

**Finance Minute on
Report 193—
Reports of the
Auditor-General
1979-80 and March 1981**

Report

220

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

220TH REPORT

FINANCE MINUTE ON THE COMMITTEE'S 193RD REPORT -
REPORTS OF THE AUDITOR-GENERAL
1979-80 AND MARCH 1981

Australian Government Publishing Service
CANBERRA 1983

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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DUTIES OF THE COMMITTEE

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

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

Following the creation of the Department of Finance in 1976, it was agreed that the 'Treasury Minute' arrangements for ensuring that appropriate action is taken in response to Committee recommendations, should continue. These procedures then became known as the 'Department of Finance Minute'.

Although these arrangements are periodically reviewed, they have been in operation, in more or less their current form, since 1952, when the Public Accounts Committee was re-established.

The Finance Minute procedures, as they now stand, are as follows:

1. The Report of the Committee is tabled in both Houses of the Parliament and motions are moved in both places that the Report be printed as a Parliamentary Paper.
2. The Chairman of the Committee thereafter forwards a copy of the Report to the responsible Minister and to the Minister for Finance with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's conclusions.
3. The reply which is in the form of a Department of Finance Minute, is then examined by the Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible as a Report to the Parliament.
4. Should the Committee find during its examination of a Department of Finance Minute that certain recommendations are not fully dealt with or are subject to a further Minute, it holds an exploratory discussion with officers of the Department of Finance prior to the submission of the Minute to the Parliament.
5. In reporting a Minute to the Parliament, the Committee, except in special cases, does not usually make any comment other than to note recommendations not fully dealt with or subject to a further Minute.

6. When the Committee next examines the Department concerned the Department of Finance Minute is considered by the Committee if applicable.

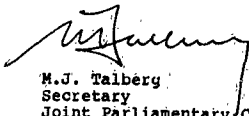
7. The Department of Finance furnishes the Committee with a half-yearly report on outstanding Minutes, indicating the progress made in dealing with the Committee's comments.

In accordance with the procedures outlined above, this report documents the Department of Finance Minute which was submitted in response to the Committee's 193rd Report.

For and on behalf of the Committee.



Senator G. Georges
Chairman



M.J. Talberg
Secretary
Joint Parliamentary Committee of Public Accounts
Parliament House
Canberra
1 December 1983

CHAPTER 1

INTRODUCTION

1.1 The Committee's 193rd Report, an examination of the 'Reports of the Auditor-General 1979-80 and March 1981', was tabled in Parliament on 20 April 1982. A summary of the report appears in Chapter 2. The conclusions and recommendations made in the report together with the Department of Finance Minute sent to the Committee on 4 November 1983 appear in Chapter 3.

1.2 The Committee is generally pleased with the responses contained in the Finance Minute. However, it is concerned at the length of time taken for some actions.

Department of Defence - HMAS Stirling - Naval Supply

1.3 The Committee is pleased with the response of the Department of Defence to the conclusions and recommendations contained in Report 193 and notes that:

- the Department has adopted the Committee's recommendation to proceed with the purchase of two tug boats for HMAS Stirling.
- the Committee's concern over centralisation of the supply centre in Sydney has been acted upon and planning is proceeding to provide a limited range of stores to HMAS Stirling appropriate to the type of ships that will be home ported in Western Australia.

Department of Transport - Second Hobart Bridge

1.4 The Committee notes the new arrangements for provision of funds for the Second Hobart Bridge and is satisfied that such changes will prevent a recurrence of the problems identified in its report.

Australian Capital Territory Schools Authority

1.5 The Committee is pleased to note the Authority's response to its conclusions and recommendations and that concerns of the Committee are in the process of being resolved. The Committee considers, however, that it has taken the Authority too long to deliver a satisfactory response and to respond to a clear direction given by the Government on the form of accounts it should present.

1.6 In particular the Committee is concerned that although the Minister for Finance made it clear on 10 September 1979 that an accrual system of accounting should be the basis for the Schools Authority's reporting, the financial statements for 1981/82, which have not yet been tabled in Parliament or a copy provided to the Committee as requested, are the first to be prepared on this basis.

1.7 In addition the Committee notes that the Authority's reports for 1979/80 and 1980/81 were not tabled in Parliament until 9 September 1982 and 17 May 1983, respectively.

