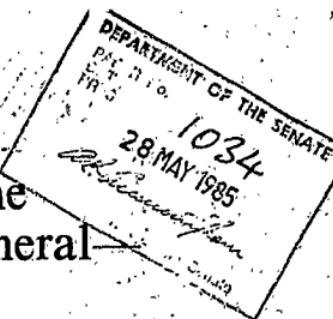




Report of the  
Auditor-General  
May 1983



Report

**232**

Joint Committee of  
Public Accounts



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 232

REPORT OF THE AUDITOR-GENERAL - May 1983

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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on Expenditure

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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.

(iv)

#### PREFACE

Each year the Committee examines recently published reports of the Auditor-General. Following the tabling of the Report of the Auditor-General for May 1983 the Committee sought written submissions from 13 Departments and Statutory Authorities in respect of 15 items listed in Appendix A.

The following two items raised important questions concerning the functions of the Auditor-General. The Committee would like to explore this issue at greater length but has deferred its decision until the House of Representatives Expenditure Committee reports on its investigation into public sector review mechanisms:

- Department of Industry and Commerce
  - Australian Industrial Development Corporation; and
- Department of Aviation
  - Qantas Airways Limited

The items relating to the Department of Defence have been referred for consideration by the Committee in its Project Management Inquiry.

This report analyses the responses to the Public Accounts Committee explaining the criticisms raised by the Auditor-General in his Report.

For and on behalf of the Committee.

Senator G. Georges  
Chairman

M.J. Talberg  
Secretary  
Joint Committee of  
Public Accounts  
Parliament House  
CANBERRA  
8 May 1985

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CHAPTER 1  
DEPARTMENT OF ADMINISTRATIVE SERVICES

SPECIAL BROADCASTING SERVICE (SBS)

1.1 The Special Broadcasting Service was established to provide multilingual and special purpose broadcasting and television services.

1.2 The Auditor-General's Report of May 1983 referred to the SBS entering into a contract amendment involving payments exceeding \$100 000 without the approval of the Minister required by section 79ZF of the Act.

1.3 This occurred when the Department of Administrative Services extended for six months a contract which it had entered into during 1979-80 with a contractor to provide services to the Special Broadcasting Service. The initial contract involved payments to the contractor in excess of \$100 000 and the extension involved additional payments also in excess of \$100 000. Neither the initial contract nor its extension were approved by the Minister as required by section 79ZF of the Act.

1.4 The SBS claimed that it did not arrange for the Department of Administrative Services to act on its behalf in entering into or extending the contract in any sense that would render the Department the agent of the SBS and thus render the SBS a party to the contract, nor did the contract state that the Department was the agent of the SBS. The SBS claimed that, as it was not a party to the contract, it had not entered into the contract and therefore could not have breached 79ZF of the Act. It did acknowledge, however, that it was the beneficiary of the contract and, in practice, made payments to the contractor under it.

1.5 Notwithstanding the claims made by the SBS, it is a separate legal entity with power to contract on its own account. Under the circumstances the Auditor-General took the view that the contract should be seen as having been initiated by the SBS as principal, using the Department of Administrative Services as its agent. The Auditor-General was therefore of the opinion that the SBS had breached section 79ZF of the Act and accordingly qualified the report on its financial statements.

1.6 The Committee sought further information from the SBS in view of the Auditor-General's qualification.

Departmental Response

1.7 At the request of the SBS the contract was arranged and extended by the Department's Purchasing Division.

1.8 In the case in question, the Purchasing Division obtained written assurances from the SBS of the availability of funds required for payment to the contractor for the contract period. In advising the Division of the availability of funds the SBS did not refer to section 79ZF of the Act or give any indication whether Ministerial approval had been obtained. The Department felt these matters were internal to the Special Broadcasting Service.

1.9 The contract in question and previous contracts arranged for the same services going back to the period before the establishment of the SBS were arranged on behalf of the Commonwealth. Similarly contract amendments in 1982-83 were made in the name of the Commonwealth. The Purchasing Division was not asked by the SBS to arrange contracts in the name of the SBS.

1.10 Where the Purchasing Division arranges contracts for authorities that have power to contract on their own behalf, they can and should be arranged in the name of those authorities. Insofar as the Division was concerned, it appears that the failure to do so in the case of these contracts was inadvertent. The need to arrange contracts in the name of authorities where that is appropriate has been drawn to the attention of the Purchasing Division's Regional and Area Purchasing Officers to avoid the recurrence of similar incidents.

1.11 When its attention was drawn to the Auditor-General's report, the Purchasing Division's Central Office reviewed the current arrangements. By that time, the Division had (in April 1983) endorsed the establishment of a new contract to provide the same services for a further three-year period between June 1983 and June 1986. Steps were taken to verify that the Special Broadcasting Service had, in this case, obtained the necessary approval from the Minister for Communications and that the contract was arranged in the name of the Special Broadcasting Service.

#### Special Broadcasting Service Response

1.12 The Special Broadcasting Service is not inclined towards, and sees little point in, pursuing any further the legal issue as outlined in the Auditor-General's Report.

1.13 It reiterated that the SBS was empowered to and could in fact have arranged the contract without any involvement from the Department of Administrative Services. In such a case approval of the Minister for Communications would automatically have been sought.

1.14 The Special Broadcasting Service obtained approval from the Minister for Communications for a further three year contract, commencing 27 June 1983, arranged on behalf of the Special Broadcasting Service by the Department of Administrative Services.

#### Conclusions

1.15 The Committee agrees with the Auditor-General that notwithstanding the claims made by the SBS, it is a separate legal entity with the power to contract on its own account. As a consequence, the contract should have been seen as having been initiated by the SBS as principal, using the Department of Administrative Services as agent.

