *op. cit.*, p. 22.

14. *Ibid.*, pp. 95-96, 123.

15. *Ibid.*, p. 96.

3.29 The Department of Finance relies on departments to ensure that correct information is placed on claims for payment to enable them to be posted to the correct account. Due to the large number of transactions involved, it is not possible for the Department of Finance to monitor all transactions paid into Commonwealth accounts.

3.30 As a result of its review, Business and Consumer Affairs has developed new procedures, to ensure that all moneys received will be credited to the Consolidated Revenue Fund on the same day as received or if this is not practicable on the next working day. In future, banking will not be delayed pending the checking of documentation. If, after checking, are found to be incorrect then subsequent adjustments will be made.<sup>16</sup>

### Cash and Investment Balances

3.31 Reimbursement from the Commonwealth Public Account to a departmental drawing account is done by the Department of Finance accounting offices within 24 hours of the receipt of a ledger posting schedule (Form TF 23) from the department concerned. The Department of Finance is not aware of payments made from another departments drawing account until a posting schedule is provided. Responsibility for ensuring that relevant appropriations are duly charged and that drawing accounts are reimbursed rests, pursuant to Section 34 of the Audit Act, with the authorising officer of the department concerned.<sup>17</sup>

3.32 The Committee has been informed that the annual closing of Accounts Circular issued by the Department of Finance will, in future, contain specific instruction requiring those departments operating drawing accounts to ensure that all expenditures for the financial year have been charged to the appropriation and relevant drawing accounts reimbursed. The 'Finance Ledgers System' manual, issued to all departments, also contains a section on the ledger posting schedule (Form TF23) used by departments operating their own drawing accounts and this will be expanded to include specific instructions on the procedures to be followed in the submission of forms 23 to the Accounting Offices.<sup>18</sup>

### Drawing Accounts Overdrawn

3.33 The Department of Finance informed the Committee that the overdrawing of its Darwin drawing account was caused by a large urgent payment to the Northern Territory Government being cleared by the Reserve Bank, Sydney, on the same day it was drawn. Procedures have now been introduced whereby the

16. Minutes of Evidence, *op. cit.*, p. 122.

17. *Ibid.*, p. 97.

18. *Ibid.*, pp. 97-98.

drawing account is reimbursed from the Commonwealth Public Account on the same day as large urgent payments are drawn. These new procedures will ensure that a similar situation will not recur.19

3.34 The Department of Veterans' Affairs advised the Committee that the departmental drawing accounts in Brisbane and Perth were overdrawn because of a delayed authorisation of the form TF23 for reimbursement of the drawing account. These delays were caused by the lack of written procedures and the inexperience of new staff. Action has been taken by the department to ensure that the authorisation of the TF 23 is performed before the issue of cheques and that the relevant forms are dispatched to the Department of Finance. Additionally, written procedures have been compiled and staff have been fully trained.20

#### Reconciliation of Bank Accounts with the Cash Record

3.35 The Commonwealth Public Account in Darwin had not been reconciled for several years due to the loss of essential accounting records in Cyclone Tracy, as well as a high level of staff turnover in the Darwin office of the Department of Finance. These problems have now been overcome and the account has now been reconciled. In future, normal procedures will ensure that the account is reconciled daily.21

#### Unpaid Accounts and Accelerated Expenditure

3.36 Evidence provided by the Department of Finance indicates that the non payment or accelerated payment of accounts towards the end of the financial year is a persistent problem. Some of the reasons for late payment of accounts are delays in the State Offices of Departments receiving invoices from remote centres, or the necessity to check accounts in cases where there are discrepancies between the services received and those recorded on the invoice.

3.37 In respect of accelerated expenditure, there is an element of incentive for departments to spend money prior to the close of the financial year, so that they can avoid unspent monies lapsing and be in a better position next year to bargain with Department of Finance Representatives. Some accelerated expenditure also occurs through clerical error, where officers have not fully determined that goods or services have been received prior to paying accounts.22

3.38 The Department of Finance, whilst not condoning the practice of departments delaying or accelerating the payment of accounts, does not regard it as a very serious problem in the context of the number and value of Commonwealth government transactions within the financial year. In its Closing of Accounts Circular, the Department of Finance emphasises to departments that all entitlements and claims that are normally due for payment in a financial year should be paid in that year. Through its instructions to Permanent Heads and training courses for certifying officers the Department of Finance makes every endeavour to ensure that Departments are aware of their responsibility not to accelerate the payment of accounts.23

#### Conclusions

3.39 The Committee concludes that the Computer Control Systems for the issue of Warrant Advices by recipient departments to their authorising officers are satisfactory. Also, the more recently instituted manual checks on the issue of Warrants authority and the regular reconciliation with the total amount available in the Governor-General's Warrant are considered to be an acceptable control mechanism pending the introduction of a computerised system.

3.40 The new procedures instituted by the former Department of Business and Consumer Affairs concerning the banking of moneys and the operation of Receivers Trust Accounts should overcome the problem. The Committee notes that the new procedures have been adopted by the Department of Industry and Commerce which took over many functions of the former Department of Business and Consumer Affairs on 7 May 1982.

3.41 The Committee supports the Department of Finance's action of specifically instructing other Departments of the need to reimburse their drawing accounts by 30 June each year. Of particular concern to the Committee is that the Department of Veterans' Affairs drawing accounts in Brisbane and Perth were overdrawn on several occasions during 1980-81.

3.42 The Committee notes that the standing instruction from the Department of Finance on unpaid accounts is specific and should be followed by all departments. This instruction states:-

Departments are to note that all entitlements and claims that are normally due for payment in a financial year should be paid in that year. Where funds are insufficient to meet such claims, urgent application should be made to the Department of Finance for additional funds from the Advance to the Minister for Finance or for the release of funds surrendered as savings and frozen.

19. Minutes of Evidence, *op. cit.*, p. 98.  
20. Public Accounts Committee File 1981/7.  
21. Minutes of Evidence, *op. cit.*, pp. 98, 148.  
22. *Ibid.*, pp. 150-153.

3.43 Further, Finance Regulation 45 provides that a claim should not be paid unless it has been properly certified that the goods or services to which that claim relates have been received. The Committee considers that this regulation should be strictly followed by all departments.



## Homeless Persons Assistance Act 1974

No. 148 of 1974

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### AN ACT

To provide for Payments by Australia in respect of the Provision of Assistance for Homeless Persons and for certain other Persons.

[Assented to 13 December 1974]

BE IT ENACTED by the Queen, the Senate and the House of Representatives of Australia, as follows:—

1. This Act may be cited as the *Homeless Persons Assistance Act 1974*. Short title.
2. This Act shall come into operation on the day on which it receives Commence-  
the Royal Assent. ment.
3. In this Act, unless the contrary intention appears— Inter-  
"alteration", in relation to a building or other improvement on land, pretation.  
includes an addition to the building or improvement;  
"approved assistance" means assistance by way of food, accommoda-  
10 tion or a social welfare service;

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- " approved project " means the purchase of land, or the construction or alteration of a building or other improvement on land, approved under section 4 or carried out in accordance with an approval under that section;
- " building " includes a part of a building and an addition to a building; 5
- " committee " means a committee established under section 15;
- " eligible organization " means—
- (a) an organization that is carried on otherwise than for the purpose of profit or gain and is approved by the Minister as an eligible organization for the purposes of this Act; 10
  - (b) a local governing body; or
  - (c) the trustees for the time being under a trust established for charitable or benevolent purposes, being a trust in relation to which the Minister has determined that the trustees constitute an eligible organization for the purposes of this Act, 15
- and includes—
- (d) the trustee or trustees under a trust established by an organization referred to in paragraph (a) or by a local governing body; and 20
  - (e) a corporation established by such an organization or by a local governing body;
- " homeless person " means—
- (a) a person who has attained the age of 16 years and— 25
    - (i) has no settled home and is in need of approved assistance; or
    - (ii) although having a settled home, is temporarily in urgent need of approved assistance; or
  - (b) a person in respect of whom a person referred to in paragraph (a) is qualified to receive an endowment under Part VI of the *Social Services Act 1947-1974*; 30
- " homeless persons assistance centre " means a place where approved assistance is, or is proposed to be, provided either wholly or mainly for homeless persons and where any accommodation provided is provided by way of temporary assistance only; 35
- " local governing body " means a local governing body established by or under a law of a State or Territory;
- " organization " includes a society and an association;
- " prescribed period " means the period of 3 years commencing on the date of commencement of this Act; 40
- " social welfare service " means a service or treatment provided by a social welfare worker;

- " social welfare worker " means a social worker, welfare officer, psychologist, occupational therapist or other person who provides a service or treatment that—
- (a) is directed to promoting the welfare of persons; and
  - (b) is of a kind for the time being approved by the Minister for the purposes of this Act.
- 5
4. Where the Minister is satisfied that— Approval of projects.
- (a) during the prescribed period, an eligible organization—
    - (i) has purchased or proposes to purchase any land, including land on which buildings or other improvements are constructed; or
    - (ii) has constructed or altered or proposes to construct or alter a building or other improvement on any land; and
  - (b) the land purchased or proposed to be purchased, or the building or improvement constructed or altered or proposed to be constructed or altered is used or is proposed to be used permanently by or on behalf of that organization for or in connexion with a homeless persons assistance centre,
- the Minister may, in his discretion, approve, for the purposes of this Act, 20 the purchase or proposed purchase or the construction or alteration or the proposed construction or alteration, as the case may be.
5. (1) Subject to this section, the Minister may, in his discretion, on behalf of Australia, pay to the eligible organization concerned an amount not exceeding the cost of an approved project. Grants in respect of approved projects.
- 25 (2) A payment under this section in respect of an approved project shall not be made except to a corporation in which, or to trustees in whom, there is vested or is to be vested—
- (a) where the approved project is the purchase or proposed purchase of land—that land; or
  - (b) where the approved project is the construction or alteration, or the proposed construction or alteration, of a building or other improvement—the land on which the building is to be constructed or is situated.
- 30
6. Where the Minister is satisfied that, during the prescribed period, 35 premises of which an eligible organization is the tenant are used or are proposed to be used for or in connexion with a homeless persons assistance centre that is operated or is proposed to be operated by or on behalf of that organization, the Minister may, in his discretion, on behalf of Australia, pay to that organization—
- (a) an amount not exceeding the amount of rent paid by that organization in respect of those premises during so much of that period as the Minister, in his discretion, thinks fit; Grants in respect of rent of premises.
- 40

- (b) an amount not exceeding the cost incurred during that period by that organization of any alteration of a building or other improvement that forms part of those premises and is used or is proposed to be used for or in connexion with that homeless persons assistance centre; and
- (c) if that organization became the tenant of those premises during that period, an amount not exceeding the cost incurred by that organization of obtaining the tenancy of those premises.

Grants  
in respect of  
fixtures, &c.

7. Where the Minister is satisfied that, during the prescribed period, a homeless persons assistance centre is operated or is proposed to be operated on any land by or on behalf of an eligible organization, the Minister may, in his discretion, on behalf of Australia, pay to that organization—

(a) an amount not exceeding the cost (including the cost of installation) incurred by that organization of any fixtures installed by or on behalf of that organization during that period in a building or other improvement on that land that is used or is proposed to be used for or in connexion with that homeless persons assistance centre; and

(b) an amount not exceeding the cost of any furniture, furnishings or equipment purchased by or on behalf of that organization during that period and used or proposed to be used in connexion with that homeless persons assistance centre.

Grants  
in respect of  
staff.

8. (1) Where a person is employed as a social welfare worker by or on behalf of an eligible organization to provide a social welfare service at a homeless persons assistance centre operated by or on behalf of that organization, the Minister may, in his discretion, on behalf of Australia, pay to that organization the amount necessary to reimburse that organization in respect of an amount not exceeding one-half of the salary or wages paid by or on behalf of that organization to that person for the provision of that service during such period or periods after the commencement of this Act as the Minister, in his discretion, thinks fit.

(2) Where 2 or more persons are employed as social welfare workers by an eligible organization to provide social welfare services at the same homeless persons assistance centre at the same time, the Minister shall not make a payment under sub-section (1) in respect of the salary or wages paid to more than 1 of those persons unless the Minister is satisfied that special circumstances exist that justify his making such a grant.

Grants in  
respect of  
food and  
accommoda-  
tion.

9. (1) The Minister may, in his discretion, on behalf of Australia, pay to an eligible organization, in respect of any day after the commencement of this Act on which food and accommodation are provided for homeless persons at a homeless persons assistance centre operated by or on behalf of that organization, an amount calculated at such rate as is prescribed for each homeless person to whom food and accommodation are so provided on that day.

(2) A reference in sub-section (1) to the provision of food includes a reference to the provision of a ticket, voucher or token that may be exchanged for food.

10. (1) The Minister may, in his discretion, on behalf of Australia, pay to an eligible organization, in respect of any day after the commencement of this Act on which meals are provided for homeless persons at a homeless persons assistance centre operated by or on behalf of that organization, an amount calculated at such rate as is prescribed for each meal provided on that day to a homeless person for whom that organization does not provide accommodation on that day.

(2) A reference in sub-section (1) to the provision of a meal includes a reference to the provision of a ticket, voucher or token that may be exchanged for a meal.

11. Payments under this Act shall be made at such times, or by such instalments at such times, as are determined by agreement between the Minister and the eligible organization concerned or, in the absence of such an agreement, by the Minister.

12. The Minister may, at such times as he thinks fit, make advances of such amounts as he thinks fit to an eligible organization on account of a payment that may become payable under this Act.

13. (1) A payment or advance under this Act may be made upon such terms and conditions, not inconsistent with this Act, as the Minister thinks fit.

(2) Before a payment or advance is made under this Act, the Minister may require the eligible organization concerned to enter into an agreement with him with respect to the terms and conditions upon which the payment or advance is to be made.

(3) Without limiting the generality of sub-sections (1) and (2), an agreement under sub-section (2) may, if the Minister considers the circumstances so require, include provision for the repayment of the whole or part of the payment or advance to Australia in specified circumstances, and for the giving of security for the carrying out of the agreement.