1.8 The Committee also notes that from 1981/82 the Authority's financial statements should be in full accord with Department of Finance requirements and that problems associated with the personal appointment of the Authority's auditor have been overcome. The Committee expects that this should facilitate more timely presentation of future statements.

1.9 The Committee is pleased that proposals to amend the Schools Authority Ordinance 1976 were discussed and passed by the ACT Legislative Assembly on 22 September 1983. These amendments make monies raised locally by schools official monies of the Authority for auditing and financial reporting. However, the Committee is again concerned with the excessive time taken by the Authority to prepare suitable amendments.

1.10 The Committee notes that the Authority's Annual Report for 1981/82 will include a summary statement of money raised locally by schools. The Department of Finance comment noting the need for resolve of the legal question of where responsibility for such funds rests has been solved and steps should be taken as soon as possible to determine audit and reporting arrangements. Consequently, the Committee trusts that the development of the specifications for tender for parties to perform internal audit of schools' finances will be finalised as soon as possible.

Department of Foreign Affairs - Accounting at Overseas Posts

1.11 The Committee is generally satisfied with the responses by the Department of Foreign Affairs to the Committee's conclusions and recommendations and notes the following:

- changes to Finance (Overseas) Regulations to permit, where necessary, special financial procedures at overseas posts;
- the increase in the number of staff in the Department's internal audit section to 17;
- the implementation of JMR recommendations have been largely completed, the consequent rationalisation of the accounting system and the associated savings resulting from a uniform accounting system; and

• the general objective of centralising its accounting system in Australia will be pursued by the Department of Foreign Affairs.

CHAPTER 2

SUMMARY OF REPORT 193

2.1 Report 193 presented the Committee's findings as a result of several public inquiries into matters raised by the Auditor-General in his reports to Parliament for 1979/80 and March 1981.

Department of Defence - HMAS Stirling - Naval Supply

2.2 The Auditor-General expressed concern over the problems which the Department encountered in the administration of the naval base HMAS Stirling. These problems included the methods used to take on charge assets and equipment, inadequate security over stores, unavailability of tugs at peak periods, under-utilisation of workshop equipment, and delays in the completion of a post refit analysis report for HMAS Moresby. As a result of its inquiry the Committee recommended the purchase of two tug boats for HMAS Stirling and expressed some concern over the centralisation of the supply centre in Sydney.

2.3 The Auditor-General also referred to problems relating to the use of proper procedures for recording the maintenance done on small craft, and the loan of specialised equipment to private contractors. The Committee expressed its strong disapproval at the obvious lack of co-ordination and liaison in the procedures followed in the acquisition of three inch pipe bending machinery and six inch tooling which were incompatible. The Committee was also critical of the Department for its neglect of proper procedures for the loan of equipment to private contractors.

2.4 The Committee was pleased to note in its Report that the Department of Defence had recognised most of the problems identified by the Auditor-General and was in the process of undertaking appropriate remedial action.

Second Hobart Bridge - Payment of monies in advance of demonstrated need

2.5 This item concerned the payment of \$450,000 from the Commonwealth Department of Transport to the Tasmanian Department of Main Roads in June 1980 to meet contractors costs for part of the construction phase of the Second Hobart Bridge. The Auditor-General claimed that this payment was made in advance of a demonstrated need for funds. The Committee concluded that although the Department of Transport made the payment in good faith, it was not satisfied that sufficient care was taken to ensure that the necessary conditions for the payment of a particular purpose grant were met.

ACT Schools Authority - Delays in the Presentation of Financial Statements

2.6 The Committee's inquiry arose from comments in the Auditor-General's Report on the failure of the ACT Schools Authority to submit for audit in an approved form its financial statements for 1976/77, 1977/78, 1978/79 and 1979/80. The delay was caused by the Schools Authority and the Department of Finance disputing the form of the accounts and by uncertainty as to how to account for non-government monies. The major recommendations of the Committee were that the Authority adopt accrual accounting and that its legislation should be amended to allow greater accountability for non-government monies received.

Department of Foreign Affairs - Accounting at Overseas Posts

2.7 In his Report the Auditor-General drew attention to deficiencies in accounting and financial administration at a number of overseas posts in Africa. These included accelerating payments at the end of the financial year, unsatisfactory commitment control procedures, and inadequate maintenance of film libraries.