1.16 The Committee notes the action taken by the Department of Administrative Services to ensure that contracts are arranged in the name of the appropriate contracting authority thereby ensuring that the need for Ministerial approval is recognised where required.

1.17 The Minister for Communications announced in December 1983 the establishment of the Committee of Review of the Special Broadcasting Service to inquire into the general administration and purchasing policies of the Service. That Report was tabled on 25 March 1985 and included amongst its recommendations a proposal to review financial management processes in the light of the principles of the Commonwealth Financial Management Improvement Program. The Committee wishes to be informed of any administrative changes resulting from that review.

## CHAPTER 2

### DEPARTMENT OF AVIATION

#### QANTAS AIRWAYS LIMITED

2.1 The Auditor-General's Report drew attention to certain transactions undertaken by Qantas, in relation to the sale of the Wentworth Hotel and the sale of shares in Qantas Wentworth Holdings Limited. The Auditor-General noted that prior to completion of the sale, shares were transferred from the Sydney share register to Darwin resulting in a reduction of stamp duty costs on the share sale. As a result of the agreement between Qantas and the purchaser to share the net stamp duty savings, Qantas received approximately \$600 000.

2.2 The Committee decided to explore this matter, particularly in view of a recurrence of the general issue in the case of certain transactions made by the Australian Industry Development Corporation (AIDC). Those transactions were also reported in this Auditor-General's Report and details of the Committee's findings are provided in a later part of this report. In both cases the Committee notes the involvement of the Auditor-General in reporting transactions which, while appropriate and legitimate in a business sense, could be regarded as extraordinary for Commonwealth Corporations. In the case of Qantas, the Auditor-General was concerned at the direct participation of a Commonwealth-owned company in arrangements which avoid, or could be seen to avoid, the payment of substantial State stamp duties.

#### Qantas' Response

2.3 Qantas Airways Limited noted that responsibility for payment of stamp duty lies with the purchaser and in fact substantial duties were paid including duties in New South Wales and the Northern Territory. Qantas confirmed that the transfer agreement resulted in an additional payment of \$616 866 by the purchaser to Qantas.

2.4 Qantas emphasised that not only was the transaction entirely legal and proper according to legal advice but also it was entirely appropriate given the commercial orientation of Qantas.

2.5 The Qantas Chairman expressed the view that it was not appropriate for the Auditor-General to comment on the commercial judgements and methods used by the Company except in-so-far as they may be unlawful or prevent the accounts from giving a true view of the affairs of the Company.

2.6 The Auditor-General, for his part, stated that he perceived his role to do whatever is necessary to ensure that Commonwealth enterprises are accountable to the Government and to Parliament. Section 51A of the Audit Act requires the Auditor-General to include in reports made to Parliament such information as is considered desirable in relation to audits examinations carried out in pursuance of the provisions of the Audit Act or any other Commonwealth Act. In the Auditor-General's opinion, the stamp duty matter was worthy of communication to the Minister and appropriate to convey to Parliament.

#### Conclusions

2.7 The Committee considers that the cases of Qantas and the AIDC raise important questions concerning the functions of the Auditor-General.

2.8 The Committee notes that the Auditor-General perceives his role to include reporting any transaction which is not ordinary. The Committee concurs with this view. The Auditor-General must demand a high standard of propriety and disclosure from Government owned authorities and companies notwithstanding their commercially oriented operations. On the other hand Qantas, for example, considers that the Auditor-General's role is discharged when reporting illegal or deceptive practices. The Committee can appreciate a desire on the part of enterprise to undertake legal commercial activities unfettered.

2.9 The Committee sees value in exploring the issue of the responsibility of the Auditor-General to report, on the widest possible terms, the financial affairs of Government associated enterprises. It notes that the House of Representatives Expenditure Committee is investigating the general issue of efficiency reviews in the public sector. The office of the Auditor-General is among the central agencies whose operations will be considered in the Inquiry into Public Service Review Mechanisms. The Committee will consider whether to pursue this matter after examination of the Expenditure Committee's Report which is expected to be available by the end of 1985.

## CHAPTER 3

### DEPARTMENT OF DEFENCE

#### THE MINEHUNTER CATAMARAN

3.1 The Auditor-General commented unfavourably on the management of the Minehunter Catamaran Project particularly:

- planning that did not take account of the uniqueness and complexity of the project; and
- the significant delay (4-5 years) and increased cost of the project because of poor planning.

#### REPAIR AND MAINTENANCE OF NAVY SHIPS

3.2 The Auditor-General also commented unfavourably on the planning control and management aspects of the ships repair and maintenance tasks carried out at Garden Island Dockyard. Some findings were:

- many instances of planned maintenance tasks not being performed during a refit because of unavailability of labour in required trades;
- work packages not being finalised in time to obtain required material and parts; and
- additional costs incurred because of lost time caused by a lack of resources.

#### Conclusion

3.3 These two items raised by the Auditor-General highlight perceived shortcomings in the management of Defence Force Projects. The Auditor-General's Report of September 1983 (para 5.2: Project Management Review) covers a general review of the Department's practices in this regard. One of these projects - Minehunter Catamarans was included in that review.

3.4 The Committee commenced a Public Inquiry into Project Management within the Defence Force on 7 March 1984 and has referred the items mentioned above including submissions from the Department of Defence for consideration during that Inquiry.

## CHAPTER 4

### DEPARTMENT OF EDUCATION AND YOUTH AFFAIRS

#### SECONDARY ALLOWANCES SCHEMES

4.1 The Auditor-General's Reports of September 1982 and May 1983 referred to the results of audits undertaken in the ACT and Victoria which concentrated on legal compliance and financial regularity. The audits were designed to ascertain whether proper procedures were developed and applied and whether there were adequate controls over expenditure. The Auditor-General's Office reported the following deficiencies in the ACT:

- the index card system did not ensure that all recipients of benefits under the various student assistant schemes were recorded to guard against repeated applications by one person;
- input/output checks on the Departmental ADP system were inadequate; and
- there was inadequate internal control over procedures to ensure applicants' income complied with the means test criteria.