14. An approval or determination for the purposes of this Act shall be given or made in writing under the hand of the person giving the approval or making the determination.

15. (1) The Minister may establish such committees as he thinks fit for the purpose of giving advice to the Minister on such matters relating to the administration of this Act as the Minister directs and may appoint persons to be members of a committee so established.

(2) A member of a committee shall be paid such remuneration as is determined by the Remuneration Tribunal but, if no determination of that remuneration by the Tribunal is in operation, he shall be paid such remuneration as is prescribed.

(3) A member of a committee shall be paid such allowances as are prescribed.

(4) This section has effect subject to the *Remuneration Tribunals Act 1973-1974*.

Delegation. 16. (1) The Minister may, by writing under his hand, delegate to an officer of the Australian Public Service, either generally or otherwise, 10 all or any of his powers and functions under this Act except this power of delegation.

(2) A power or function so delegated may be exercised or performed by the delegate in accordance with the delegation.

(3) A delegate of the Minister is, in the exercise of his powers and the 15 performance of his functions under this Act, subject to the directions, if any, of the Minister.

(4) A delegation under this section is revocable at will and does not prevent the exercise of a power or the performance of a function by the 20 Minister.

Appropriation. 17. Payments under section 5, 6, 7 or 8, and advances on account of payments under that section, shall be made out of moneys appropriated from time to time by the Parliament for the purposes of that section.

Moneys to be paid out of National Welfare Fund. 18. Payments under section 9 or 10, and advances on account of payments under that section, shall be made out of the Trust Account 25 established under the *National Welfare Fund Act 1943-1952* and known as the National Welfare Fund.

Regulations. 19. The Governor-General may make regulations, not inconsistent with this Act, prescribing all matters that are required or permitted by this Act to be prescribed or are necessary or convenient to be prescribed 30 for carrying out or giving effect to this Act.



## Homeless Persons Assistance Amendment Act 1977

No. 142 of 1977

### AN ACT

To amend the *Homeless Persons Assistance Act 1974*.

[Assented to 10 November 1977]

BE IT ENACTED by the Queen, and the Senate and House of Representatives of the Commonwealth of Australia, as follows:

1. (1) This Act may be cited as the *Homeless Persons Assistance Amendment Act 1977*. Short title, &c.
- 5 (2) The *Homeless Persons Assistance Act 1974*\* is in this Act referred to as the Principal Act.
2. This Act shall come into operation on the day on which it receives Commence-ment the Royal Assent.
3. Section 3 of the Principal Act is amended by omitting " 3 " from Interpretation the definition of " prescribed period " and substituting " 4 ".
- 10 4. The Principal Act is amended as set out in the Schedule. Formal amendments

#### SCHEDULE

Section 4

##### FORMAL AMENDMENTS

The following provisions of the Principal Act are amended by omitting "Australia" and substituting "the Commonwealth":  
Sub-section 5 (1), sections 6 and 7 and sub-sections 8 (1), 9 (1), 10 (1) and 13 (3).

\* Act No. 148, 1974.



APPENDIX C

Homeless Persons Assistance  
Amendment Act 1978

No. 114 of 1978

AN ACT

To amend the *Homeless Persons Assistance Act 1974*.

[Assented to 29 September 1978]

BE IT ENACTED by the Queen, and the Senate and House of Representatives of the Commonwealth of Australia, as follows:

1. (1) This Act may be cited as the *Homeless Persons Assistance Amendment Act 1978*. Short title, &c.
- 5 (2) The *Homeless Persons Assistance Act 1974*\* is in this Act referred to as the Principal Act.
2. This Act shall come into operation on the day on which it receives the Royal Assent. Commencement
3. Section 3 of the Principal Act is amended by omitting " 4 " from the definition of " prescribed period " and substituting " 5 ". Interpretation

\* Act No. 148, 1974 as amended. For previous amendments see Act No. 142, 1977.



APPENDIX D

Homeless Persons Assistance  
Amendment Act 1979

No. 130 of 1979

AN ACT

To amend the *Homeless Persons Assistance Act 1974*.

[Assented to 19 November 1979]

BE IT ENACTED by the Queen, and the Senate and House of Representatives of the Commonwealth of Australia, as follows:

1. (1) This Act may be cited as the *Homeless Persons Assistance Amendment Act 1979*. Short title, &c.
- 5 (2) The *Homeless Persons Assistance Act 1974*\* is in this Act referred to as the Principal Act.
2. This Act shall come into operation on the day on which it receives the Royal Assent. Commencement
3. The title of the Principal Act is amended by omitting " Australia " title and substituting " the Commonwealth ".

\* Act No. 148, 1974 as amended. For previous amendments see No. 142, 1977; and No. 114, 1978.  
15400/79 Cat. No. 79 5285 2



Interpretation 4. Section 3 of the Principal Act is amended by omitting the definition of "prescribed period".

Approval of projects 5. Section 4 of the Principal Act is amended by omitting from paragraph (a) "during the prescribed period," and substituting "at any time after the commencement of this Act," 5

Grants in respect of rent of premises 6. Section 6 of the Principal Act is amended by omitting "the prescribed period," and substituting "a period after the commencement of this Act,"

Grants in respect of fixtures, &c. 7. Section 7 of the Principal Act is amended by omitting "the prescribed period," and substituting "a period after the commencement of this Act," 10



Department of Social Security  
PO Box 1, Woden, ACT 2606 Telephone: 89 1444 Telex: 62143

Please quote 80/1316

The Secretary  
Joint Parliamentary Committee  
of Public Accounts  
Parliament House  
CANBERRA

JOINT PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS  
INQUIRY INTO THE AUDITOR-GENERAL REPORT 1980/81 -  
ASSISTANCE FOR HOMELESS PERSONS

The following information is provided in response to your memorandum of 13 May 1983. The information is in point form and follows the same sequence as your memorandum.

- The maximum capital funding limit per bed for the construction of homeless persons projects remains \$14,000 as set by the previous Minister for Social Security on 14 February 1982. This is an interim funding limit pending an assessment and evaluation by the Department of Housing and Construction of the various types of facilities provided for homeless people under this subsidy program.
- Homeless persons facilities include night shelters; hostels providing longer-term accommodation, medical clinics, occupational therapy, recreation, and occasionally only, detoxification units; unattached day centres which provide counselling and referral services and usually meals; and premises which provide counselling and referral services only.
- New guidelines for the administration of the Homeless Persons Assistance Program were approved by the Minister for Social Security on 11 April 1983. Priority will be given to projects which are small-scale, non-institutional, innovative, and clearly oriented towards assisting the homeless to avail themselves of the facilities offered by the broader community, such as private accommodation, health services and employment.
- The parameters for the different types of physical facilities to be established under the new program guidelines will shortly be worked out with the Department of Housing and Construction, so that it can formulate appropriate standards of accommodation and recommend minimum/maximum cost levels for construction of the various types of premises.

. The Department of Housing and Construction is currently providing this department with detailed technical construction guidelines for the establishment of nursing home facilities, aged or disabled person accommodation facilities, and handicapped persons facilities, in addition to the assistance we have sought on homeless persons facilities.

2 This department's standards and guidelines for use by organisations planning to establish homeless persons centres with the aid of capital grants under the Homeless Persons Assistance Act are set out in the Homeless Persons Assistance Program Guidelines. The appropriate information is now to be extracted from these program guidelines and set out in pamphlet form for the benefit of organisations - who, of course, currently have access to the main Guidelines as required.


3 In relation to the standards and guidelines:

- . Design standards will be provided by the Department of Housing and Construction. This issue is addressed in paragraph 1 above.
- . Limitation on staff accommodation subsidised by the Commonwealth: With the new emphasis on small-scale centres, the upper limit of Commonwealth-subsidised staff accommodation would be two staff units: one for the manager and another for his assistant, to ensure supervision at all times. Details of this provision is to be developed with the Department of Housing and Construction in the context of their planned preparation of technical Guidelines for the program mentioned above.
- . Eligibility and criteria for assistance under the Homeless Persons Program, standards under the program, the process for approving projects, and payment procedures for approved projects are set out in detail in the new program guidelines. (A copy has been handed to Ms Debbie Blunden.)
- . The Commonwealth's interest is protected, in relation to contracts between organisations and builders, by guideline 5.F.1 on building contracts and guidelines 5.I.8 and 5.I.9 on Rise and Fall agreements and liquidated damages.

4 The new Homeless Persons Assistance Program Guidelines are in three sections: an overview of the program, with details of its funding provisions and examples of the kinds of facilities and services provided to the homeless; a policy section; and a section specifically on administrative procedures which will be invaluable to departmental officers as well as to interested organisations.

5 . It has not been considered necessary to re-affirm the formal agreement between the Permanent Heads of the Department of Social Security and the Department of Housing and Construction. The agreement formalised the co-operation between the two departments which has existed for some time.

- . The amount of \$10,000 for architectural fees paid in respect of abortive work done has been reimbursed under the Homeless Persons Assistance Program based on advice from the Department of Finance. (At the time that an "act of grace" payment was sought under section 34A of the Audit Act, we understood that a final payment had been made on the project. The has sought further payments and the necessary adjustment has been made.)

  
G C PILGER  
Assistant Director-General  
Handicapped Persons Welfare

8/6/83

## APPENDIX F

### EXTRACT FROM AUDITOR-GENERAL'S REPORT SEPTEMBER 1982

## 18. DEPARTMENT OF SOCIAL SECURITY

### 18.1 National Benefits System

#### Background

Paragraph 2.19.1 of the September 1981 Report referred to the development by the Department of the ADP system, (the National Benefits System (NBS)), to facilitate the payment of unemployment, sickness and special benefits, and to replace the existing ADP system (the Basic Unemployment Benefits System (BUBS)).

The paragraph detailed the results of an indepth audit of the NBS carried out at the Department's Central Office and in South Australia, the basic purpose of which was to evaluate the controls by management over the development and implementation of the system. Because of continuing operational difficulties and ongoing changes occurring in the system at the time of the audit, however, this Office was unable to finalise the necessary testing and consequently could not reach a conclusion on the system's internal controls in a normal operating environment.

Testing of the NBS in South Australia was subsequently finalised at 2 of the Department's regional offices in March/April 1982, the objective being to determine whether controls relating to computer processing and associated clerical procedures were operating satisfactorily. Indeath audits involving the ADP system and clerical procedures for benefits payments were also carried out at 2 regional offices in Queensland and one in the Northern Territory. The NBS had replaced the BUBS in Queensland and the Northern Territory during July/August 1981.

The objectives of the audits in Queensland and the Northern Territory were to examine the overall system for the payment of unemployment, sickness and special benefits, including receipt of claims, assessment, computer processing and review of continuing entitlement, and to form an opinion on the efficiency of the system.

In Queensland and South Australia testing of key controls within the ADP system and clerical controls over the input of information to the system was achieved through testing a sample of transactions selected by a computer audit package.

#### Audit findings

Results of the audits were discussed with senior officers at the respective State Headquarters of the Department and subsequently referred for comment to the State Directors. Comments on the more important findings were also sought from the Department's Central Office.

The following is a summary of the more important findings and of replies from the State Directors and Central Office of the Department together with further Audit comment as appropriate:

#### Weaknesses in the ADP system

**Reconciliation of batches**—The computer produced report which was designed to reconcile batches of transactions from regional offices was not operating properly since it contained transactions from more than one office. Consequently, as a compensating control, regional offices continued to maintain manually prepared batch control registers. There also appeared to be no control to ensure that all material received at a regional office and requiring variation to the computer records was actually processed through all phases of the system.

The State Director, Queensland, advised that regional offices in that State had been required to supply additional information to enable the output monitor at the State

Headquarters to effectively complete the task of reconciling all batches input against the batch output report. The Department's Central Office advised that it was aware of the system fault but its correction had been allocated a low priority and would receive attention when other more urgent tasks were completed. The Department also advised that the manual controls to be adhered to in the batching process had recently been reinforced by memorandum issued to all States.

**Reports on system changes and other defects requiring attention**—A number of processing problems had been reported by computer operators or users covering either:

- desired changes to systems operating procedures, or
- areas where the system was not operating according to specifications.

These matters were awaiting attention by the Department.

Information obtained by this Office from the South Australian State Headquarters of the Department indicated that 429 reports were outstanding as at 20 April 1982. Of these, 199 originated from South Australia, 138 from Queensland and 92 from the Department's Central Office, 185 being classified as Priority A reports which dealt with system weaknesses affecting payments or payments information and/or significantly affecting systems efficiency.

In referring the number of outstanding reports to the Department's Central Office, the following factors were taken into consideration:

- reports originating from South Australia and Queensland may have dealt with the same or a similar problem but attempts by Audit to confirm the details of the outstanding reports at the Department's Central Office had not been successful
- the priority which should be given to a report depended upon the judgment of an individual operator or user, and
- while aspects covered by some of the outstanding operations reports may not be vital to the operation of the system, attention to them would make the system operate more smoothly.

The Central Office referred in its response to a request, made by the Joint Committee of Public Accounts at its hearing on 20 May 1982 in relation to the reference in paragraph 2.19.1 of the September 1981 Report to the NBS, that the Department provide further information concerning the system. The Department advised that one of the areas on which information was requested by the Committee was the subject of outstanding operations reports and a response would be provided to the Committee and this Office by 16 July 1982.

**Failure to adjust rates of benefit payable**—A major advantage of the NBS is its potential to calculate automatically the rate of benefit from the eligibility data input to the computer system. However, in South Australia it was noted that the system failed to account for a change in a particular rate of unemployment benefit increased by legislation effective from 1 November 1981. This had resulted in a number of underpayments.

The Central Office of the Department advised that the problem was caused by a programming error as well as a delay in receiving assent to the legislation. Cases which were underpaid during this period had been identified and all payments of arrears had been made.