2.8 The Committee was advised that the Department knew of these problems, and that a Joint Management Review of overseas accounting arrangements was undertaken by the Public Service Board and the Departments of Foreign Affairs and Finance. The Committee noted that recommendations of the Joint Management Review, once implemented, were expected to overcome many of the problems raised by the Auditor-General. The Committee also specifically recommended that:

- the Department survey all its overseas posts to determine those areas in which difficulty is experienced in complying with Finance (Overseas) Regulations and seek where necessary approval for special procedures;
- as much accounting work as possible should be centralised in Australia.

2.9 The Committee also expressed its concern that although the staffing establishment of internal audit positions in the Department was increased from sixteen to twenty in October 1980, the number of occupied positions had increased by only one from twelve to thirteen.

CHAPTER 3

DEPARTMENT OF FINANCE MINUTE

3.1 In this chapter each of the Committee's recommendations and findings is reproduced in turn and is followed by the response, as provided in the Department of Finance Minute. These responses were transmitted to the Chairman of the Committee by the Minister for Finance on 4 November 1983. Each Conclusion or Recommendation listed below is referenced to the relevant paragraph in Report 193.

DEPARTMENT OF DEFENCE - HMAS STIRLING - NAVAL SUPPLY

PARAGRAPHS 1.45 - 1.46

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

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

Response

3.2 The Department of Defence has advised that a Pipe Bending Machine with a capacity of three inches was purchased in 1977 to provide a facility for Intermediate Level Maintenance at HMAS Stirling. A machine of this capacity was chosen as work on larger pipes is normally undertaken by the contractor during refits and also because of the very high cost of a larger capacity machine and in particular its associated tooling. The present machine is compatible with both imperial and metric measured pipes. The three inch machine and associated tooling is now held at HMAS Stirling and is available for use.

3.3 Six inch tooling was purchased as a separate item in 1975 for supply to a contractor in order to carry out urgent repairs to HMAS Moresby during her refit. This tooling is now held at HMAS Stirling and is available for future loan to contractors. Correct procedures for the loan of this equipment have been adopted.

PARAGRAPH 1.47

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

Response

3.4 The Department of Defence has stated that the purchase of two tug boats for the HMAS Stirling is progressing. Contracts for construction have been let and delivery is expected in early 1984. The present contract prices are \$700,630 for the small tug and \$2.086 million for the medium tug.

PARAGRAPH 1.48

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

Response

3.5 The review of the Navy Supply Organisation was completed in August 1980 and, in regard to the disposition of stockholdings policy recommendations in regard to the following were made:

- (a) the principles for disposition of stockholdings;
- (b) the factors for determining the range and depth of items to be dispersed;
- (c) the management and control of dispersed stocks; and
- (d) creation of Store Depots.

3.6 The Chief of Naval Staff accepted the recommendations and they are being progressively introduced. A copy of the full Review Report was attached to the Finance Minute.

3.7 The Department of Defence has advised that in addition to this a study into the dispersal of stocks based on the above recommendations, has been completed. Planning is proceeding to provide a limited range of stores at HMAS Stirling applicable to the DE class of ships that will be home ported in Western Australia.

3.8 Concurrently, as a result of a Government decision to base two destroyer type ships at HMAS Stirling, work is in progress to determine the exact maintenance and supply support requirements that need to be provided at HMAS Stirling. This task however, cannot be finalised until a decision on the ship type to be deployed to Western Australia is made.

PARAGRAPH 1.49

The Committee suggests that care be exercised by the Auditor-General when reporting issues to the Parliament. It emerged throughout this inquiry that some of the comment by the Auditor-General, whilst technically correct has resulted in unnecessary expenditure by the Department of Defence. An example of this is the matter of a security compound around bulk material holdings at HMAS Stirling. It is clear to the Committee that whilst this compound did not have a security fence at time of audit, the materials held therein were not easily portable. Further, the fact that the base is isolated, on an island and secured by Naval Police would make theft of such goods very difficult indeed. Also, the Committee requests the Auditor-General to ensure that his field officers, particularly those in regional offices, are fully aware of any changes to accounting systems or procedures in departments before reporting any perceived deficiencies to the Parliament.