#### Departmental Response

4.2 The Department had not responded in time for the Auditor-General to report on these matters in his September 1982 Report. The Department advised the Auditor-General, for his May 1983 Report, that it had acted on Audit's comments, with:

- a review of its index card system and moves towards the implementation of computer-based cross referencing of masterfile records to enable detection of duplicate applications;
- the introduction of an additional control measure over applications to improve ADP input/output checks; and
- the undertaking to introduce control over procedures to ensure compliance of applicants' income with the means test criteria, as ADP resources permit.

4.3 The Committee notes that aspects of the Secondary Allowances Scheme continue to be a source of concern. The administration of this Scheme, among others administered by the Department of Education and Youth Affairs, was raised again in

the Reports of the Auditor-General for September 1984 and April 1985.

#### Auditor-General's September 1984 Report

4.4 The Auditor-General conducted an audit of the central administration of a number of student assistance schemes including Tertiary Education Assistance (TEAS), Secondary Allowances (SAS) and Assistance for Isolated Children (AIC). The Auditor-General's Office acknowledged that certain of the issues addressed had also been identified in the report of a firm of consultants engaged by the Department in 1983 to review its ADP needs. That report having been accepted in principle by the Department, the Office also acknowledged that any remedial action taken by the Department in relation to those issues would be formulated in the context of the new systems recommended by the consultants.

4.5 The audit pointed to a need for the Department's Central Office to exercise greater control and supervision over the general administration of student assistance schemes. This need was seen to arise largely from the dollar materiality, technical complexity and physically dispersed nature of the Department's operations. In particular Central Office should:

- perform a controlling and monitoring role over the more important administrative functions carried out by the State and Territorial Offices (STO);
- establish administrative systems to measure the performance of the STO in certain critical areas, particularly the processing of applications; and
- provide greater support to the STO in the implementation of new systems and system modifications.

4.6 In a reorganisation submission to the Public Service Board in 1983, the Department indicated its intention to have Central Office assume greater supervisory responsibilities over the operations of the State Offices and the ACT Office. This reorganisation has been implemented.

4.7 The Department indicated that in general it accepted the Audit view concerning the need for Central Office to exercise greater control and supervision over the administration of student assistance schemes. However, the Department's capacity to do this was affected by resource constraints and, in this regard, additional resources had not been provided to its Programs and Development No. 1 Division for the administration of ongoing programs when the recent reorganisation was approved.

4.8 The Department also advised that the degree of progress in implementing remedial measures on particular matters referred to above was dependent on the extent of additional resources becoming available in the operational area of the Programs Branch. Following a recent establishment review, additional positions had been created but whether they could be filled in 1984-85 would be determined in the light of the Department's overall needs/resources situation.

#### Auditor-General's April 1985 Report

4.9 An audit of student assistance schemes was carried out in Western Australia in 1984.

4.10 The principal objectives of the audit were to ascertain whether:

- departmental procedures and practices reflected government policy and objectives;
- adequate controls existed to ensure benefit payments were made in accordance with eligibility criteria, and
- reporting and statistical procedures were adequate and were serving management effectively.

4.11 The results of the audit indicated that the procedures and practices followed in the Western Australian State Office were generally satisfactory. In most cases the State Director advised of remedial action taken or suitable explanations were provided. In some cases, though, the Director had made reference to the intended benefits of a proposed new computerised system as a means of overcoming certain deficiencies but it was noted that the new system (codenamed EDYCOMP) was not due to be implemented until 1987. Audit considers that this should not preclude the Department from taking action in the interim to improve systems procedures and controls.

4.12 A number of the matters arising from the audit were considered to have national implications and were referred to the Central Office of the Department for comment including:

- inadequate authorisation checks;
- insufficient input/output control for application documents;
- late issue of instructions on verification procedures; and
- problems in cross-check procedures designed to detect duplicate applications.

## Conclusion

4.13 The Committee is concerned that there still appear to be many problems in the area of administration of student assistance programs. The Committee wishes to draw to the attention of the Minister for Education and to the Department that its report on Income Maintenance Programs<sup>1</sup> recommended that departments operating major programs should ensure that specific legislation is drafted for such programs. It will examine the issue in further detail in its Reports on the Auditor-General's September 1984 and April 1985 Reports.

## OVERPAYMENT PROCEDURES

4.14 The effectiveness and adequacy of controls within the system to identify and recover overpayments of student assistance in the Northern Territory office of the Department received comments in the September 1982 and May 1983 Reports of the Auditor-General. The September 1982 Report also contained the Department's responses to the Auditor-General's criticisms of overpayments procedures in the Victorian office.

4.15 With regard to the Northern Territory office, the Auditor-General found:

- a lack of comprehensive and up to date instructions;
- a lack of evidence of a check of overpayment calculations;
- delays in commencing recovery action after the discovery of an overpayment;
- inadequate recovery procedures; and
- significant increases in overpayment debt.

## Departmental Response

4.16 The Northern Territory office replied that:

- a new ADP system would be developed and a review of staffing for the recoveries function was in progress. There would be a draft manual issued pending the development of the new ADP system;
- staff had been informed of the requirement to document the check of overpayment calculations; and
- delays in recovery action and in the overpayment debt outstanding were being reduced with the increased work by assessors resulting from recruitment and working overtime.

<sup>1</sup> Joint Committee of Public Accounts, Report 213, Income Maintenance Programs Volume 1 - A Discussion Paper, AGPS, 1983, p 65.

## Conclusion

4.17 The measures outlined by the Department are noted. The Committee is concerned that this issue continues to arise in the Auditor-General's Reports. In March 1984 an audit of the Victorian Office disclosed unsatisfactory procedures for dealing with overpayments.