#### Weaknesses in related clerical procedures

**Programming of reviews**—During the audit at one Queensland regional office it was noted that some officers appeared reluctant to utilise the facilities available under the

ADP system for following up the return of review forms by sickness beneficiaries and preferred to use manual methods.

The State Director advised that the instructions to regional offices had been amended to provide for utilisation of the system for programming and following up entitlement reviews for all benefits.

In the Northern Territory regional office covered by the audit the position of Field Investigation Officer was unfilled and no reviews of entitlements were being performed by field officers.

The N.T. Director agreed that there had been difficulties in filling the position. Pending a permanent appointment it had been filled on a temporary basis with the object of clearing arrears of work and maintaining essential functions.

*Employers' reports*—Instances were observed in South Australian regional offices of failure to forward report forms to employers seeking information on the reason why applicants for unemployment benefit had ceased their employment, or to follow-up the return of reports from employers. Failure to obtain an employer's report could result in overpayment of benefit because the method of terminating employment determines the date from which the initial payment of benefit may be made.

The State Director stated that the issue and follow-up of employers' reports is a mandatory part of the processing of a claim. The procedures had been reinforced by a memorandum addressed to regional offices and were being closely monitored by Area Management in the State.

Applications for unemployment benefits were being approved in the Northern Territory before employers' reports were obtained.

The N.T. Director explained that, wherever possible, employers' reports should be received and considered before payment of grant. However, in the Northern Territory a very high proportion of claimants last worked outside the Territory and delays are consistently experienced in obtaining reports from interstate employers. As a consequence, determining officers exercise discretion whether benefit should be paid or not before return of the report. Identity is properly established by other means and adjustments, due to date of cessation of employment or to the claimant being voluntarily unemployed, and which arise from information contained in the report, can still be made after grant of benefit.

*Payment of supplementary allowances to sickness beneficiaries*—After receiving benefit for more than 6 weeks, sickness beneficiaries are entitled to a supplementary allowance if they are paying more than a specified amount for rent or for lodgings. Cases were noted in South Australia and Queensland where rent payable had been incorrectly coded, and as a result, the additional allowance to which the beneficiary was entitled had not been paid.

The respective State Directors advised that corrective action is being undertaken in Queensland, and in South Australia an ADP program has been designed to identify such cases for investigation. The Central Office of the Department has not yet commented on a suggestion by this Office that the problem could be associated with the design of a related form.

*Filing of source and data input documents*—Initial problems, associated with the filing of documents related to the payment of benefits, which were noted during the audit in Queensland appeared to have been largely resolved by the issue of an instructional booklet by the State Headquarters. The Central Office of the Department was asked to confirm that the booklet would be adopted on a national basis.

The State Director advised that the booklet was under consideration for adoption by other States. In its response the Central Office confirmed that a booklet had been issued to all States as they converted to the NBS.

*Automatic calculation of special benefits*—Depending on the circumstances, special benefit may be paid at either the sickness benefit or the unemployment benefit rates. Programs under the NBS automatically calculate benefit payable at a rate equivalent to sickness benefit. Where the lower unemployment benefit rate is applicable, manual assessment is required. In Queensland, because of an oversight, some cases were being paid incorrectly at the sickness benefit rate.

The State Director advised that, due to clerical error, some special benefit applications were determined at an inappropriate rate. The total number of cases and the amount of any excess payments were not yet available. An investigation into the matter was being conducted. New cases of special benefits were being carefully monitored and, in addition, the ADP file was being subjected to a weekly check to detect any cases that may have been missed. The Central Office advised that the problem is being examined to determine the best long term solution. In the meantime, each State regularly performed a special run to check that each case was being paid at the correct rate.

*Manual cheque issues*—In South Australia a number of cases was noted where the initial payment of benefit had been by manual cheque but the corresponding documents for input to the NBS had not been correctly prepared. In other cases the input documents had not been prepared at all or, because of a system fault, had not been recorded on the NBS payment history microfiche.

The State Director advised that the need to prepare correct input to the NBS in respect of manual cheque details has been stressed to regional offices and the need for careful review of such transactions has been strongly enforced. Details of the cases which involved a system fault had been referred to the Department's Central Office.

*Coding of special benefit categories*—Audit tests in 2 regional offices in Queensland revealed a high percentage of clerical errors in the coding of special benefit categories. This Office considered that these errors could lead to the distortion of statistics and affect the programming of entitlement reviews.

The State Director advised that the majority of errors were caused by a problem with the coding guide which has now been revised. Current special benefit cases will be checked to ensure they have been coded correctly.

The Central Office of the Department did not comment further on Audit suggestions that the clerical errors could lead to distortion of statistics and adversely affect the programming of entitlement reviews or on a view that the problem could be attributable to the design of a coding sheet.

#### *Other policy issues*

*Identification of beneficiaries*—Problems noted in this area during the audit in Queensland included:

- the need to obtain proof of age from persons, claiming to be in the 18 to 20 age group, because of the possibility that persons under 18 might falsely state their age to obtain higher benefit
- the need for persons claiming a dependent spouse but no dependent children to produce proof of marriage or equivalent relationship, and
- the difficulty in obtaining satisfactory identification for transients arriving from interstate and seeking benefit.

The State Director observed, in relation to the first 2 of the matters, that:

- departmental instructions require, as a general rule, dates of birth to be verified only for claimants aged 16, 17 or 18 years and that for persons aged 19 or more, normal proof of identity should suffice
- if there is any doubt as to marriage or dependency this can usually be resolved at a pre-grant interview, and
- provisions for proof of identity laid down in departmental instructions are considered adequate.

The Central Office of the Department did not comment on the Audit findings.

*Comment*—The need to establish satisfactory means of identification is one of the more important reasons why claimants for benefit should be subject to pre-grant interview. Comment on pre-grant interviews follows.

*Pre-grant interviews*—Paragraph 2.19.2 of the September 1981 Report included reference to an exchange of correspondence with the Department's Central Office on matters concerning interviews with persons receiving unemployment benefits, including the policy for conducting pre-grant interviews. The Department stated that its policy was to conduct such interviews except for certain categories of benefit claimants where experience has shown the use of resources for this purpose was not justified. Pre-grant interviews were part of an integrated control philosophy and should not be seen in isolation.

At the Queensland regional offices visited during the audit it was observed that the pre-grant interviews comprised assistance by counter staff to help claimants complete the Application for Benefit forms. Only in exceptional circumstances, such as where there were problems in identifying the claimant, were interviews arranged with a determining or assessing officer.

However, in New South Wales during the course of a recent audit of benefit payments now in the process of finalisation, it was noted that the policy was for all claimants to be subject to interview by a determining or assessing officer. In respect of claimants for unemployment benefit, interviews were arranged at the time the application was lodged and were held to coincide with the lodgment of the initial income statement some 14 days later. A special record of interview (Form SU305) was completed by the interviewing officer. Subsequent Audit enquiries at one Queensland regional office revealed that stocks of Form SU305 were on hand but not utilised.

The Central Office of the Department was requested to comment on whether:

- in view of the inconsistencies observed, there was a need to re-state the policy for holding pre-grant interviews, and
- the policy apparently adopted in Queensland for limiting such interviews complied with intended departmental policy.

The State Director commented that the policy adopted in Queensland was the most economical use of resources to obtain reasonable results. The question of a more in-depth interview for those not presently covered would be considered should more resources become available. Comments had not been received from the Central Office of the Department at the date of preparation of this Report.

#### *General*

The Central Office of the Department observed that the NBS System had now been implemented in all States and it had clearly demonstrated the capacity to achieve more efficient processing of claims, and to maintain payments to an increased number of

claimants without the same increase in manual resources. In a system which was issuing over 11 million cheques each year and receiving daily input from 162 regional offices, the Department stated it would be naive to think that isolated breakdowns in clerical procedures did not occur. The matters raised in the audits in South Australia, Queensland and the Northern Territory were examples of problems which arose from time to time. However in terms of the Department's operations as a whole, these instances were minor and insignificant.

#### *Audit conclusions*

It was concluded from the audit inspections that, generally speaking, the NBS was working in a satisfactory manner and normal day-to-day computer processing was being handled without any major problems. However a large number of processing problems and system faults remains to be dealt with.

A number of weaknesses as reported above in related clerical procedures was also observed, the majority being associated with the preparation of input to the system. These weaknesses had varying effects on the validity, accuracy and completeness of information coming into the system and early attention should be given to their rectification.

While this Office agrees that the NBS has demonstrated the capacity to achieve more efficient processing of claims it does not accept that the various matters still requiring remedial action can properly be classified as minor or insignificant. At the date of preparation of this Report certain aspects of the Department's responses to the Audit representations were being considered by this Office while, as indicated above, responses on some matters were still awaited.

APPENDIX F

EXTRACT FROM AUDITOR-GENERAL'S REPORT MAY 1983

**16.12 National Benefits System**

Paragraph 18.1 of the Report dated 7 September 1982 referred to the results of indepth audits conducted in South Australia, Queensland and the Northern Territory of the overall system for the payment of unemployment, sickness and special benefits. The audits involved the testing and evaluation of the ADP system for the recording and payment of benefits—the National Benefits System (NBS)—and related clerical procedures at selected regional offices.

Further information has recently been received from the Central Office of the Department on certain aspects which were unresolved at the date of preparation of the September 1982 Report. Details, together with additional comment as appropriate, follow.

*Weaknesses in the ADP system*

*Reconciliation of batches*—Resulting from the audits and subsequent discussions and correspondence with the Department, it was suggested by Audit that there would appear to be insufficient controls within the NBS and related procedures to provide an assurance that all material which was received at a regional office and required variation to computer records, was actually processed through all phases of the system. Existing controls, which were designed to ensure that all transactions batched and validated were processed, did not appear to ensure that all transactions were in fact batched.

In response, the Department advised that it had been examining the effectiveness of an approach entitled 'Front-of-Line processing' in an endeavour to control correspondence received in regional offices requiring variation to computer records or a reply to the client. Consultants engaged by the Department had recently endorsed the need to introduce this approach and management control information into all regional offices. In the meantime the existing responsibilities of the Determining Officer to ensure that all transactions were referred for batching and subsequent validation would continue to be enforced.

*Reports on system changes and other defects requiring attention*—As envisaged in the September 1982 Report, the Department referred to outstanding operations reports, covering the above matters and action which is taken to deal with them, in a submission dated 31 August 1982 to the Joint Committee of Public Accounts in connection with its inquiry into the reference to the NBS in paragraph 2.19.1 of the September 1981 Report. The submission referred to further changes to the system which were scheduled for release in August 1982. These would attend to various matters covered in the outstanding reports, after which 91 would remain outstanding, but none of these would prevent the system from operating satisfactorily. The Department also stated that there were no known data files in the NBS ADP system containing corrupted records.

*Weaknesses in related clerical procedures*

*Payment of supplementary allowances to sickness beneficiaries*—In response to the Audit suggestion that the non-payment of an additional allowance in certain cases could be associated with the design of a form, the Department advised that arrangements had been made to review the claim form for sickness benefits to make it clear, both to applicants and departmental staff, which particular areas of the form related to rent and income for supplementary allowance purposes.

*Automatic calculation of special benefits*—This Office had questioned the correctness of the rate at which special benefits had been paid in some cases. The Department advised that until recently some special benefits had been assessed incorrectly. Amendments had now been made to the ADP system so that special benefit is assessed according to the category code under either unemployment or sickness benefit conditions as appropriate. A special program had been employed to identify and list any cases where the rate of benefit was inconsistent with the corresponding special benefit category codes. Excess payments had been calculated and action was in course to seek approval to waive recovery action.

*Manual cheque issues*—The Department advised that area and regional management had been advised of the breakdown in procedures identified by Audit in South Australia. The need to ensure correct preparation of all input to the NBS had been stressed. Problems in relation to manual payments of sickness and special benefits not being passed to the Taxation System were the subject of operations reports. Rectification of the problem was presently under consideration.

*Coding of special benefit categories*—In response to an Audit suggestion that clerical errors noted in coding could lead to distortion of statistics and adversely affect the programming of entitlement reviews, the Department advised that staff had been reminded of the need to ensure that statistical information relating to special benefit categories was correctly coded. However, incorrect coding could not adversely affect reviews as most special benefit categories were listed for review at three monthly intervals, the only exceptions being cases over or under the statutory age for unemployment benefit.

*Other policy issues*

*Identification of beneficiaries and pre-grant interviews*—The Department noted Audit views regarding problems in the identification of certain classes of beneficiaries referred to in earlier correspondence and summarised in paragraph 18.1 of the September 1982 Report. Reference to these problems is also included in paragraph 16.1 of this Report.

The Department also stated that the need to establish satisfactory means of identification was one of the more important reasons why claimants for benefit should be subject to pre-grant interview. Consideration had been given to the appropriate format and composition of pre-grant interview and a uniform policy had been determined for use by all States.

Details of the uniform policy are being sought from the Department and its application will be subject to evaluation during future audits of benefits payments.

APPENDIX G

JOINT COMMITTEE OF PUBLIC ACCOUNTS -  
 ENQUIRY INTO THE AUDITOR-GENERAL'S REPORT 1980-81  
 ADDITIONAL COMMENTS BY DEPARTMENT OF SOCIAL SECURITY  
 ON NATIONAL BENEFITS SYSTEM - PARAGRAPH 2.19.1

IMPLEMENTATION

At the time of the Committee's hearing (in May 1982) the National Benefits System had only recently been implemented in Western Australia and Victoria and was scheduled for implementation in New South Wales in June 1982 and Tasmania in July 1982. Each of these implementations took place smoothly and on schedule, thus completing the introduction of this system into all States and Territories.

INCREASED WORKLOADS

In the period from January 1982, the numbers of unemployment and sickness beneficiaries grew from about 400,000 to approximately 700,000 - an increase of about 75%. In the same period, staffing for this work increased by about 40%, a reflection of the extent to which N.B.S. had reduced the demand for clerical resources. There is no doubt that the Department was much better placed to meet these increased work pressures through the availability of the National Benefits System. Staff in regional offices have, in fact, commented to senior officers of the Department that they could not have coped without the assistance of the features provided by the new system.