Response

3.9 The Auditor-General's Department has stated that after considering the given explanations and documentation available to the auditors at the time, the standard of control over the recording of initial assets and equipment at HMAS Stirling was assessed as weak. This was subsequently reported in the Auditor-General's Report for April 1980.

3.10 The Auditor-General has taken up the matter direct with the Chairman of the Joint Committee of Public Accounts.

DEPARTMENT OF TRANSPORT - SECOND HOBART BRIDGE

PARAGRAPH 2.17 - 2.19

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

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

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

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

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

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

3.11 Following the presentation of the Auditor-General's Report the Department of Transport and Construction took remedial action by introducing a 'Determination of the Terms and Conditions for the Provision of Financial Assistance for the Second Hobart Bridge'. The determination was signed by the then Minister for Transport, the Hon Ralph J. Hunt, MP on 14 January 1981.

3.12 Additionally it should be noted that the Department of Finance has assumed responsibility for the financial administration of the program, in accordance with the Minister for Transport's Determination, since 14 January 1981.

3.13 The Department of Transport and Construction and the Department of Finance both consider that the matter has now been satisfactorily resolved and that no further action is necessary. The new arrangements will have the effect of avoiding a recurrence of the problems identified in the Report.

AUSTRALIAN CAPITAL TERRITORY SCHOOLS AUTHORITY

Delays in Presentation of Reports

PARAGRAPH 3.43

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

3.14 The ACT Schools Authority has advised that at the time of the Committee's public inquiry (4 June 1981), financial statements up to and including the year ended 30 June 1979 had been reported on by the Auditor-General.

3.15 Financial statements for the year ended 30 June 1980 (on a cash accounting basis) were submitted to the Auditor-General on 3 May 1982. The Authority has attributed the delay from 30 June 1980 to 3 May 1982 to the time taken to determine accounting methods appropriate for the Authority (cash v/s accrual). The Minister for Finance, agreed on 16 February 1982 that the Authority could report on a cash basis for the 1979-80 and 1980-81 financial years.

3.16 The Department of Finance notes that a condition of the Minister for Finance's approval of the Authority's financial statements for 1976-77, 1977-78 and 1978-79 on 10 September 1979, was that the Authority should prepare financial statements on an accrual basis as from and including the year ended 30 June 1980. Despite this conditional approval, and following protracted discussions and correspondence, the Authority, on 23 October 1981, sought the Minister for Finance's approval for cash based statements for the years 1979-80 and 1980-81. The Minister declined to approve these statements and indicated the reasons for doing so to the Minister for Education on 24 November 1981. On 8 January 1982 the Minister for Education responded with a proposal involving the continuation of cash based financial statements for 1979-80 and 1980-81, and giving a firm commitment to adopt accrual based financial statements beginning with those for 1981-82. In view of this commitment the Minister for Finance, on 16 February 1982, agreed to cash based financial statements for the years 1979-80 and 1980-81.

Accounting Standard for the Authority

PARAGRAPH 3.44

The Committee is disturbed to note that the ACT Schools Authority had decided to continue with a cash accounting system in spite of a consistent attitude since 1977 by the Department of Finance and the Auditor-General's Office that accrual accounting should be adopted. The Committee concurs that accrual accounting should be the accounting standard for the Authority.

Response

3.17 The Authority has stated that its continued reluctance to adopt accrual accounting was based primarily on its unwillingness to commence a task of this magnitude until a firm policy decision as to the appropriate basis for reporting for the Authority was taken by the Government.

3.18 The Department of Finance would however note that the Minister for Finance has complete discretion as to the form in which financial statements for the Authority shall be prepared and the Minister's intentions were made clear to the Authority on numerous occasions.

PARAGRAPH 3.45

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

Response

3.19 A task force commenced work at the beginning of August 1982 to prepare the financial statements for the year ended 30 June 1982 on an accrual basis. The Department of Finance and the Auditor-General's Office provided advice to the Authority on the development of the form of statements. Details of the progress made in the preparation and presentation of financial statements is contained in the response to paragraph 3.47.

PARAGRAPH 3.46

The Committee endorses the agreement between the Minister for Finance and the Minister for Education whereby the ACT Schools Authority's financial statements for 1979-80 and 1980-81 would be prepared on a cash basis, with accrual accounting to be used in subsequent years. The Committee expects that statements for the year ended 30 June 1982 and beyond shall be in full accord with accrual accounting standards and practices recommended by the Department of Finance for use in statutory organisations.