4.18 The Committee, in its discussion of the Report of the Auditor-General, September 1983<sup>1</sup> expressed concern at the continuing problem of overpayments and recommended that the direct credit method of payment be the principal means of payment of all cases with only exceptional cases being paid by other means.

4.19 The Committee does not accept arguments put forward by the Department of Education and Youth Affairs on the disadvantages of direct credit for student allowances. The Committee is of the opinion that the Department of Education and Youth Affairs has not addressed itself assiduously to the problem of recovery of overpayments of student allowances and to rely on a returned cheque as the first indication of ceased eligibility is negligent. The Committee is of the belief that the benefit to the payee and the Department of direct credit for student allowances could outweigh any disadvantages. For example, educational institutions, themselves funded by the Commonwealth, should be required to submit a return of all students who have changed status or discontinued courses. This should be done on a regular basis, say twice per term or semester.

4.20 The Committee agreed that there would be exceptions to the direct credit mode. Schemes of assistance for Aboriginals and isolated children are examples, and there could also be individuals in other schemes who would not have access to direct or regular banking facilities.

4.21 The Committee will maintain an interest in this matter and would expect satisfactory audit findings in the future.

## SCHOOL TO WORK TRANSITION PROGRAM

4.22 In late 1981 and 1982 the Auditor-General's Office carried out an audit of the School to Work Transition Program. The Program has the objective of diversifying educational provisions in schools and in Technical and Further Education (TAFE) institutions to meet the needs of youth in the 15-19 years age group.

4.23 The audit considered whether the Program was meeting its stated aims and objectives, whether the procedures used were consistent with its desired aims and whether control over the expenditure of money was adequate and cost effective.

1. Joint Committee of Public Accounts, Report 233, Reports of the Auditor-General 1982-83 and September 1983, AGPS, 1985, Chapter 12.

4.24 The general comment by the Auditor-General was one of satisfaction with the Department's operation of the Program. On performance against aims, Audit concluded that the Department had taken reasonable measures to determine that the Program is meeting its objectives. It was suggested that evaluation could be made more effective if there were a systematic and regular program of review. With regard to administrative procedures, Audit considered that, given the complexities of administering joint Commonwealth/State education programs, the Department has taken reasonable steps to use resources effectively and that financial controls were reasonable.

4.25 The Auditor-General noted that administration of the Program involves questions about the degree of control which should be exercised over the specific purpose grants to the States. The answers to these questions largely become a matter for political decision, particularly where there is no legislative backing for the Program other than an appropriation item in an Appropriation Act.

#### Conclusions

4.26 From the Auditor-General's comments and the Department's response it would appear to the Committee that the arrangements for the School to Work Transition Program are generally satisfactory.

#### ADULT SECONDARY EDUCATION ASSISTANCE SCHEME (ASEAS)

4.27 ASEAS assists adult full-time students undertaking one year, or in some cases the final two years, of matriculation level courses at secondary schools, technical colleges, colleges of advanced education and other approved institutions. ASEAS also assists refugee and migrant students completing their secondary education.

4.28 The audit conducted in the Australian Capital Territory (ACT) was designed to evaluate the scheme's administration and to determine whether the then Department of Education was assessing progress towards achievement of the scheme's objectives. The Auditor-General found:

- inadequate procedures for the follow-up and recovery of debts;
- some delays in commencing recovery action when overpayments to clients were discovered;
- inadequate procedures for verifying information supplied by applicants; and
- an increase in the number of ASEAS overpayment cases and their unit cost.

#### Departmental Response

4.29 The Department acknowledged that controls over the recovery of debts were not satisfactory and responded that improvements were being made to the ADP system. The recoveries procedure has been reviewed and a procedure manual has been drafted and issued and the ADP recoveries system has been redesigned.

4.30 To combat delays in processing overpayments, the chain of action between the ACT Office and Central Office has been streamlined with the relocation of the recoveries clerk position to the ACT office. In addition, procedures for registering overpayments and scrutinising cases have been improved.

4.31 The Department also responded to the Auditor-General's comments regarding the verification of information supplied by applicants, for example, sighting birth certificates and confirming status for refugee students. The Department submitted that current procedures are adequate when appropriately applied and the relevant administering parties have been reminded of those procedures. Under these procedures, checks are made in a random sample of cases. When entitlement requires refugee status, checks are carried out on student enrolment and in a random sample of cases birth certificates are also checked. The Department submitted that a backlog of work had inhibited some checks, but the application of appropriate procedures had been reinforced.

4.32 The relocation of the recoveries clerk position to the ACT office has improved the balance of outstanding cases involving overpayments. However while the Department's submission indicates a reduction in the number of outstanding recovery cases, the average value of outstanding cases has risen.

#### Conclusion

4.33 The ASEAS Scheme was among those student assistance schemes reviewed in the Auditor-General's March 1984 Report. This disclosed a number of unsatisfactory features relating to eligibility checks and applications processing in the Victorian Office. The Committee remains unconvinced that procedures of this kind are adequate and expects to be advised of the results of current Departmental reviews of such procedures.

#### CURRICULUM DEVELOPMENT CENTRE

4.34 The Curriculum Development Centre functions to devise, develop and make available, school curricula and educational materials.

4.35 The Auditor-General's May 1983 Report repeated the comments of the September 1982 Report regarding the necessity to return the draft final statements for 1980-81 for the Curriculum Development Centre several times before they were in an acceptable form with adequate supporting documentation. The Auditor-General also highlighted the delay in the Centre tabling its 1980-81 Annual Report and the payment of administrative expenses in excess of estimates approved by the Minister by some \$23 000.

#### Curriculum Development Centre's Response

4.36 The Centre submitted that the problems with accounting and control procedures were caused by the serious strain on the finance and accounting unit during a period of rapid growth for the Centre. The Centre reported that these problems have been substantially rectified.