OVERPAYMENTS

Mr Rhodes also requested that overpayments figures for 1981-82 should also be provided to the Committee. Details are as follows:

OVERPAYMENTS - UNEMPLOYMENT SICKNESS & SPECIAL BENEFITS

	Unemployment	Sickness	Special
	\$m	\$m	\$m
Balance unrecovered at 1 July 1981	14.5	4.4	.8
Amounts raised 1981-82	<u>9.5</u>	<u>2.9</u>	<u>.6</u>
	24.0	7.3	1.4
Recoveries in 1981-82	5.5	1.8	.3
Amounts written off 1981-82	<u>1.3</u>	<u>6.8</u>	<u>.2</u>
	17.1	5.2	1.1 *

\* NOTE: Totals and sums of components differ due to rounding

Number outstanding 20 June 1981	47268	8752	2196
Number raised 1981-82	<u>44725</u>	<u>8960</u>	<u>1983</u>
	91993	17712	4179
Number outstanding 30 June 1982	40744	9528	2310
Number cleared 1981-82	<u>51249</u>	<u>8184</u>	<u>1869</u>

2.

Overpayments of unemployment, sickness and special benefits raised in 1981-82 represented 0.85% of outlays on those benefits compared with 0.92% in 1980-81 and over 1.3% in each of the four preceding years.

In providing these figures, it is felt that the point should be made that it would not be valid to draw inferences as to the effectiveness of N.B.S. from changes in the levels of overpayments. There are, of course, a number of factors which influence these levels, such as variations in the numbers of beneficiaries, increases in benefit rates and availability of staff resources to investigate possible overpayments.

GENERAL COMMENT

The Department would like to re-emphasise the point made in earlier submissions, namely that the implementation of N.B.S. in South Australia was a pilot project which was, as with all pilot projects, intended to identify and resolve any operational problems before extension to other States.

The fact that subsequent conversions in all other States and Territories were carried out to schedule and with little or no difficulty is a clear demonstration that the pilot project served its purpose.

PRESENT POSITION

As mentioned above, there is no doubt that N.B.S. has been a significant factor in enabling the Department to cope with the extremely high unemployment benefit workload increases which have occurred since early 1982.

This is not to say that some procedural problems are not encountered from time to time. No system is perfect and N.B.S. is no different in this respect from the Department's Pensions and Family Allowances computer systems which have been operating since the late 1960's and still require constant attention and "fine tuning". In the light of the large volumes of transactions with which the Department deals and the legislative changes which regularly occur, systems maintenance and enhancement must be expected to be an on-going task.

Work of this nature, especially where problems of a significant nature are brought under notice, is given a high priority in allocation of systems/ADP resources.



APPENDIX H  
**DEPARTMENT OF FINANCE**

Newlands Street, Purkes, A.C.T. 2600  
Telephone: Canberra 63 9111  
Telex: 62639

Reference: 82/1646  
Contact Officer:  
Telephone:

To all Regional Offices  
(Including Overseas)

CLOSING OF ACCOUNTS 1982-83

CLOSING DATE

The accounts for the financial year 1982-83 are to be closed in Australia on Thursday 30 June. For the Overseas Regional Offices in London and Washington the closing date will be COB Wednesday 29 June.

INSTRUCTIONS TO OVERSEAS REGIONAL OFFICES

2. The instructions to Overseas Regional Offices, London and Washington, appear separately at Appendix B.

INSTRUCTIONS TO DEPARTMENTS

3. As in previous years, a separate circular containing instructions to departments is being furnished in bulk to Regional Offices in Australia for distribution direct to accounting officers concerned.

JUNE TIMETABLE

4. A timetable of main events during June is set out at Appendix A.

RECEIPTS

5. Moneys received direct by the Reserve Bank, for credit to the Public Account, up to closing time on 30 June are to be brought to account by Regional Offices in 1982-83. To ensure that all collections deposited to the Public Account are taken into account in the June Ledger, Regional Offices should issue Receivers and Collectors with specific instructions for banking of collections and submission of Collector's and Receiver's Statements during the final days of June. As in previous years Directors are asked to collaborate with the local Taxation Office and Customs Bureau of the Department of Industry and Commerce to extend as late a cut-off for receipts as is reasonably practicable.

2

6. The Regional Office, Melbourne, is to ensure that half yearly interest payments from Postal Commission and Telecommunications Commission are brought to account in 1982-83.

EXPENDITURE

7. Departments have been requested to submit the bulk of accounts to the Regional Offices by 4pm Tuesday 21 June. The nominal closure of accounts for the 30 June Ledger is 4pm Tuesday 28 June, with subsequent lodgements at the discretion of the Director. It will, of course, be necessary to accept and process urgent accounts including salary, wage, pension, contract, etc, payments during the last two days, ie 29 and 30 June. (Directors may nominate an alternative officer - by local circular - to handle requests for late lodgements.) Where a Regional Office certifies expenditure on behalf of a department, the times for submission of accounts are advanced by 24 hours.

8. In general, every effort should be made to process payments on departmental request up to and including 30 June, particularly where significant amounts are involved and/or it is evident that the department has endeavoured to meet the provisions of the Directions.

9. To lessen the workload peak as far as possible, Regional Offices should make special arrangements with the larger departments to ensure progressive delivery of authorised accounts prior to the cut-off time for the bulk of accounts at 4pm on 21 June.

10. For departments which maintain their own Appropriation Ledger a special check must be made to ensure that all Forms 23 in respect of June expenditure are received and processed in the June ledger in accordance with the procedures advised under cover of memorandum 80/826(2) of 26 March 1982.

11. Directors should also ensure, especially during June, that Authorizing Officers are advised of all overspent conditions as soon as they become known (see also paras 30-31).

12. Cheques produced in respect of 'Urgent' expenditure batches on Wednesday 29 June and Thursday 30 June must not be released if the accompanying cash sheet is annotated 'Funds Not Cleared'. In this situation the Paymaster must refer the matter to the OIC Ledgers Section who shall be responsible for ensuring that funds are made available. When funds availability has been confirmed, the OIC Ledgers must provide written notification to the Paymaster that he may release the Urgent Cheque/s (see also paragraphs 30-31).



## LOAN TRANSACTIONS ON BEHALF OF STATUTORY AUTHORITIES

13. The Regional Office, Melbourne (for TAA and ANL), the Regional Office, Sydney (for Qantas) and the Regional Office, Canberra (for AIDC) should ensure that loan settlements for the respective Statutory Authorities are brought to account in 1982-83.

## RESERVE BANK (RBA) REGISTRY REIMBURSEMENT (SYDNEY)

14. This payment is due to be made on 30 June by the Regional Office, Sydney to the Reserve Bank, Sydney. Details of final amounts to be paid will be advised to the Department of Finance Canberra by the RBA at approximately 9pm on 30 June which will, in turn, advise the Regional Office Sydney early on 1 July. It will be necessary for the Director of the Regional Office, Sydney to make arrangements with the Bank for an "as of 30 June" payment to the Bank early on the morning of 1 July.

## CHEQUES ADJUSTING EXPENDITURE BETWEEN DEPARTMENTS

15. The Paymaster is to make special arrangements to ensure prompt despatch of the cheques so that they reach departments no later than the afternoon of 28 June; special attention should be given to interstate payments.

## ADVANCE TO THE MINISTER FOR FINANCE

16. Regional Offices should keep such records as are necessary to ensure that all departments with operations on Advance to the Minister for Finance (ie other than amounts to be charged to specific heads of expenditure pursuant to section 36A of the Audit Act) clear the relevant ledger accounts of debits and credits as at 30 June.

## FINANCE LEDGERS SYSTEM ARRANGEMENTS

17. Finance Ledgers System departments will have normal access to the enquiry facility at PLF Level (for each PLF enquiry, up to the latest 200 June transactions can be reviewed). In addition, an Authorizing Officer may request as from 20 June a schedule of transactions on a particular SRLF either for the month-to-date or for transactions only for the day on which the request is received; it is, however, not possible to produce an aggregated list of all June transactions for an SRLF each day. In this connection each Regional Office should arrange to co-ordinate such enquiries in its area and to phone the details to the Central Accounting Section (Mr R. Harris (062)63 2310) by 3.00pm on the day quoting AO code and SRLF. The schedule of transactions as requested will be printed automatically when the relevant Regional Office prints its next daily ledger reports. In this regard, and since printing time will increase as a consequence, Regional Offices should ensure they use the facility whereby daily ledger reports are transmitted onto magnetic tape for subsequent printing.

## ADJUSTMENTS AFTER 30 JUNE

18. Errors disclosed after 30 June that would, in the judgement of the Regional Office Director, materially distort the presentation of figures for the year should be reported, along with details of any adjustments required as a result of the reconciliations requested by paragraphs 20 to 24 of the departmental Closing of Accounts Circular, to Ms P. Lyndon, Public Accounting and Supply Section, Canberra (telephone (062)63 3729) for a decision as to whether an adjustment is to be made.

19. Approved adjustments are to be made by manuscript amendment to the Authorizing Officer and Regional Office copies of the 30 June Appropriation Ledger and details passed to the local Auditor-General's Office representative. These adjustments are to be advised to Public Accounting and Supply Section (attention Ms Lyndon) by teleprinter (to 62639) quoting Account Code, Charge Code, DFUN Number, Authorizing Officer Code, transaction amount and either debit (DR) or credit (CR) - not later than 12 noon on 4 July for inclusion in the 4 July Central Ledger.

## TELEX ADVICE OF AMF/NWF/TRUST AND FORM 23 SUSPENSE ACCOUNTS

20. Telex advice is required by 10 am Monday 4 July to Ms Lyndon, Public Accounting and Supply Section (teleprinter 62639) to confirm the following:

- (a) Advance to the Minister for Finance has been cleared;
- (b) National Welfare Fund figures are correct (see para 22 below);
- (c) All Trust Funds/Accounts in the Ledger for all Authorizing Officers in your State/Territory are in credit balance; and
- (d) The balance of all Form 23 Suspense Accounts is zero.

## SINKING FUND AND PUBLIC DEBT TRANSACTIONS

21. At close of business on 20 June, Regional Offices are to despatch, by courier bag or priority paid mail, statements of purchases on the market during the month to that date. The notices of inscription and cancellation may be sent in the usual manner. Payments may continue for the period 21-30 June and the expenditure debited as usual to Trust Fund -NDSF. On 30 June a special statement to cover this period is to be forwarded by teleprinter (62639) to reach the Department of Finance, Canberra (attention Mr C. Van Rooy) by 12 noon EST on 1 July.

## NATIONAL WELFARE FUND

22. A special check should be made of the ledger during June, but especially at 30 June, to ensure the agreement of the figures against the relevant Special Appropriations, Trust Fund Receipts and Trust Fund Expenditure for all departments operating on the National Welfare Fund.

## COMMONWEALTH PUBLIC ACCOUNT BALANCE FOR 30 JUNE

23. An accurate as possible closing bank balance for the year is to be telephoned to Ms P. Lyndon (062-633729) by 9.00pm EST on 30 June, covering transactions for that day and based on all information available at the time of preparation. The compilation of the balance should be supervised personally by the Director. This advice replaces, for 30 June, the normal daily telex "Estimate of the Public Account Balance".

24. To assist in producing an accurate and comprehensive balance, the following steps are to be taken:-

- (a) The balance in the Commonwealth Public Account, as at the close of business on 29 June, is to be reconciled on the morning of 30 June.
- (b) Arrangements should be made with the Reserve Bank to obtain the latest balance in its books including figures for all loan receipts which have been credited direct to the Commonwealth Public Account.

## COMMONWEALTH PUBLIC ACCOUNT - BANK RECONCILIATION

25. Full details of the reconciliation statement between the Commonwealth Public Account and the Cash Book as at 30 June is to be sent to Public Accounting and Supply Section, Canberra (attention Mr I. Butt) by teleprinter (62639) by noon EST 1 July. Special arrangements should be made with the Reserve Bank to obtain a bank balance to allow this reconciliation to be effected immediately after the close of business on 30 June (to ensure that all receipts, including loan proceeds, have been brought to account by Receivers and Collectors). The reimbursement of the Drawing Account in respect of 30 June expenditure is to be completed on 30 June or, if individual Directors are able to make suitable arrangements with the Reserve Bank for an "as of 30 June" transaction, early on the morning of 1 July as will be necessary for Sydney (see paragraph 14), in accordance with those arrangements. On receipt of the normal bank statement, the reconciliation of the Public Account for 30 June telexed on 1 July should be confirmed immediately or a new reconciliation telexed. The full reconciliation statement should

show details of the Public Account balance reflected in the Cashbook at 30 June, the Public Account balance per the Reserve Bank Statement at 30 June and all reconciliation items.

## MAINTENANCE OF EQUIPMENT

26. Regional Offices are to ensure that, as far as possible, all office equipment is in good working order to undertake the work associated with the annual closing of accounts; local arrangements should be made with Digital Equipment Pty Ltd to provide a standby engineer "on call" for critical periods - these arrangements should be completed by 6 June 1983.

## OPERATIONS MANAGEMENT REQUIREMENTS

27. Please forward to the Chief Finance Officer, Operations Management Section:

- (i) a copy of any local circular(s) issued as supplementary closing of accounts instructions to departments;
- (ii) by 6 June, the direct telephone number for contacting the Regional Office (including the mini computer room) and the home telephone numbers of the Director and the ADP Services Manager.

## TELEPHONE NUMBERS

28. The following direct telephone lines are available for contact with Central Accounting Section, Canberra - (062)632310 (Mr R. Harris), and (062)632057 (Mr G. Loughnan). For after hours problems Mr Mote can be contacted on (062)544582.

## BACK-UP ARRANGEMENTS

29. If a Regional Office encounters any computer processing problems at the end of June, the Central Accounting Section (Mr R. Mote, (062)633661) is to be advised immediately.