Response

3.20 The proposed form of financial statements for the year ended 30 June 1982 prepared in accordance with accrual accounting techniques were forwarded to the Department of Finance on 6 January 1983.

3.21 The Minister for Finance approved the form of statements on 6 July 1983 following detailed consideration of the proposed form by the Department of Finance and the Auditor-General's Office and discussions with the Authority. The need to resolve a variety of issues and to obtain agreement between the three organisations to several format changes and the Federal Election on 5 March 1983 impacted on the normal approval process.

PARAGRAPH 3.47

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

Response

3.22 The following table indicates the timing of important events in the preparation of the 1979-80 and 1980-81 financial statements:

DETAILS	STATEMENT	
	1979-80	1980-81
Draft to Auditor-General	3 March 1982	2 August 1982
Preliminary Audit Completed	2 April 1982	14 September 1982
Final to Auditor-General	3 May 1982	18 October 1982
Audit Report to Minister	23 June 1982	23 February 1983
Tabled in Parliament	9 September 1982	17 May 1983

3.23 At the time of writing (24 October 1983), financial statements for 1981-82 had reached the stage of where final comments had been received from the Auditor-General on the draft statements in final form. Discussions are continuing on these points and the Authority expects to submit final statements in final form to the Auditor-General by the end of October 1983.

LEGAL ADVISING AND NON-GOVERNMENT MONEYS

PARAGRAPH 3.48

The Committee is concerned that negotiations regarding the provision of a legal advising to the ACT Schools Authority concerning the accounting for non-Government moneys received by schools took approximately three years, notwithstanding the complexity of the issues.

involved. The Committee considers that the excessive time which this opinion took to prepare, related to administrative inefficiency and misunderstanding within both the Deputy Crown Solicitor's Office and the ACT Schools Authority Office on the practices to be followed. This is unacceptable to the Committee.

PARAGRAPH 3.49

The Committee considers that the proposals to amend the Schools Authority Ordinance 1976 which were assented to by the Authority on 22 June 1981 should substantially improve the accounting for non-government funds received by ACT schools. As these funds are considerable, totalling in excess of \$2.3M in 1979-80, the Committee recommends that the appropriate amendments be drafted without delay. The Committee considers however, that the draft proposed amendments should be circulated to both the Department of Finance and the Auditor-General's Office for opinion and comment on specific technical issues. The Committee wishes to be kept informed of the progress relating to the amendment proposals.

Response.

3.24 In relation to the observations of the Committee in paragraphs 3.48 and 3.49, the Authority submitted the following as an explanation of the time taken for provision of legal advice:

- The amendments to the Ordinance proposed by the Authority on 22 June 1981 (paragraph 3.49 of the Committee's Report) were referred by the Department of Education to the Attorney-General's Department on 10 March 1982. Copies of the proposed amendments were also forwarded to the Department of Finance and the Auditor-General's Office for comment.
- The Attorney-General's Department submitted a draft 'ACT Schools Authority (Amendment) Ordinance' to the Authority for consideration on 30 June 1982 and advised that in relation to the proposed Ordinance amendments it, 'preferred to omit provision relating to the administration of locally raised moneys until the legal position is clarified', and 'the answers to those questions may be of assistance in determining how locally raised moneys are to be regarded'.

• A subsequent advising by the Attorney-General's Department issued on 5 July 1982 led to discussions between officers from the Authority, the Department of Education and the Attorney-General's Department on 9 August 1982. At these discussions legal officers advised that there appeared to be three alternatives to cover administration of moneys raised locally by schools. These are:

- regard all moneys raised locally by schools as official moneys;
- each school board be incorporated; or
- leave current situation unchanged.

• Of the three alternatives, only the first was considered to be viable as the second alternative would have resulted in the proliferation of statutory authorities which was regarded as unacceptable in view of the Government's policy on the creation of statutory authorities and the third alternative would not alter the current situation of the Authority being unable to require schools to account for these moneys in an appropriate manner. Revised instructions for amendments to the Ordinance on the basis of the first alternative were referred to the Department of Education on 18 November 1982 for transmission to the Attorney-General's Department. These amendments will, if agreed to, make moneys raised locally by schools, along with moneys from Government sources, official moneys of the Authority for the purposes of accounting, auditing and financial reporting.