4.37 The necessity for the Centre to provide, on several occasions, additional information to support the financial statements for 1980-81 arose from the shortage of suitably experienced accounting personnel. To overcome a repetition of these problems, the Centre engaged a firm of accountants to assist.

4.38 Expenditure in excess of the amount approved by the Minister arose, the Centre argued, through work pressures. Finance and accounts staff who were diverted to activities associated with the Review of Commonwealth Functions directed less attention to monitoring cash expenditure. The Centre submitted that this period of diminished control corresponded with a period of keen pressure from creditors for payment of accounts. As a result, proper procedures for Ministerial approval were not followed and there was an overrun of expenditure. It was claimed that the Centre's overall appropriation was maintained, however, as a result of the higher than expected receipts from the sale of publications.

#### Conclusion

4.39 The Committee does not accept that basic accounting and control measures could not have been maintained during a period of rapid growth and lack of suitable staff. Relatively simple mechanisms could have kept the Centre's senior officers informed of the state of its appropriation. The Committee notes that the Centre has substantially rectified its problems in this area.

4.40 The Committee notes that there were inordinate delays in the Centre presenting its 1980-81 Annual Report. An interim report was tabled in May 1982 and the final report was not presented until May 1983. The Committee notes that the Centre's performance in this regard has improved, with the 1981-82 Annual Report being tabled in March 1984 and the 1982-83 Report in June 1984. The 1983-84 Report had not been presented at the time of this Report.

4.41 The Committee stresses the importance of organisations providing annual reports and financial statements in a timely fashion. It notes the Centre's progress in redressing weaknesses in staffing and accounting procedures. It also notes the changes in administrative arrangements under which the Centre was abolished and then re-established as the Curriculum Development Council (although still known as the Curriculum Development Centre) and will expect the management of financial matters by the new organisation to be substantially improved.

## CHAPTER 5

### DEPARTMENT OF FINANCE

#### SUPERANNUATION FUND INVESTMENT TRUST

5.1 The Auditor-General in his May 1983 Report drew attention to the following matters which were regarded as unsatisfactory:

- non-reconciliation of certain control accounts maintained by the Australian Government Retirement Benefits Office with the relevant subsidiary accounts;
- overdrawing of the Superannuation Fund balance by the Trust on six occasions during the year;
- method of consolidation of property unit trust accounts and overstatement of property unit trust income in the financial statements of the Trust; and
- non-provision of income tax on capitalised profits from property unit trusts.

#### Commissioner's Response

5.2 The Commissioner for Superannuation replied in a detailed submission to the Committee in June 1983:

- the financial statements for 1981-82 would reflect fully reconciled figures for the three control accounts;
- overdrawing of the Superannuation Fund balance was still the subject of negotiation with the Department of Finance but was expected to be resolved before the end of the 1982-83 financial year;
- the accounting treatment of the Trust's investments in property unit trusts had been agreed with the Auditor-General in such a way as to avoid qualification in future years; and
- the questions of doubt and difficulty concerning the income tax aspects of the structure and operation of property unit trusts had been resolved to the satisfaction of the Commissioner of Taxation.

#### Conclusions

5.3 The Committee noted that the Senate Standing Committee on Finance and Government Operations has addressed some of the matters raised by the Auditor-General.

5.4 In view of the Public Inquiry into the Superannuation Fund Investment Trust, headed by Mr J V Monaghan, which reported to the Minister for Finance in March 1984, and the continuing interest of the Senate Standing Committee in the affairs of the Trust, the Committee has resolved not to consider these matters any further at this stage.

5.5 The Committee will, however, maintain an ongoing interest in matters arising from the report of the Monaghan Inquiry and any conclusions or recommendations made by the Senate Standing Committee on Finance and Government Operations when it reports. This report is expected to be tabled in the Senate by the end of May 1985.

CHAPTER 6  
DEPARTMENT OF FOREIGN AFFAIRS

PASSPORT ISSUE AND CONTROL

6.1 The Auditor-General's May 1983 Report referred to a recent audit of the passport issue and control function of the New South Wales Regional Office which disclosed a significant number of unsatisfactory matters, many of which had been identified during previous examinations at other regional offices. The results of the audit of the New South Wales Regional Office indicates that while action may have been taken to correct individual deficiencies identified in earlier audits, there was no follow-up to ensure that unsatisfactory matters reported in one regional office were not also occurring in other regional offices.

6.2 The Auditor-General commented that a major deficiency appeared to lie in the computerised Passport Issue and Control System (PICS). This system links Australian passport issuing offices to the Department of Industry and Commerce computer network. It maintains an on-line index to all passport issues, generates warning lists and is used in the issue of new passports. Unsatisfactory features of PICS identified during the audits were that:

- passports can be allocated where applicant's details are not provided;
- the passport control file of PICS was not fully effective in preventing the issue of passports to persons whom sections of the Passport Act deny issue;
- the control system over spoilt passports was considered inadequate;
- the PICS system produced no exception reports to aid the follow-up of discrepancies relating to passport stocks and spoils;
- security over supervisors' passwords was inadequate, prescribed checks of input were not evidenced, passports could be issued and not recorded on PICS, verification procedures for input were inadequate; and
- PICS specifications on hand at the time of the audit did not correspond to the system in operation.

6.3 Unsatisfactory features were also identified in the clerical administration of the passport issue and control function.

6.4 The March 1984 Report again raised similar concerns and the Auditor-General recommended that the Department incorporate the Audit findings in its PICS redevelopment proposals.

Departmental Response

6.5 The Department has introduced significant changes to the passport issue and control procedures during the period from 1975 to 1982. Some of the changes were the direct result of recommendations of the Williams and Stewart Royal Commissions of Enquiry into Drugs and Drug Trafficking.