## WARRANT ADVICE

30. The Finance Ledgers System Manual, Ch 2.17.1.11 provides that Forms 39 are to be submitted by Authorizing Officers or Head Office Authorised Officers as the posting media for Warrant Advice. Special instructions relating to the submission of Forms 39 during the closing stages of the financial year are detailed at paragraph 25 of the departmental Closing of Accounts Circular.

31. Where, during the final stages of the financial year, funds clearance of payments is given on oral assurance by an Authorizing Officer that a Warrant Advice is in transit, the officer concerned in the Regional Office should accept such assurance only from the Authorizing Officer personally and require that the relevant Warrant Advice number be quoted. The Warrant Advice number and amount

should be entered on the Regional Office copy of the Funds Exception Report together with the name and contact phone number of the Authorizing Officer who provided the details and the Report initialled and dated. Similarly, where the funds position is to be rectified by transfer account, the transfer account number and amount should be quoted.

32. Special attention should be paid by the Regional Office Authorizing Officer to possible additional funds requirements under salaries/overtime votes. Immediately following the processing of the main pay salary debits for payday 16 June a detailed review of the funds position under all votes should be undertaken and any possible additional funds requirement for payday 30 June should be notified to the appropriate departmental contact. The advice should be made/confirmed by memorandum or telex in order to establish a record of the funds request. Where overtime votes are involved an assurance should be obtained, prior to processing overtime entries in the Salaries System for payday 30 June, that any necessary funds will be provided. Where difficulties occur in obtaining funds from a department for salaries or overtime votes contact should be made with Mr A.J. Chapman (telephone (062)633721). Such contact for assistance should be made only after it has been positively ascertained that a funds application has been lodged with the Department of Finance by the Head Office Authorised Officer of the department concerned.

33. The Departmental Closing of Accounts Circular does not detail a timetable for the receipt of the monthly statement as at 30 June. The timetable should be determined by the Regional Office (based on local experience) and advised to departments by circular.

34. Any enquiries concerning these arrangements should be addressed to Mr S. Taylor, telephone number (062)633665.

*R.G. Humphry*

R.G. Humphry  
First Assistant Secretary  
Accounting and Supply Division  
3 May 1983

CLOSING OF ACCOUNTS 1982-83 - TIMETABLE FOR AUSTRALIAN REGIONAL OFFICES

DATE	TIME	FUNCTION	PARAGRAPH
4 June	-	Arrange for stand-by maintenance of accounting equipment	26
6 June	PM	Despatch advice to Canberra of telephone numbers via courier bag service or by mail	27
20 June	5.00pm Ø	Despatch by Courier Bag Service (or priority paid mail) details of repurchases by National Debt Sinking Fund	21
21 June	4.00pm	Cut off for receipt of bulk of accounts for payment	7
29 June	morning	Urgent cheques not to be released until funds availability confirmed	12
30 June	morning	Reimbursement of Drawing Accounts for 29 June expenditure	
30 June	11.00am	Complete reconciliation of Public Account for 29 June	24
30 June		Check National Welfare Fund figures	22
30 June		Final reimbursement of Drawing Accounts	25
30 June	3.30pm Ø	Despatch NDSF Statement to Canberra via Courier Bag Service or priority paid mail	21
30 June	6.30pm (EST)	Complete transmission of day's work	
30 June	9.00pm (EST)	Telephone Public Account bank balance to Canberra	23

DATE	TIME	FUNCTION	PARAGRAPH
1 July	10am	Regional Office, Sydney to make reimbursement to Reserve Bank Registry	14
1 July	12 noon	Teleprint Public Account reconciliation to Canberra	24
1 July	12 noon ø (EST)	Teleprint gross cost of NDSF repurchases to Canberra	21
4 July	12 noon	confirmation of NWF/AMF/Trust and From 23 Suspense Account balances	20
4 July	12 noon (EST)	Complete final ledger reconciliations and teleprint final result with approved adjustments to Canberra	18-19

ø Item not applicable to Regional Offices Canberra and Darwin

81/1217

APPENDIX B

CLOSING OF ACCOUNTS 1982-83  
OVERSEAS REGIONAL OFFICES OF THE DEPARTMENT OF FINANCE (INCLUDING THE OVERSEAS ACCOUNTING SECTION, REGIONAL OFFICE CANBERRA)

The bulk close-off of accounts for 1982-83 for the Department of Finance Offices in London and Washington will be COB 23 June with a final close-off for supplementary transactions on COB 29 June. Canberra will close off on 30 June. The procedures to be followed in closing the accounts and transmitting data to Australia for the financial year ended 30 June 1983 are detailed in the following paragraphs.

TRANSACTIONS TO 31 MAY 1983

2. Normal end of month procedures should be applied at the end of May. Every effort should be made to despatch the May accounting documents to Australia as early as possible.

TRANSACTIONS TO 29 JUNE

3. Normal procedures for the daily transmission of transactions are to apply until the closure for the bulk of accounts on 23 June. These figures will be reflected in the preliminary Central Ledger produced as at 25 June. Preliminary Central Ledger extracts for departments will be distributed on 25 June. Since departments will act upon these figures, supplementary transactions are to be avoided if possible. Unavoidable supplementary transactions for the 24, 27, 28 and 29 June should be transmitted daily in the usual fashion.

4. Where June overseas transactions on a particular SRLF need to be reviewed (eg in order to identify/resolve posting errors) a facility will be available to the Overseas Regional Office to request a schedule of transactions for that SRLF, either month-to-date or for just the day on which the cable request is received in Canberra. (Requests should be cabled to Department of Finance Ledger Controller, CAS). The transaction reports will be transmitted with that day's ledger reports.

CASHBOOK TO LEDGER RECONCILIATION

5. After the final transaction for the year has been posted to the ledger, the balance of the Australian Public Account(s) in the ledger should be reconciled with that of the Cashbook. Any discrepancy should be rectified before transmission of transactions. A cable to the effect that the Cashbook to ledger reconciliation is completed in respect of London and Washington should be sent to reach the Department of Finance, Public Accounting and Supply Section (Attention Ms P. Lyndon) on the morning of Friday 1 July. The cable should also contain full details of the reconciliation eg Cashbook balance as at 30 June, the balance per the Public Account bank statement at 30 June and any reconciliation items.

## CUT-OFF DATES FOR SUBMISSION OF ACCOUNTS

6. Suitable deadlines should be notified to Posts for submission of accounts forwarded for payment by the Overseas Regional Office. Every effort should, however, be made to process payments at Posts' requests up to and including cut-off dates.

7. Directors should also nominate cut-off dates for Posts' reimbursement claims having regard to the available mail services and to enable as many June transactions as possible to be included in this year's ledger. A suitable cut-off should be nominated and advised to Posts regarding the last reimbursement that can contain charges to Advance to the Minister for Finance (refer paragraph 8 below). This arrangement will also be applicable for the first time to Posts serviced by the Overseas Regional Office Canberra and therefore appropriate instructions will be sent to the relevant Posts by the Director of that Office.

## ADVANCE TO THE MINISTER FOR FINANCE (AMF) - LONDON AND WASHINGTON

8. Except for A-based salaries paid on behalf of statutory authorities no transactions should be charged against Advance to the Minister for Finance for 1982-83 after 6 June unless absolutely essential, in which case details of the proposed payment must be cabled to the Management Services Branch, Canberra (Attention Mr I. Briggs) for clearance by the authority concerned prior to payment being made. Confirmation that payments as cleared (including salaries paid on behalf of statutory authorities for Payday 30 June) have been made, together with a request for reimbursement to the Receiver of Public Moneys, Department of Finance, Regional Office, Canberra by 24 June must be cabled promptly to the statutory authorities. Cables should be repeated to Management Services Branch for follow up action.

9. Directors should ensure that all local recoveries of AMF (eg counter cash, temporary increases to imprest advances etc) are made before the 1982/83 accounts are closed.

10. In order to allow statutory authorities to dissect their June Advance to the Minister for Finance transactions before their own accounts are closed in Australia, and for the payments to reach the Department of Finance, Regional Office, Canberra before 24 June, the Overseas Regional Offices should despatch the voucher copies in respect of transactions to 6 June to the Estimates and Accounts Section, Management Services Branch, Department of Finance, Parkes Place, Canberra ACT 2600 (Attention Mr I. Briggs) no later than 9 June. Despatch should be made by the fastest means - airbag or commercial air mail.

## ADVANCE TO THE MINISTER FOR FINANCE (AMF) - CANBERRA OVERSEAS REGIONAL OFFICE

11. Except for A-based salaries paid on behalf of statutory authorities, where other transactions are to be charged against

Advance to the Minister for Finance for 1982-83 after 9 June details should be given to Mr Ian Briggs of Management Services Branch immediately. Voucher copies should be sent to Mr Briggs progressively as they are received.

12. The Director should ensure that all local recoveries of AMF (eg temporary increases to imprest advances) are made before the 1982/83 accounts are closed.

## PERIODICAL PAYMENTS

13. Salary, pension or other periodical payments for pay periods ending on or before 30 June should be brought to account in 1982/83 - Finance Direction 17/5 refers. This will mean that for payday 30 June, it will be necessary for the Regional Offices in London and Washington to arrange an earlier cut off for submission of pay variation advices in respect of locally engaged staff whose salary charges are brought to account through the Advance to the Minister for Finance.

## A-BASED SALARY ARRANGEMENTS PAYDAY 30 JUNE

14. The Department of Finance, Regional Office, Canberra will transmit the overseas A-Based pay cable for payday 30 June to Posts by 22 June 1983.

## CASH REQUESTS

15. Final requests for cash to meet 1982-83 payments should reach Department of Finance (PAS) no later than the morning of 17 June.

## NATIONAL WELFARE FUND - LONDON AND WASHINGTON

16. All National Welfare Fund figures should be checked before the transmissions of transactions on 23-29 June to ensure that the Special Appropriation, Trust Funds Receipts and Trust Fund Expenditure amounts are balanced. A message to this effect should be cabled to reach Department of Finance, Public Accounting and Supply Section (Attention Ms P. Lyndon) on Thursday 30 June.

## NATIONAL WELFARE FUND - CANBERRA "OVERSEAS" REGIONAL OFFICE

17. All National Welfare Fund transactions for AO 1572 should be checked during June to ensure that the Special Appropriation, Trust Fund Receipts and Trust Fund Expenditure amounts are balanced.

## TRUST FUND - OTHER TRUST MONIES - DEPARTMENT OF FINANCE

18. Attention is directed to the requirements of Finance Directions 22/4, 22/6 and 22/7.

## WASHINGTON - SINKING FUND TRANSACTIONS

19. Repurchases on the market should be closed off and advances cleared by 16 June. Advances are to be repaid at the same exchange rate at which they were made. The usual statements should be sent to the Department of Finance, Canberra, by commercial air mail as soon as possible but in any event should reach Canberra not later than 22 June. The schedules of repurchases through the Australian Public Account in New York should be accompanied by details of all month-to-date postings to "Trust Fund Expenditure - NDSF - Repurchases" up to 16 June, showing each entry in both the overseas currency and dollars Australian. It is important that the posting details in both currencies be included.

20. The final balance of the sinking fund account in New York, expressed in US dollars, should be cabled as soon as possible to Department of Finance, Public Debt Section and should reach Canberra no later than 22 June.

## WASHINGTON - QANTAS AND TAA LOAN TRANSACTIONS

21. Debit note details regarding debt charges paid during June should be cabled to the respective statutory authorities (repeated to the Director, Department of Finance, Regional Office, Sydney, in the case of Qantas, and the Director, Department of Finance, Regional Office, Melbourne in the case of TAA) as soon as details are known.

22. A cable should be forwarded by the Washington Overseas Regional Office, to reach Department of Finance, Public Debt Section by the morning of 27 June providing details of all transactions relating to loan raising or repayments on account of Qantas and TAA during June. Amounts are to be shown in both local currency and \$A.

## WASHINGTON - ANL AND AIDC LOAN TRANSACTIONS

23. Debit note details of repayments of principal, interest and miscellaneous charges due on 15 June on loans raised for AIDC and ANL should be cabled to the statutory authorities (repeated to the Director, Department of Finance, Regional Office, Canberra, in the case of AIDC and the Director, Department of Finance, Regional Office, Melbourne, for ANL) immediately after payment is made. These cables should be confirmed by normal debit note action.

## LONDON - SINKING FUND TRANSACTIONS

24. The usual statements for repurchases up to 16 June are to be sent to Department of Finance, Canberra, by commercial air mail as soon as possible but in any event should reach Canberra not later than 22 June. The schedules of repurchases through the Australian Public Account are to be accompanied by details of all month-to-date postings to "Trust Fund Expenditure - NDSF - Repurchases" up to 16 June, showing each entry in both the overseas currency and

dollars Australian. A return should be sent even if nil transactions have occurred. Details of repurchases from 16 to 23 June are to be advised by cable to Department of Finance, Public Debt Section no later than 24 June.

25. The advances to the Deutsche Bank are to be reimbursed for transactions to 23 June. The full amount of the advances are to be treated as part of the Australian Public Account and are to be brought to account accordingly on 23 June by issue of an official receipt. This transaction is to be reversed by transfer account on 24 June. The original \$A cost of the advances at the commencement of 1982-83 should be credited to the NDSF and any exchange difference transferred to the exchange adjustment account. Schedules of repurchases for the period 16 to 23 June should be despatched promptly by commercial air mail. (Repurchases after 23 June are to be treated as expenditure for 1983-84).

## EXCHANGE ADJUSTMENTS VOTE

26. Any global net credit balance in the exchange adjustments vote will be transferred to revenue by Finance Canberra.

## TIMETABLE FOR JUNE

27. Details of the main requirements stated in this Appendix are summarized at Appendix C.

## LOAN OR OTHER LARGE TRANSACTIONS OCCURRING AFTER CLOSURE

28. Details of any loan transaction or any other large transaction occurring between the date of closure and 30 June are to be promptly cabled to Department of Finance, Public Accounting and Supply Section (Attention Ms P. Lyndon) for consideration of possible supplementary action.