• Notwithstanding the advice provided at the discussions mentioned above, officers of the Attorney-General's Department, at a discussion on 21 January 1983, questioned the propriety of the Authority assuming responsibility for moneys raised locally by schools and property acquired with such moneys. It was contended that if moneys raised locally by schools were not legally moneys of the Authority, then it would be improper for the Authority to include such assets in its annual financial statements. An advising to specifically clarify whether the Authority had ownership of such moneys and assets was identified by the Attorney-General's Department as a prerequisite for any amendments to the Ordinance along the lines envisaged.

Officers from the Department of Education, the ACT Schools Authority, the Auditor-General's Office and the Department of Finance met on 26 April 1983 to further discuss this matter.

3.25 Following the meeting and before consideration was given to the propriety of declaring that moneys raised locally by ACT government schools, and assets acquired with such moneys, are the property of the ACT Schools Authority, advice was sought from each of the State Education Systems whether moneys raised locally by their schools are deemed to be assets of the State. The responses received indicated that moneys were so treated accordingly, the Authority requested the Department of Education on 3 August 1983 to issue revised instructions to the Attorney-General's Department on this issue. This was done on 10 August 1983 and copies were sent to the Auditor-General's Office for comment. On 23 August 1983 the Auditor-General raised a number of queries in relation to the instructions. On 28 August the Authority responded to the Audit queries and final revised instructions were issued to the Attorney-General's Department.

3.26 The Authority expects that draft amendments to the ACT Schools Authority Ordinance will be ready for discussion by the ACT Legislative Assembly by the end of October 1983.

PARAGRAPH 3.50

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

Response

3.27 Specifications for the invitation, by public tender, for interested parties to perform the internal audit function in relation to schools' finances are being developed by the Authority.

RECOMMENDATION 3.51

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

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

Response

3.28 Included in the annual report for 1981/82 is a statement which summarises moneys raised locally by schools for the year ended 31 December 1981. This summary does not include the receipts, disbursement or cash holdings of the various Parents and Citizens Associations at Schools or Pre-school Parents Associations.

Department of Finance:

3.29 On the question of the audit of non-government funds and the reporting of those funds in a summary statement attached to the financial statements, it would seem that the legal question of where the responsibility rests for those funds must be determined before any decision is taken as to audit/reporting arrangements. Since the advising issued on 5 July 1982 by the Attorney-General's Department, further discussions have taken place between officers from the Authority, the Department of Education and the Attorney-General's Department.

Personal Appointment of Auditor

PARAGRAPH 3.52

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

Response

3.30 Statutory Rule No 348 of 1981 (made on 26 November 1981) provides for the inclusion of Division 3 of Part XI of the Audit Act 1901 in the Schools Authority Ordinance 1976. Under Division 3 the Auditor-General is required to audit the accounts and records of the Schools Authority, so that from the date of effect (3 December 1981) of the Statutory Rule it was unnecessary to make a separate appointment.

DEPARTMENT OF FOREIGN AFFAIRS - ACCOUNTING AT OVERSEAS POSTS

PARAGRAPHS 4.11 - 4.12

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

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

Response

3.31 The Department of Foreign Affairs reported that the Department of Finance was requested to amend Finance (Overseas) Regulation 10(3) and Finance (Overseas) Direction 10.10 in order to permit the continued operation of existing procedures in relation to collections in Laos, the United Arab Republic, Kenya and the USSR where local law prohibits the payment of collections to the credit of the Commonwealth's bank account.

3.32 The Department of Finance notes that the appropriate amendments were promulgated in Statutory Rule 105/83 of 13 July 1983. Changes were notified to Departments in Finance (Overseas) Circular 1983/2 of 25 August 1983.

3.33 In regard to the difficulties in the procurement field the Department of Foreign Affairs contacted all of its overseas posts to identify local procedures and problems. As a consequence of this review officers at selected posts have been given delegated authority to issue Certificates of Exemption in relation to the obtaining of quotations for suppliers.

3.34 The Department has advised that it is not aware of other situations where local conditions prohibit compliance with the Finance (Overseas) Regulations and Directions, or where suitable operational arrangements cannot be made under appropriate delegation. The financial delegations of the Department are under continuous review to facilitate compliance with current legislation, and to ensure that unusual local conditions are handled effectively.