6.6 The Auditor-General acknowledged that, except where staff resources were required to overcome some deficiencies, remedial action had been taken in respect of most of the criticisms raised regarding the New South Wales regional offices.

6.7 While acknowledging that individual deficiencies which were identified in one regional office may also be occurring in another regional office, the Department mentioned features of the decentralised approach to the management of passport operation which inhibited its ability to apply one set of recommendations to all offices.

6.8 The Department also felt that changes to the passport issue and control system planned for introduction would have a major impact on procedures in all passport offices. These changes included:

- increased security checking of passport applicants;
- use of official post offices as passport application lodgement centres;
- personal interviewing of all passport applicants and elimination of mail application facilities;
- passports to be forwarded to applicants' residential addresses by certified mail. Personal collection will not be permitted unless under exceptional circumstances;
- more strict requirements for documentation in support of a passport application;
- revision and reprinting of all existing travel documents and associated application forms;
- introduction of passport printers; and

- introduction of machine-readable script in passports.

6.9 Because of these changes a standard set of procedures for each office was required. This procedural manual, the Manual of Australian Passport Issue, was issued to all passport offices in Australia and at overseas posts in June 1983, and forms part of a comprehensive training package for the Department's officers and approximately 4 500 Australia Post personnel.

6.10 While acknowledging the limitations of the PICS Computer system, the system was the most up-to-date system available when it was introduced in 1980. The PICS system would be continually reviewed and a major development is planned for 1988.

6.11 Since the Department prepared its submission a number of significant developments have occurred which have improved the controls over passport issue. The Department advised the Committee, in April 1985, that that there had been substantial improvement to the PICS system. PICS2 had been developed and incorporated many of the features lacking in the previous system. It operates on the Department of Foreign Affairs own system allowing the Department greater opportunity to run checks and providing tighter control over system security than was possible when using facilities shared with the Department of Industry and Commerce.

6.12 On specific points raised in the Auditor-General's Report, the Department has notified the following improvements:

- 'unknown' status passports where personal details are not included have been removed from the system. Edits have been provided to prevent any further occurrences;
- the ability of PICS to prevent issue of passports to persons to whom sections of the Passports Act deny issue has not been greatly enhanced. However, steps have been taken to develop other administrative procedures. Sections 7B, 7C and 7E of the Passports Act prescribe certain conditions under which an authorised officer may not issue a passport unless otherwise directed by the Minister. These include cases where there is reason to believe there is in force a warrant issued in Australia for the arrest of the person. The Department is having discussions with police organisations including the Bureau of Criminal Intelligence about on-line access to warrants through the National Exchange of Police Intelligence (NEPI). The matter was to be raised at the National Police Conference in Perth in April 1985;

- the control over spoilt passports has been tightened. Daily spoil reports are issued and copies sent to each issuing office. Spoil sheets are inserted into slots where the application form would otherwise be lodged, ensuring each passport number is accounted for;
- PICS2 provides a tighter stocks accounting system and carriage of passports by security firms increases security in transportation; and
- supervisor password integrity has been protected by changes in procedures. The system no longer allows an operator to call up a supervisor function. The operator must log off and the supervisor log on before supervisory functions can be performed.

#### Conclusion

6.13 The Committee notes the remedial action taken and will maintain an interest in future Auditor-General's reports to assess the impact of current and proposed changes to passport issue and control.

## CHAPTER 7

### DEPARTMENT OF INDUSTRY AND COMMERCE

#### AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION (AIDC)

7.1 In his September 1982 Report, the Auditor-General expressed concern at the types of transactions entered into by the Corporation. In that Report he discussed certain transactions involving currency contracts and bills of exchange. In this May 1983 Report he again expressed concern about the appropriateness of a major transaction. In 1981, the Corporation decided to purchase a furnished home unit in the Sydney City area at a cost of approximately \$360 000. The Auditor-General questioned the decision on grounds of legality and cost. Having expressed his concern at the propriety of the transactions, but receiving assurances as to their legality, the Auditor-General approved the Corporation's financial statements. As in the case of Qantas, which is discussed in an earlier section of this report, the Auditor-General, however, exercised what he deemed to be his duty to report transactions which depart from the normal and required functions of the enterprise.

7.2 The matter was raised again in the Auditor-General's March 1984 Report when the Corporation's decision to sell the unit was reported.

7.3 In his April 1985 Report, the Auditor-General noted that the unit remained unsold despite the July 1983 decision by the Corporation. The Corporation advised the Auditor-General that the unit was still in the hands of an agent and it was still intended that it be sold.

#### AIDC Response

7.4 The Corporation pointed out that its Act requires it to promote the development and advancement of industry in Australia and participation by Australians in that industry growth through its commercial activities as a development financing business. The Corporation emphasised that in introducing the original legislation in 1970 the then Minister for Trade and Industry set the tone for the operations of the AIDC.

"It is structured to function in a private enterprise environment and completely in accord with the principles of free enterprise and the free enterprise system ... .

Its operations will be subject to the same tests of commercial viability as are ordinarily applied in business planning by the experienced board of any great private enterprise venture."

7.5 The Corporation submitted that the purchase of a Sydney apartment was justified on the grounds that it was a normal use of the Board's general powers to control and manage the Corporation and to achieve its functional objectives in the manner of a financial corporation operating in accordance with business principles. The apartment was set up as an operational base as well as living quarters for the Chief Executive when engaged in business in the Sydney Office.

7.6 The Corporation also pointed out that it has had extensive and profitable experience in property investment, including experience as financial adviser to major property developers. It was also asserted that the property was not expensive, but in line with property values in the city at the time and was expected to be an appreciating asset.

7.7 Nevertheless, the Corporation had advised the Minister that it had called for a market report with a view to divestment of the apartment. It was subsequently reported in the Auditor-General's March 1984 Report that at its July 1983 meeting, the Board of the Corporation resolved that the unit be put in the hands of an agent for sale.