## TELEPHONE NUMBERS

29. The Overseas Regional Office direct telephone numbers and the home telephone numbers of the Director and Assistant Director of the Regional Office should be despatched by air mail to reach the Central Accounting Section, Canberra (attention Mr G. Loughnan) not later than 4 June.

## LOCAL INSTRUCTIONS

30. Relevant details contained in this Appendix should be advised to offices, Posts, etc for which Department of Finance, Overseas Regional Offices bring transactions to account. A copy of the Regional Office advice should be sent to reach Operations Management Section of the Department of Finance, Canberra by 4 June.

DATE	OVERSEAS REGIONAL OFFICE L = LONDON W = WASHINGTON C = CANBERRA	TYPE OF TRANSACTION	APPENDIX C APPENDIX B PARAGRAPH
4 June	L,W,C	Advise Canberra by cable of telephone numbers of Director and 2IC	28
4 June	L,W,C	Receipt in Canberra of a copy of local closing of accounts circular	29
6 June	L,W	Final day for receipt in Regional Offices of AMF accounts for payment	8
6 June	L,W	Close-off AMF transactions	8
6-9 June	L,W,C	Despatch AMF vouchers	10, 11
8 June	C	Pay 26 Payable to Posts	
15 June	L,W	Cable statutory authorities and Regional Offices re debit note details (debt charges)	21, 23
16 June	W	Pay brokerage, commission and interest on repurchases during May	
16 June	L,W	Close off NDSF transactions and clear any advances	19, 24
17 June	L,W	Final day for despatch of NDSF statements to Canberra	19, 24
17 June	L,W	Final day for receipt in Canberra of June cash requirements	15
22 June	W	Cable to Canberra final balances of NDSF Accounts	20
23 June	L,W	Agree National Welfare Fund figures and advise Canberra	16
24 June	W	Cable to Canberra re Qantas, and TAA loan transactions	22
24 June	L	Transmit transactions for work of 23/6/83 via Foreign Affairs	
24 June	C	Payday 30 June Payable to Posts	
24-29 June	L,W	Transmit details of unavoidable supplementary transactions	3

DATE	OVERSEAS REGIONAL OFFICE	TYPE OF TRANSACTION	APPENDIX PARAGRAPH
29 June	L,W	Agree final NWF figures and advise Canberra	16, 17
29 June	L,W	Reconcile Cash Book to Ledger and advise Canberra	5
29 June	L,W	Close accounts for 1982-83	1
30 June	L,W	Advise Canberra of details of additional loan or other large transactions, if any	27



APPENDIX H

**DEPARTMENT OF FINANCE**

Newlands Street, Parkes, A.C.T. 2600  
Telephone: Canberra 63 9111  
Telex: 62639

Reference:  
Contact Officer:  
Telephone: 82/1646

To all Departmental:-

Directors (Finance)  
Authorizing Officers  
Certifying Officers  
Receivers of Public Moneys  
Collectors of Public Moneys  
Persons authorized to collect Public Moneys  
under Finance Regulation 7(3)  
Paymasters

**CLOSING OF ACCOUNTS 1982/83**

The arrangements specified in this circular for the closing of accounts for 1982/83 are to be read in conjunction with the standing arrangements for the closing of accounts as contained in section 17 of the Finance Directions. It is important that addressees ensure that they are thoroughly conversant with arrangements set out in this circular and in those Directions and that they bring these matters to notice of relevant staff.

**RECEIPTS**

2. Arrangements for final banking and submission of Collectors' and Receivers' Statements for Thursday 30 June will be advised by a separate Department of Finance, Regional Office circular.
3. Departments should ensure that significantly large amounts due and payable to the Commonwealth on or before 30 June are obtained in sufficient time to permit their lodgement to the Public Account before the close of accounts on 30 June.

**EXPENDITURE**

4. Appendix A sets out the timetable for all departments for the submission to the Department of Finance, Regional Office, of accounts, transfer accounts and Forms 23 (where applicable) during the last days of June.
5. Departments are asked to note that the cut-off for the submission of the bulk of accounts is 4pm Tuesday 21 June to ensure inclusion in the 25 June Central Ledger (refer paragraph 15(i)). It is important that departments make every effort to clear progressively any backlog of accounts prior to this cut-off so that the volume of accounts submitted on the cut-off date is minimised.

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6. For departments whose expenditure is certified and/or authorized by the Department of Finance, Regional Office, accounts are to be submitted twenty-four hours prior to the times set out in Appendix A.

7. Departments which operate drawing accounts must ensure that all expenditure in respect of cheques issued through such accounts in 1982-83 is charged to the ledger prior to COB 30 June. To this end it will be necessary to ensure that all Forms 23 are submitted to the Department of Finance, Regional Office by 2.30pm (local time) on 30 June in accordance with arrangements approved by the Director of that Office or his nominated officer (see Appendix A).

**SPECIAL APPROPRIATIONS - CREDITS TO EXPENDITURE**

8. Departments' attention is drawn to the provisions of Finance Direction 7/13 which requires that:-

Where the net result at the end of a financial year of the aggregate transactions for a special appropriation is a credit, the amount of credit shall be transferred to Revenue prior to the accounts for the year being closed.

9. To effect this requirement the Head Office Authorised Officer should determine the aggregate transactions for the financial year by reference to the '25 June Central Ledger' (paragraph 15(i) of this Circular refers). Where a net credit exists and no further transactions will be processed in the current financial year an adjusting transfer account should be forwarded to the Department of Finance, Regional Office by 4pm Tuesday 28 June. In the event that it is necessary to process transactions after 28 June special arrangements should be made with the Director, Department of Finance, Regional Office to allow a final adjusting transfer account to be submitted for processing no later than 2.30pm on Thursday 30 June.

10. On receipt of the 'Preliminary 30 June Central Ledger' (refer paragraph 15(ii)) departments should check all special appropriations to ensure that aggregate transactions are in debit or zero. If this is not the case, approval should be sought to process an adjusting entry by contacting the Director, Department of Finance, Regional Office, Canberra on (062)63 2889.

**TRANSACTIONS AT THE DEPARTMENT OF FINANCE OVERSEAS OFFICES - LONDON AND WASHINGTON**

11. To permit reallocation within Australia of unexpended Warrant Advice overseas, the bulk of transactions at all Overseas Regional Offices will close COB Thursday 23 June 1983 their time. Further urgent transactions can be input up to COB Wednesday 29 June 1983, subject to the overseas Director's discretion. Preliminary receipts and expenditure figures transmitted from the Overseas Regional Offices will be reflected in the Central Ledger as at 25 June. These figures will include charging for payday 30 June 1983.



12. Recording errors identified by departments and requiring a transfer account to correct the error before the 1982/83 accounts are closed, should be notified to the post by cable and the post asked to cable the transfer account details to the relevant Department of Finance Overseas Regional Office as a matter of urgency.

13. Departments must ensure that Warrant Advice for 1983-84 is issued by 1 July to enable Overseas Regional Office Authorizing Officers to meet any outstanding Forms OA1 and OA2 as well as normal expenditure in the new financial year (refer also to paragraph 26).

14. Enquiries regarding Overseas Regional Office transactions may be made to Mr S. Taylor, telephone Canberra (062) 63 3665.

#### AVAILABILITY OF CENTRAL LEDGER FOR 1982-83

15. To assist departments' funds management at the close of the financial year, three separate editions of the Central Ledger will be produced, namely:-

- (i) 25 June Ledger - reflecting the bulk of transactions by departments, in Australia (to COB 24 June). The date of this ledger will be determined by the date of processing, ie 24 or 25 June.
- (ii) Preliminary 30 June Ledger - incorporating the additional transactions to 30 June for all Australian and to 29 June for Overseas Regional Offices; and
- (iii) Final "30 June Ledger" - including all approved "as of 30 June" adjustments up to 10am Monday 4 July.

The several editions will be distinguished by the date appearing on each page of the printout, ie 24 or 25 June, 30 June, and 4 July respectively.

16. Departmental extracts of the Central Ledgers are expected to be available for collection from the Department of Finance, Canberra, as follows:-

- (i) 25 June Ledger - 2pm Saturday 25 June - at the 1st floor Parkes Place entrance to the Treasury Building;
- (ii) Preliminary 30 June Ledger - 9am Friday 1 July from Room A59; and
- (iii) Final 30 June Ledger - 9am Tuesday 5 July from Room A59.

17. To safeguard against referencing an out-of-date version of the 30 June Central Ledger, departments should destroy the superseded edition as soon as the updated version is available.

Any enquiries about these arrangements should be addressed to Mr Ray Harris (062) 63 2310.

#### TRANSACTIONS THROUGH OVERSEAS IMPREST ACCOUNTS REIMBURSED BY OVERSEAS REGIONAL OFFICE CANBERRA.

18. Depending upon the relevant imprest reimbursement frequency for those posts serviced by the Regional Office Canberra (A01572), charges against 1982-83 appropriations will cease either at the end of May or mid-June. The exact out-of-date for each post will be determined by the Director of the Regional Office Canberra having regard to the available mail services and to enable as many June transactions as possible to be included in this year's ledger. The Director will notify posts and departments of the out-of-date by circular.

19. Recording errors identified by departments and requiring a transfer account to correct the error before the 1982/83 accounts are closed, should be notified to the post by cable and the post asked to cable the transfer account details to the Department of Finance Regional Office Canberra as a matter of urgency.

#### RECONCILIATION OF LEDGERS FOR DEPARTMENTS IN AUSTRALIA

20. The timetables for the receipt, by departments, of 30 June Monthly Statements will be advised by Department of Finance, Regional Office circular.

21. For Finance Ledgers System departments, the normal enquiry procedure will apply during June for the review of transactions at the PLF level. Where transactions at the SRLF level need to be reviewed in order to resolve posting discrepancies, an Authorizing Officer may request, on and from 20 June, a schedule of all June transactions for that SRLF or a schedule of all transactions for that SRLF for the day on which the request is lodged; it will not be possible to produce an aggregated schedule of all June transactions for an SRLF each day. Such requests must be lodged with the relevant Department of Finance, Regional Office by 2.30pm to ensure that the schedules will be available at that Office for distribution to Authorizing Officers on the following morning.

22. Departments whose Appropriation Ledgers are processed by the Department of Finance, Regional Office should ensure that their procedures provide for verifying that all data batches authorized for posting to the 1982-83 ledger are processed before the 30 June closure of accounts.

23. Should discrepancies be discovered after 30 June which necessitate amendment to the ledger, the Department of Finance, Regional Office must be contacted as early as possible. Any discrepancies notified prior to 10am 4 July will be adjusted in the 4 July Central Ledger. Discrepancies notified and accepted at a later stage will require manual adjustment to departmental copies of the 4 July Central Ledger.

24. Any department whose Appropriation Ledger is not processed by the Department of Finance, Regional Office will be responsible for reconciliation as at 30 June between the balances shown in the "Daily Ledger Reports" (provided by the Regional Office) and its Appropriation Ledger and Cash Book and should advise any discrepancies to the Regional Office as soon as possible. On completion of the reconciliation, confirmation by telephone should be given to the OIC Ledgers Section, Regional Office, but no later than 10am 4 July. To facilitate the reconciliation, departments should make daily checks throughout June to the "Daily Ledger Reports" statements which are distributed by the Regional Office (refer also Chapter 2, Section 21 of the Finance Ledgers System Manual).

#### WARRANT ADVICE (FORM 39)

25. To avoid delays in distribution of Warrant Advice during the last two weeks of the financial year, departmental Head Offices should utilise the facility for centralised input of Forms 39 via the Department of Finance, Regional Office Canberra (or the relevant State Regional Office for departments whose Head Offices are located in other capital cities). The method of completion of Forms 39 for centralised input is detailed in Chapter 2 paragraphs 6.7.6 and 6.7.7 of the Finance Ledgers System Manual.

26. Warrant Authority for the 1983/84 Supply period will be issued to departments as early as possible during June 1983. On receipt of Warrant Authority departments may submit Forms 39 for the Supply period to the Regional Office Canberra during the last week of June for input to the 1983/84 ledger. Each Form 39 submitted under this arrangement must be clearly marked 1983/84 and addressed to Mr Z. Hindley.

#### PAYMENT OF CLAIMS AND ENTITLEMENTS

27. The Auditor-General has, in recent years, drawn attention to many instances where departments have either:

- (a) accelerated expenditures with a view to avoiding the lapsing of funds at the close of the financial year; or
- (b) failed to pay, during June, accounts which have become due and payable in that month.

28. As regards acceleration of expenditures, departments are reminded that section 34 of the Audit Act provides that no payment of public moneys shall be made unless a Certifying Officer has certified that the payment may properly be made. Finance Regulation 45 provides that before a Certifying Officer may certify, under section 34 of Act, that a payment may properly be made, the Certifying officer shall ensure that, inter alia, the claim for payment or a supporting voucher specifies the date on which relevant supplies were executed, furnished or performed. In addition, the claim is to be certified by an authorised officer to the effect that contract to supply has been satisfied.

29. The Auditor-General has, on a number of occasions, drawn attention to claims, including traders' accounts and overtime payable in the last pay-period of June, that were not submitted for payment because of the unavailability of funds. Departments are to note that all entitlements and claims which are due for payment in a financial year should be paid in that year. In this regard, attention is drawn to Finance Directions 8/6 and 8/7. Where funds are insufficient to meet such claims, urgent application should be made to the Department of Finance for additional funds from the Advance to the Minister for Finance (or for the release of funds previously surrendered as savings). Offsetting savings should be specified wherever possible in each such application.

#### AUSTRALIAN GOVERNMENT STORES: USE OF ADVANCE TO MINISTER FOR FINANCE FOR OVERSEAS PURCHASES

30. Advance to the Minister for Finance expenditure by Department of Finance Overseas Regional Offices on behalf of the Australian Government Stores Suspense Trust Account is to be cleared by the Department of Administrative Services in Australia by payment of an equivalent amount to the Receiver of Public Moneys, Department of Finance, Canberra, as early as possible during June.