3.35 In addition, all officers posted overseas to a position involving accounting responsibilities undergo a comprehensive Finance Training Course run by the Department of Foreign Affairs. The Finance (Overseas) Regulations and Directions are standard references for this course and all officers are instructed to immediately report to the Department any situation arising where it is not possible to comply with these Regulations and Directions. The Department of Foreign Affairs will investigate any such situation and review procedures or recommend amendments as required.

PARAGRAPHS 4.17 - 4.19

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

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

The Committee is concerned that twelve months have passed and only one additional officer has been recruited. It is essential that sufficient resources be devoted to this area to ensure that at least a minimum acceptable level of administration is maintained. As indicated in our 184th Report, the Committee intends to maintain a continuing interest in development of internal audit capabilities in Departments and authorities. The Department of Foreign Affairs has made a firm decision to increase the internal audit staff to sixteen as quickly as possible and the Committee desires to be informed six months from the tabling of this Report as to the level of recruiting achieved.

Response

3.36 The Department of Foreign Affairs advised that the staffing of its Internal Audit Section is being given priority. Seventeen of the twenty positions on the Section's establishment are filled. Efforts are being continually directed towards the Department's objective of a full establishment.

PARAGRAPHS 4.42 - 4.44

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

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

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

Response

3.37 Implementation of the JMR recommendations has been completed. The London Regional Office now services all posts in the European region that were formerly serviced from Geneva and, in addition, has extended its operations to cover overseas posts at Moscow, Cairo, Algiers, Lagos and Accra. Consequently the Geneva Regional Office has now been closed. Transfer of the South American posts to the Washington Regional Office System was completed in July. Forty-three posts in the Canberra Region have now been converted to the new uniform accounting procedures under the Canberra Regional Office.

3.38 The Department of Foreign Affairs shares the concern of the Joint Committee of Public Accounts in that accounting work should be centralised in Australia to the maximum extent possible, consistent with the avoidance of unnecessary costs overseas and of unacceptable delays in overseas payments. This will be pursued as a continuing objective.

3.39 The Department of Finance has advised that sixty-nine of the eighty-one recommendations contained in the JMR have been fully implemented. The remainder are nearing completion with the exception of several recommendations either under review, or which relate to a post-implementation review.

3.40 In paragraph 4.41 of its report the Committee noted that the implementation of the uniform overseas accounting system would result in a 'repayment to revenue of approximately \$1 million due to a reduction in imprest advances'. The Canberra Regional Office has, at this stage, identified potential savings of \$1.17 million from reviewing the imprest advance level of the 44 posts serviced by it. Comments on the proposed new imprest level of each post have been sought from the Departments of Foreign Affairs and Trade.

3.41 In addition to this, the London and Washington Regional Offices are currently reviewing the imprest levels of posts in their regions. However as most of these posts were operating on relatively short accounting periods prior to the implementation of the uniform system, little, if any, savings can be expected from these reviews.

3.42 In general feedback received by the Department of Finance from overseas offices and departments in Australia confirm that the uniform overseas accounting system has achieved the expected efficiencies. A full post-implementation review of the JMR's recommendations will be undertaken in late 1983. The Joint Committee of Public Accounts is aware of this fact.

3.43 The Department of Finance agrees with the recommendation of the Joint Committee of Public Accounts that as much as possible of the Commonwealth Government's accounting work should be centralised in Australia.

3.44 However it is also recognised that the new arrangements require that most of the primary accounting functions such as the reconciliation of bank accounts and the payment of accounts will remain the responsibility of overseas posts. This view was conveyed to the Joint Committee of Public Accounts on 25 November 1981. In respect of the secondary accounting function such as the maintenance of accounting records, accounting reports and the monitoring of post expenditure, the Department of Finance believes that this function should be centralised in Australia. The Department of Finance Regional Offices in London and Washington are 'on-line' daily to the Finance Ledger System for ledger update and enquiry purposes. Post costing reports have been produced for some months and since February 1983 the reports have included details of each transaction. Furthermore, consideration is now being given to the provision of the ledger on-line enquiry facility to the larger overseas posts in an effort to enhance their financial management.