#### Conclusions

7.8 The Committee is dissatisfied with the Corporation's delay in executing its decision to sell the Sydney unit and has sought further information from the Corporation.

7.9 The Committee considers that this case highlights the Auditor-General's perception of his appropriate role in notifying the relevant Minister and the Parliament of activities which might be considered not ordinary. The Committee sees merit in this approach but also appreciates the desire of public enterprises to exercise adequate autonomy in conducting their operations. As stated in Chapter Two of this Report, it appears that there may be a need to more clearly define the bounds of the Auditor-General's responsibilities. The Committee may address itself to this matter following the outcome of the inquiry currently being undertaken by the House of Representatives Expenditure Committee on the general issue of efficiency reviews in the public sector, expected to report late in 1985.

## CHAPTER 8

### DEPARTMENT OF PRIMARY INDUSTRY

#### INVESTMENT OF TRUST ACCOUNT MONEY

8.1 At 30 June 1982 investment of trust account moneys by the Department of Primary Industry totalled \$150.3m involving 122 separate investments from 21 trust accounts. Income from investments received during 1981-82 was \$18.9m.

8.2 An audit of investments of trust account moneys was carried out in 1982 to ascertain whether departmental procedures for management of and accounting for investments complied with financial and legislative requirements and enabled an optimum return to be derived from investments.

8.3 A number of matters arose from the audit, including:

- investments contrary to legislative requirements. It was noted that the Department held bank-accepted bills of exchange valued at \$2m at 24 November 1982, relating to the Wheat Finance Fund purchased through brokers. A legal opinion from the Attorney-General's Department stated that bills of exchange purchased through brokers are not authorised under the Audit Act 1901. It was also noted that at 24 November 1982, \$3m relating to the Wool Research Trust Fund was invested in bills of exchange although this form of investment is not authorised under the Wool Industry Act 1972;
- delays in receipt of interest due. Several cases were noted where monthly interest receivable from investments on the Short-Term Money Market was several weeks overdue. It was also noted that satisfactory records were not kept of due dates for interest payments;
- reconciliation of trust accounts. It was noted that regular monthly reconciliations are performed between the Department's Investment Register and the Department of Finance Investment Ledger on an overall basis but reconciliations are not conducted in respect of individual trust accounts;
- management information reports. Computer reports designed for the purposes of management review and control over investment activities were in some cases inaccurate and not always timely for decision making; and

• general administrative controls. Deficiencies in procedures were noted in regard to apportionment of interest received, amendment to investment records and recording of bills of exchange held interstate. Security over investment records was also not entirely satisfactory.

8.4 The Auditor-General further commented that in view of the weaknesses identified, there would be merit in the Department subjecting its trust account investment procedures to fundamental review.

#### Departmental Response

8.5 The Department provided a detailed submission on the matters raised by the Auditor-General. Specific actions of the Department included:

- following liaison with the Department of Finance, the Department ceased to invest in bank-accepted bills of exchange. After discussion with the Department of Finance it was decided to allow the bills previously purchased to continue to maturity as realisation of the investment may have caused substantial losses and the Minister for Finance had approved amendments to the Audit Act to permit investment in the bills. The proposed amendments came into effect on 22 September 1982. Amendments to overcome the deficiencies in the Wool Industry Act, excluding investment in bills of exchange, was included in the Department's legislation program;
- revised procedures have been introduced to highlight any delays in receipt of interest for immediate investigation. The Department has also advised companies with which it deals of the need for prompt payment of interest due. Any investment company failing to meet this requirement is removed from the list of those contacted for quotes;
- a formal register showing details of investment and interest due is now kept;
- at the time of the Department's submission eighteen of the twenty trust accounts had been reconciled with the Department of Finance Investment Ledger;

. later information received by the Committee in September 1984 stated that revision of reconciliation procedures together with improved ADP support has enabled monthly reconciliations between the Department's Investment Register and the Department of Finance ledger on an individual trust account basis;

- . action has been taken to ensure that schedules for apportionment of interest are always signed by the preparing officer and cross-referenced to the appropriate receipts. The Department is also endeavouring, whenever time permits, to implement checks by a second officer of requests to amend investment records and apportionment of interest schedules. A consolidated register of investment documents is also now maintained; and
- . arrangements have been made to keep records of investments in locked filing cabinets when staff are not in attendance.

8.6 The Department acknowledged that a review was required of the overall investment procedures. A Joint Management Review (JMR) commenced on 28 February 1983 and was submitted to the Public Service Board and the Department on 20 May 1983. The terms of reference included a requirement that, in particular, it examine and report on the 'cash flow and funds management of research trust accounts in relation to investment opportunities'. A re-design of the computer system operating within the Department to meet current needs was deferred pending the outcome of the Review and a further review by outside consultants of the Department's computer needs. The revised ADP support system arising out of the reviews was implemented in July 1984.

#### Conclusion

8.7 The Committee endorses the positive actions of the Department in relation to the matters raised by the Auditor-General. The Committee also notes that the revision of ADP support systems should help overcome many of the deficiencies noted in respect of the Department's investment activities.

#### CHAPTER 9

#### DEPARTMENT OF SOCIAL SECURITY

##### RECOVERY OF OVERPAYMENTS

9.1 Previous Auditor-General's Reports have referred to overpayments of pensions, benefits and allowances, and proposed improvements to the system for the recovery of such overpayments. These matters have been raised again in the Auditor-General's Reports of March and September 1984 and April 1985.

9.2 Some departmental statistics on overpayments raised and recovered are shown in Table 1. Further, more detailed statistics are at Appendix C.