#### INTERDEPARTMENTAL ADVANCES

31. Departments holding an unexpended balance of an advance originating from an annual appropriation of another department are to ensure that the accounts for return of such funds are forwarded to the relevant Department of Finance, Regional Office in time for the refund cheques to reach their destination by 24 June. Departments which have made such advances should ensure that cheques in refund of the balances are received and brought to account before the close of the financial year - Finance Direction 6/16 refers.

#### SPECIAL REVIEW

32. Immediately following receipt of the ledger statements as at 31 May, departmental finance sections should critically examine the year-to-date figures for which they are responsible, to ensure that they correctly reflect expenditures (and receipts) for the year-to-date. Errors coming to notice in the review are to be adjusted before the ledger is closed on 30 June. Trust Accounts are also to be reviewed to ensure they will be in credit at 30 June.

## TRUST ACCOUNTS

33. Action required in respect of the reconciliation and carry forward of Trust Funds/Accounts balances is detailed in Finance Directions 22/4 to 22/7. In view of discrepancies in Trust Account balances which have come to notice in previous years, the attention of departments is specifically directed to the requirements of Finance Direction 22/7 regarding verification of the opening balance of Trust Fund/Accounts brought forward into the 1983-84 ledger. In order to facilitate investigation of any discrepancy with the Central Ledger, consolidated returns lodged with the Department of Finance, Regional Office, Canberra, by the Authorizing Officer controlling the Trust Account should include a breakdown, by State, of the balance brought forward. It is essential that these requirements be adhered to. A list showing the domicile of all Trust Funds/Accounts is attached at Appendix B.

## INTER-DEPARTMENTAL PAYMENTS

34. Attention is directed to Finance Direction 17/6. In particular, accounts for payment to departments interstate should, from 13 June 1983, be submitted in separate batches with a tab pinned to the top of the Form 22A, indicating that interstate departmental payments are involved.

## DISTRIBUTION AND ENQUIRIES

35. Copies of this Circular are being distributed through Department of Finance, Regional Offices to all departments in Australia. Any enquiries about the arrangements, except those referred to in paragraphs 14 and 17, should be addressed to the relevant Director of the Department of Finance, Regional Office.

*R.G. Humphrey*  
 R.G. Humphrey  
 First Assistant Secretary  
 Accounting and Supply Division  
 3 May 1983

## CLOSING OF ACCOUNTS 1982-83

## TIMETABLE FOR SUBMISSION OF ACCOUNTS, TRANSFER ACCOUNTS AND FORMS 23

Deadline for Submission to the Regional Office	Type of Transaction	
Date	Time	
Tuesday 21 June	4pm	<u>Bulk of accounts for payment.</u>
Tuesday 28 June	4pm	Further accounts, transfer accounts and Forms 23 for inclusion in ledger to 30 June.
Wednesday 29 June	4pm	Special accounts, transfer accounts and Forms 23 <u>subject to prior approval of the Director, Regional Office or his nominated officer.</u>
Thursday 30 June	2.30pm	<u>Final special accounts, transfer accounts and Forms 23 subject to prior approval of the Director, Regional Office, or his nominated officer.</u>
Monday 4 July	10am	Transfer accounts and Forms 23 for adjustment to transactions as at 30 June <u>subject to approval of the Department of Finance, Canberra via the Director of the State/Territory Regional Office.</u>

No departures may be made from this timetable without the approval of the Director of the State/Territory Regional Office.

## APPENDIX B

DOMICILE OF TRUST ACCOUNTS  
AS AT APRIL 1982

TRUST ACCOUNT/HEAD OF TRUST	DEPARTMENT	STATE
Aboriginals Benefit	Aboriginal Affairs	NT
Aircraft Engineering Workshops South Australia	Defence Support	SA
Aircraft Factory, Fishermen's Bend	Defence Support	VIC
Ammunition Factory, Footscray	Defence Support	VIC
Apple and Pear Stabilization Funds	Primary Industry	ACT
Australia-China Council	Foreign Affairs	ACT
Australia Day Promotion	Home Affairs & Environment	ACT
Australia-Japan Fund	Foreign Affairs	ACT
Australia/New Zealand Foundation	Foreign Affairs	ACT
Australian Bicentennial Road Development Fund	Transport	ACT
Australian Capital Territory Community Development Fund	Territories and Local Government	ACT
Australian Capital Territory Community Grants Fund	Territories and Local Government	ACT
Australian Capital Territory Forestry	Territories and Local Government	ACT
Australian Capital Territory Housing	Territories and Local Government	ACT
Australian Capital Territory Motor Vehicle Dealers' Compensation Fund	Territories and Local Government	ACT
Australian Capital Territory Suspense	Territories and Local Government	ACT

TRUST ACCOUNT	DEPARTMENT	STATE
Australian Capital Territory Transport	Territories and Local Government	ACT
Australian Centre for Agricultural Research Centre	Foreign Affairs	ACT
Australian Housing Research Fund	Housing and Construction	ACT
Australian Environment Council Fund	Home Affairs and Environment	ACT
Australian Population and Migration Research Program	Immigration and Ethnic Affairs	ACT
Australian Uniform Building Regulations Co-ordinating Council Research Fund	Housing and Construction	ACT
Australian Wool Corporation (Working Capital)	Treasury	ACT
Barley Research	Primary Industry	ACT
Canberra Public Library Service - Literacy Material for Handicapped	Territories and Local Government	ACT
Cassette Library	Territories and Local Government	ACT
Chicken Meat Research	Primary Industry	ACT
Christmas Island Resettlement	Territories and Local Government	ACT
Christmas Island	Territories and Local Government	ACT
Clothing Factory	Defence Support	VIC
Coal Mining Industry Long Service Leave	Employment and Industrial Relations	VIC
Coal Research	Resources and Energy	ACT
Coinage	Treasury	ACT
Common Investment Fund Equalisation Account	Attorney-General's	ACT
Commonwealth Government Stores	Administrative Services	ACT
Cotton Research	Primary Industry	ACT

TRUST ACCOUNT	DEPARTMENT	STATE
Dairying Research	Primary Industry	ACT
Decentralisation Advisory Board	Industry and Commerce	ACT
Defence Printing Establishment	Administrative Services	VIC
Defence - Projects for other Governments and International Bodies	Defence	ACT
Defence Service Homes Insurance	Veterans Affairs	ACT
Defence Service Homes	Veterans Affairs	ACT
Defence Support Centre - Woomera	Defence	SA
Dried Fruits Research	Primary Industry	ACT
Drought Bonds	Treasury	ACT
Endowments - Aboriginal Affairs	Aboriginal Affairs	NSW
Endowments - Defence	Defence	VIC
Endowments - Health	Health	ACT
Enemy Subjects	Finance	ACT
Energy Research	Resources and Energy	ACT
Engina Works, Port Melbourne	Defence Support	VIC
Explosives Factory, Albion	Defence Support	VIC
Explosives Factory, Maribyrnong	Defence Support	VIC
Explosives Factory, Mulwala	Defence Support	VIC
Export Sugar Committee	Primary Industry	ACT
Fisheries Development	Primary Industry	ACT
Fishing Industry Research	Primary Industry	ACT
Forestry Trust Fund	Primary Industry	ACT
Fruit Industry Sugar Concession Committee Fund	Primary Industry	ACT

TRUST ACCOUNT	DEPARTMENT	STATE
General Insurance Deposits	Treasury	All States
Government Printer	Administrative Services	ACT
Honey Research	Primary Industry	ACT
Hospital Benefits Reinsurance	Health	ACT
Housing and Construction Services	Housing and Construction	VIC
Housing and Construction Undertakings	Housing and Construction	VIC
Income Equalization Deposits	Treasury	ACT
Knoxville International Energy Exposition	Home Affairs and Environment	ACT
Life. Be In It. Programme in the Australian Capital Territory	Territories	ACT
Livestock Diseases Eradication	Primary Industry	ACT
Lloyd's Deposit	Treasury	ACT
Loan Consolidation and Investment Reserve	Treasury	ACT
Meat Export Charge	Primary Industry	ACT
Meat Research	Primary Industry	ACT
Munitions Filling Factory St Mary's	Defence Support	NSW
Munitions Production	Defence Support	ACT
National Cattle Disease Eradication	Primary Industry	ACT
National Debt Sinking Fund	Treasury	ACT
National Energy Conservation Publicity Campaign	Resources and Energy	ACT
National Fitness Fund	Sport, Recreation and Tourism	ACT
National Welfare Fund	Finance	ACT

TRUST ACCOUNT	DEPARTMENT	STATE
Norfolk Island Administration Advance	Territories and Local Government	ACT
Oilseeds Research	Primary Industry	ACT
Omega Navigation Facility	Transport	VIC
Ordnance Factory, Bendigo	Defence Support	VIC
Ordnance Factory, Maribyrnong	Defence Support	VIC
Other Trust Moneys	Departments concerned	All States
Papua New Guinea - Australia Technical Cooperation Program	Foreign Affairs	ACT
Papua New Guinea Support Services	Aviation	VIC
Pig Industry Research	Primary Industry	ACT
Pig Meat Promotion	Primary Industry	ACT
Poultry Industry	Primary Industry	ACT
Public Awareness Program for Manufactured Housing	Housing and Construction	ACT
Publications	Administrative Services	ACT
Public Trustee and Custodian	Finance	ACT
Ranger Rehabilitation	Resources and Energy	ACT
Repatriation Canteens	Veterans' Affairs	VIC
Repatriation - Overseas Administrations Benefits	Veterans' Affairs	ACT
Royal Australian Mint	Treasury	ACT
Royal Australian Mint & Cornage	Treasury	ACT
Science and Technology - Projects for Other Governments and International Bodies	Science and Technology	ACT
Silver Jubilee Commemorative Program	Administrative Services	ACT

TRUST ACCOUNT	DEPARTMENT	STATE
Small Arms Factory, Lithgow	Defence Support	NSW
Social Security - Overseas Administration Benefits	Social Security	ACT
Superannuation	Finance	ACT
Temple Society	Immigration and Ethnic Affairs	VIC
Testamentary and Trust Fund	Attorney-General's	ACT
Tobacco Industry	Primary Industry	ACT
Transport and Storage	Administrative Services	VIC
Trustee Companies (ACT) Deposits	Treasury	ACT
Unclaimed Moneys (Trading Banks)	Treasury	ACT
United States National Aeronautical & Space Administration/Division of National Mapping-Laser Ranging System Development	Resources and Energy	ACT
Uranium Stockpile	Resources and Energy	ACT
Wheat Finance Fund	Primary Industry	ACT
Wheat Research	Primary Industry	ACT
Wine Research	Primary Industry	ACT
Wool Research	Primary Industry	ACT

APPENDIX I

2

COMMONWEALTH BANK ACCOUNTS

The bank accounts operated by the Commonwealth, excluding those bank accounts which statutory authorities are permitted by their enabling legislation to open, fall into the following categories:

- (i) Commonwealth Public Account
- (ii) Drawing Accounts
- (iii) Collector's Receipts Accounts
- (iv) Collector's and Receiver's Trust Accounts
- (v) Public Money Accounts (Advance Accounts)

Each of these categories and their relationship with the Public Account is explained later in the paper.

A suitable starting point for determining the legal reasons for an existing practice is the Constitution. In this particular case, section 81 of the Constitution is particularly relevant.

"81. All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund,.....". It is however left to the Audit Act 1901 to prescribe the basic rules to be observed in connection with the bringing to account of moneys raised or received by the Commonwealth (Part IV of the Act entitled, "Collection of Moneys and Securities").

Of particular relevance is section 22 of the Audit Act, which requires all moneys collected or received on account of the Commonwealth to be transmitted or paid to:-

- (a) the Minister;
- (b) the Commonwealth Public Account;
- (c) to such other persons as the Minister directs;
- (d) to the credit of another account with a bank as directed by the Minister.

It will be noted that section 22 envisages the existence of two broad categories of bank accounts, ie those accounts comprising the Commonwealth Public Account, and those accounts which are 'outside' the Commonwealth Public Account. The distinction between these two categories is made clear in section 21 of the Audit Act.

AUTHORITY TO OPEN BANK ACCOUNTS

The authority to open bank accounts has always been quite limited. When introducing the proposed audit legislation, Sir George Turner, the Treasurer and architect of the Audit Act 1901, said in his 2nd Reading Speech:

"The collection and payment of moneys will be dealt with by gentlemen in the public service, who will be called public accountants. We prohibit them from opening any official account in a bank without the authority of the Treasurer."

Section 18 of the Audit Act, as originally drafted, illustrated the Parliamentary intention as expressed by the Treasurer.

"18. No public accountant shall open any public or official account in any bank without the authority in writing of the Treasurer....."

With the exception of the amendment of 'public accountant' to 'accounting officer' the wording of section 18 remained almost unchanged until its repeal in 1979, at which time a new sub-section was added to section 20 of the Act, which reads:

"(3). An account for the receipt, custody, payment or transmission of public moneys shall not be opened otherwise than in accordance with an agreement under this section."

The agreement therein referred to is provided for by sub section 20(1).

"The Minister may agree with any bank upon such terms and conditions as he may think fit for the receipt custody payment and transmission of public moneys....."

While the words originally used in section 18 "public or official account" were suggestive of the distinction between bank accounts comprising the Commonwealth Public Account bank accounts and those other official bank accounts of the Commonwealth, the distinction is now clearly made in section 21 which, subject to section 63, describes all of those bank accounts which may be opened in accordance with section 20.

Section 21 provides that the Minister:

"(a) shall, in accordance with section 20, open and maintain, with such banks as he determines, such accounts, each bearing the designation "Commonwealth Public Account", as he deems fit; and

(b) may, in accordance with section 20, open and maintain, with such banks as he determines, such other accounts, each bearing a designation that describes the purpose or purposes of the account, as he deems fit."

The Commonwealth Public Account bank accounts are opened in accordance with section 21(a). These bank accounts account for the majority of the Commonwealth's financial transactions. In recognition of this, section 34 of the Act prescribes a number of specific certification/authorisation controls over expenditure from these accounts which are designed to maximise the scrutiny and correctness of payments made by the Commonwealth.

Bank accounts which are opened in accordance with section 21(b) do not form part of the Commonwealth Public Account, and payments from them are not subject to the certification/authorisation processes prescribed by section 34 of the Act. Because of this, other requirements and control procedures are introduced for each specific category of account. The categories of bank accounts opened in accordance with section 21(b) are:-

#### 1. COLLECTOR'S RECEIPTS ACCOUNT

Finance Regulation 11 provides:

"All moneys received by a Collector shall, subject to these Regulations and to any directions given by the Minister, be paid daily into a bank appointed by the Minister to the Collector's Receipts Account".

The Minister for Finance has issued directions which restrict the use of Collector's Receipts Accounts to the following instances:

- "(i) where the location of a Collector is such that it is difficult for the Collector to pay in collections daily in cash to a Receiver,
- (ii) where collections are large and security and location factors suggest moneys received should be banked daily in a nearby bank,
- (iii) where a Department wishes a Collector to pay by cheque to a Receiver."

Because Collectors' Receipts Accounts do not form part of the Commonwealth Public Account payments from them are not subject to the certification/authorisation processes prescribed by the Act. For this reason the directions issued by the Minister for Finance require Permanent Heads to issue appropriate instructions to ensure proper control over the drawing of cheques on these types of bank accounts.

From the above it becomes apparent that Collectors' Receipts Accounts are bank accounts with a restricted usage, and which exist solely to facilitate the transmission of Public Moneys from a Collector of Public Moneys to a Receiver of Public Moneys, who will credit the moneys on receipt to the Commonwealth Public Account.

There should never be a reason for moneys deposited in a Collector's Receipts Account to remain a credit to that account for more than several working days at longest, and this is reflected in the detailed procedures included in Section 3 of the Finance Directions, entitled 'Appointments to Collect Public Moneys and Disposal of Collections'.

#### 2. COLLECTORS' AND RECEIVERS' TRUST ACCOUNTS

The use of Collectors' and Receivers' Trust Accounts apparently dates back to the days of King Henry VIII and the law dealing with Executors and Administrators, where public trusts were created, sometimes in the name of a Crown appointee, to hold public property pending judicial decision or distribution.

These types of accounts were provided for in various enactments of the Australian States prior to Federation. In fact, the Commonwealth provisions were pieced together from the various State provisions, and from the New Zealand legislation.

The relevant sections of the 1901 Audit Act providing for the handling of trustee or private moneys coming into the hands of officials were as follows:

- "27(2) Such money (ie money received under any Act) shall be placed to the credit of 'the Trust Fund' and under such separate heads as may be directed by the Treasurer" (TFOTM and other Heads of Trust Fund).
- "28(2) Such money (ie private money other than under an Act) shall be paid ... into an official account to be opened ... in such bank ... as the Treasurer shall direct". (Receiver's Trust Account and Collector's Trust Account)
- "29 When any such money as last aforesaid shall have remained in such bank for three months ... such money shall be placed to the credit of the said Trust Fund under such separate heads as may be directed by the Treasurer" (TFOTM)

In addition to these provisions, regulation 36 (later 24) provided "when moneys are tendered to a Collector or Receiver, if he is in doubt as to the manner in which they should be credited or whether they are properly payable to him, or if he observes any irregularity in connection with them, he may receive the moneys, giving a properly qualified receipt, place the amount in his Statement of Collections to the credit of Trust Fund-Suspense Account, and take immediate steps to obtain and transmit to the Sub-Treasury such further information as will enable the amount to be transferred in the Treasury books to the proper account."

The Trust Fund-Suspense Account referred to in regulation 36 was an alternative to the Receivers' or Collectors' Trust Accounts.

The Receivers' or Collectors' Trust Accounts were used for holding moneys:

- being private money to which section 28 of the Audit Act referred;
- received as deposits or security on tenders and contracts;



- received with insufficient particulars.
- received on account of another department to which transfer was necessary; and
- collected as interest on securities etc already held.

The Trust Fund-Suspense Account was used where

- a Collector or Receiver was in doubt as to the manner in which moneys should be credited, or as to whether they are properly payable to him, or appeared irregular; or
- pending allocation of the correct head of receipt; and where a Collector's or Receiver's Trust Account was not available, for the same purposes for which those accounts were used.

The existence of Receivers' and Collectors' Trust Accounts, and Trust Fund-Suspense Accounts caused some confusion amongst Collectors and Receivers. The need for improvement was recognised, and in 1957/58 a survey was conducted to decide what changes could be made. It was found that the Trust Fund-Suspense Account was merely an alternative to a Collector's or Receiver's Trust Account, and so its use was abandoned in 1959.

The survey also demonstrated that, while there existed a need for Collectors' and Receivers' Trust Accounts, their current usage varied considerably between departments, with some examples of their use being of questionable validity. However, given that the majority of deposits to these accounts were in respect of returned payments needing to be redirected to another address, moneys received but payable to another department, or moneys received without sufficient particulars to properly identify them, it was decided to keep the accounts in operation, but with more clearly defined limits as to their permissible use.

Consequently, there now exists Minister for Finance Directions stating that Collectors' and Receivers' Trust Accounts will only be used for the disposal of public moneys:

- which have been received without sufficient particulars to indicate the appropriate head of receipt;
- which have been received on account of another Department and transfer to that Department is appropriate;
- which have been returned unclaimed and a correct address is known.

At the time that these instructions were issued, the Audit Act was amended to improve the procedures for accounting for private moneys coming into the hands of an officer by virtue of his office or employment. This amendment involved the repeal of sections 27 to 30

of the Audit Act, and the replacement of section 25 with a new set of provisions requiring that all collections of private moneys shall, unless the Minister directs otherwise, be credited to the Trust Fund. Thus a clear distinction has been drawn between those moneys which may be credited to a Collector's or Receiver's Trust Account, and those which must be credited to the Trust Fund.

Returning to Collectors' and Receivers' Trust Accounts, the advantage in using these type of bank accounts rather than the Trust Fund for those limited categories of receipts specified above is purely one of administrative convenience. By the very nature of the limited categories of receipts which may be deposited to these bank accounts, payment (or onforwarding) of the amount to a correct destination, or to a particular Head of Revenue will always be possible within one or two working days after the receipt of the money. It is far simpler for a Collector or a Receiver to manually draw a cheque on a bank account managed by him rather than arrange for the production of a cheque by the Department of Finance Accounting Office.

As with Collectors Receipts Accounts, which were dealt with earlier, Collectors' and Receivers' Trust Accounts are not part of the Commonwealth Public Account, and so payments made from them are not subject to the certification/authorisation procedures prescribed by the Audit Act. The Minister has therefore instructed Permanent Heads to issue appropriate instructions for the proper control over the drawing of cheques on these accounts.

### 3. PUBLIC MONEYS (ADVANCE) ACCOUNTS

It is often necessary to provide officers with advances of public moneys from which to meet specific kinds of expenditure, eg petty cash, travelling allowance, Permanent Heads hospitality expenditure, etc. For reasons of security, and often convenience, the advance is sometimes held in a trading bank account. These types of bank accounts, having been opened in accordance with section 21(b) of the Audit Act, do not form part of the Commonwealth Public Account, so payments made from them are not subject to the comprehensive certification/authorisation procedures prescribed by the Audit Act and Finance Regulations. In cognizance of the need for proper control over public moneys, advances of these kinds are always made personally to an officer who is held responsible for their safekeeping, and who may be held liable for any losses sustained from the advance.

A number of safeguards are prescribed by law in relation to advances of public moneys, and Permanent Heads have been made responsible for ensuring suitable instructions exist in relation to the operation of the bank accounts in which they may be held.

Advances of public moneys may also be made where circumstances warrant a departure from normal accounting arrangements. For example, the Department of Housing and Construction operates an imprest advance at Newcastle, which is held in a bank account, and from which it meets the cost of minor purchases from local suppliers, who insist on cash payment.

Advances of this kind must be approved by the Secretary, Department of Finance, who is empowered by the Finance Regulations to impose any conditions on the use of the advance which he may see fit. This allows specific control procedures to be implemented to suit each set of circumstances pertaining to a particular advance.

Where advances of public moneys approved by the Secretary are of a significant amount, it is common practice to insist that the moneys are held in a bank account.

While expenditure from these types of bank accounts does not constitute payment out of the Commonwealth Public Account, the initial payment of the advance, and subsequent reimbursements of it, does constitute payment out of the Commonwealth Public Account. Reimbursements of the advance are therefore subject to the certification/authorisation process prescribed by the Audit Act and Finance Regulations. Consequently, each expenditure transaction made from the advance is, post payment, subject to the usual comprehensive checking and control procedures which apply to all payments made out of the Commonwealth Public Account.

A final word on the establishment generally of advance, or imprest, accounts. This matter was considered in some detail at the time of the Royal Commission Task Force into a 'Regional Basis for Australian Government Administration'. At that time, it was recognized that there is a role for advance accounts where payments of locally incurred operational/administrative expenses would be unduly delayed under usual cheque issuing arrangements. The advantages of establishing advance accounts does, however, always need to be balanced against the cost of not taking advantage of the substantial investment by the Commonwealth in its cheque production facilities at Accounting Offices. Because of the highly efficient means of cheque production by Accounting Offices, only rarely will it be accepted that an advance account is warranted as an alternate means for effecting payments by the Commonwealth.

#### COMMONWEALTH PUBLIC ACCOUNT

The remaining official accounts opened by the Commonwealth under section 20 of the Audit Act are those which collectively comprise the Commonwealth Public Account. Included are the main bank accounts of the Commonwealth held at the Reserve Bank in each State and Territory, and to which Receivers of Public Moneys deposit their daily collections of revenue. Also included in this category are the Commonwealth's Drawing Accounts from which payments are made, but to which daily revenue collections cannot be deposited. These particular types of bank accounts are further described below.

#### DRAWING ACCOUNTS

From 1901 to 1919 the general method of disbursing public moneys was by way of advances to accounting, or paying, officers - the authority being section 33(2) of the Audit Act. Advances were recorded in the Appropriation Ledger and, as accounts were paid, expenditure was charged to the appropriate heads of expenditure, and a corresponding 'adjustment account' was used to adjust the amount of the advance. Repayment of any unexpended advances at June 30 each year finally adjusted the advances column of the ledger.

By the end of World War I there were hundreds of paying officers holding advances, many from which payments had been made without subsequent acquittance. Following a series of fraud cases, a Royal Commission on Navy and Military expenditure, and much public criticism, the Treasury resolved to abandon the "advances to public officers" system completely. Instead, a limited number of Paymasters were appointed with power to draw directly upon the Commonwealth Public Account to meet expenditure. The new procedures introduced a device known as bank 'Drawing Accounts', which in terms of section 21 of the Audit Act, were sub-divisions of the Commonwealth Public Account.

The above development can be observed in the evolution of the Treasury (Finance) Regulations:

Pre 1919 - "96. Payment shall be made by Paying Officers -" (A number of alternate means were specified).

1919 - "103. Paymasters shall pay all accounts by cheques... Cheques are to be drawn on an overdraft account to be established by the Treasurer called "Department of .... Drawing Account ....."

Current - "103(1). A Paymaster shall pay all accounts by cheques drawn on a Drawing Account established by the Minister for the purpose".

Paymasters are appointed by the Minister for Finance specifically to operate and control Drawing Accounts. The statutory functions of a Paymaster are specified in Finance Regulations 100-122.

While payment of accounts was originally restricted to operation by the Treasury, ie through Sub-Treasuries (or Accounting Offices as they are now known), the expansion of Commonwealth Government activities necessitated the establishment of Drawing Accounts for operation by other Departments. Currently, the Departments of Social Security and Veterans' Affairs and the Australian Taxation Office operate Drawing Accounts. The authority to establish additional Drawing Accounts is restricted to the Department of Finance.

As Paymasters issue cheques drawn on a specific Drawing Account held with the Reserve Bank, a transfer of funds is made to the Drawing Account on the day following the cheque issue. This transfer equals the value of the cheques issued. This procedure ensures that the Drawing Account is continuously in credit, the credit balance at any time representing the value of all unrepresented cheques.

The transfer, or "daily reimbursement" as it is more commonly called, is effected by drawing a cheque between bank accounts held with the Reserve Bank. As the payment transaction represents a transfer of funds within the Commonwealth Public Account, it is not subject to the certifying/authorising procedures to which a payment out of the Commonwealth Public Account is subject to.

## SUMMARY

Section 20 of the Audit Act provides the Minister for Finance with the power to open bank accounts. Section 21 provides that each account opened will either bear the designation "Commonwealth Public Account" or a designation which describes the purpose of the account.

This latter group can be described as temporary accounts for money either going to or from the CPA.

In reality all the Commonwealth receipts and expenditures are processed through the CPA which is the basis for the financial recording and reporting system maintained by the Department of Finance.

Department of Finance  
10 December 1982

## APPENDIX J

LIST OF SUBMISSIONS SOUGHT FROM THE  
AUDITOR-GENERAL'S REPORTS

<u>Department</u>	<u>Subject</u>	<u>Report Reference</u>
Finance	Non-compliance with the Audit Act	2.9.4
"	Closing of Accounts at Year End	2.9.5
Business and Consumer Affairs	Receivers of Public Moneys	2.4.3
Social Security	National Benefits System Assistance for Homeless Persons	2.19.1 2.19.5
"	"	
Immigration and Ethnic Affairs	Temporary Entry	2.14.3
Transport	Acquisition of ICL2960 Computing Equipment	2.21.2
Social Security	References Continued from Previous Reports	2.19.7
Veterans' Affairs	Telephone Rental Concessions for Pensioners	2.22.3
"	"	
"	Provision of Medical Treatment	2.22.1
"	Departmental Drawing A/c Brisbane	2.22.2
Education	References Continued from Previous Reports	2.8.4
Housing and Construction	Fire Protection of Commonwealth Owned or Occupied Property	2.13.6