TABLE 1  
DEPARTMENT OF SOCIAL SECURITY  
OVERPAYMENTS OF PENSIONS, BENEFITS AND ALLOWANCES  
RAISED AND RECOVERED

	1980-81 \$m	1981-82 <sup>1</sup> \$m	1982-83 <sup>2</sup> \$m	1983-84 <sup>3</sup> \$m
Balance unrecovered at 1 July	36.3	45.0	54.5	76.0
Additional amounts raised during the year	27.2	28.1	46.8	63.7
	63.5	73.1	101.3	139.7
less				
Cash repayments and recoveries from beneficiaries	16.6	16.5	22.8	32.7
Amounts written off as irrecoverable	1.9	18.5	2.1	18.6
			2.5	25.3
Balance unrecovered at 30 June		45.0	54.5	76.0
				104.3

1 Report of the Auditor-General, May 1983, p. 87.

2 Report of the Auditor-General, March 1984, p. 140.

3 Report of the Auditor-General, September 1984, p. 143.

9.3 Statistics on overpayments refer to amounts identified by the Department as having been paid out in excess of entitlement brought about by either incomplete or inaccurate information supplied by the payee at the time entitlement was assessed, or by a change in the payee's circumstances not immediately notified to the Department. Payments in excess of entitlement arising from office error are classified by the Department as 'incorrect payments' rather than 'overpayments' and are not included in the above statistics.

9.4 Reference to overpayments arising from the fraudulent negotiation of original and replacement cheques is included in the following section under 'Issue of Replacement Cheques'. The item 'Fraudulent Negotiation of Cheques' is further examined in the Committee's Report 233.<sup>4</sup>

9.5 The Auditor-General's Office conducted indepth audits of the recovery of overpayments at the Department's Central Office and in Victoria during the latter part of 1982. The main objective of the audits was to form an opinion on the adequacy of Departmental action to detect, record and recover amounts overpaid.

9.6 Other matters raised by the Auditor-General with the Department were as follows:

- that the Central Office should have a more positive role in assessing the performance of the various State Administrations in identifying and recovering overpayments, possibly through use of information extracted from the ADP system. At present only annual statistics are collected;
- that the audit disclosed that there was no system and program level documentation for the ADP Overpayments System. Moreover, for enhancements implemented in 1982, no program documentation was prepared prior to the programming of the relevant system changes and only a limited amount of documentation of some program modules had been prepared at the time when the revised system went into production. In view of the magnitude of the changes made to the ADP system, the Auditor-General's Office suggested that they were more in the nature of systems development for which the Department had well documented standards and techniques, rather than system maintenance and modification. It was also noted that Query Reports and Test Sheets prepared during the testing phase for the system changes did not show sufficient details to confirm that thorough testing had been carried out;

<sup>4</sup> Joint Committee of Public Accounts, Report 233, Reports of the Auditor-General 1982-83 and September 1983, 1985, Chapter 12.

- that paragraph 2.19.7 of the Auditor-General's September 1981 Report indicated that full implementation of five proposed important improvements to the ADP system would take place following the introduction into all States of the National Benefits System (NBS) for processing and recording unemployment, sickness and special benefits. Although the NBS had been operative in all States since July 1982, it was noted that two of the proposed improvements had still not been introduced;
- that the audit also revealed a number of additional areas where enhancements to the ADP Overpayments System appeared to be desirable. These included:
  - a facility to register, and record in the ADP master file, possible overpayments identified but not yet fully investigated;
  - production of separate reconciliations for each regional office to supplement the present reconciliations which were only prepared on a State-wide basis;
  - automatic adjustment of the amount of withholdings to coincide with increases in the amount of benefit payable; and
  - production of more detailed information by regional office and by benefit type to assist State Administrations in their monitoring role;
- that the rapidly increasing number of unemployment beneficiaries had also caused problems in allocating sufficient resources to examine and process overpayments. In one regional office visited in Victoria almost 600 cases of possible overpayments of unemployment or sickness benefits were awaiting attention in December 1982. The Auditor-General's Office suggested that, under the prevailing circumstances, there could be justification for some clerical staff at regional offices to be permanently assigned to recovering overpayments;
- that during discussions with the Central Office of the Department, the Auditor-General's Office raised the need for a national procedures manual, dealing with the recovery of overpayments, to replace the practice of allowing separate manuals to be maintained by each State; and

- that other matters raised with the Victorian State Administration included:
  - a suggested course of remedial action to improve control over reject reports and system input in view of the large number of rejections arising from errors awaiting correction in regional office input to the ADP system;
  - the desirability of a revised debit numbering system which could reduce workloads and provide more useful information;
  - cases noted of benefits being paid to persons without action being taken to recover previous overpayments;
  - an analysis of recoveries for several regional offices in October 1982 which showed there had been no transactions for 90 days in about 20% of cases; and
  - delays in the input of cash recoveries by regional offices to the ADP System. (Additionally there was no way of proving that cash received at regional offices was processed through the Overpayments System in all cases. Among other things, this often resulted in recovery action being continued although amounts due had been paid.)

9.7 The audit disclosed that the Department is facing serious problems in the identification and recovery of overpayments which arise from incomplete or inaccurate information given by its client population to support claims for benefit. The Victorian State Administration was aware of these problems and was taking remedial measures.

9.8 The Auditor-General's Office considered, however, that the Central Office should play a more positive role in monitoring the situation at regular intervals to determine whether the position is satisfactory in all States.

#### Auditor-General's Report April 1985

9.9 In April 1985 the Auditor-General reported on an audit of debt control procedures in the Northern Territory. Similar problems were noted as were evident in other regions in previous audits. The Auditor-General made the following general statement on the overpayments issue:

- The continued level of unsatisfactory findings in relation to the recovery of overpayments is of concern. Whilst the national review of departmental debt recovery methods had recommended certain remedial measures, the impact of such recommendations was not evident in the recent audit. Future audits of Departmental debt control procedures will review the effect of measures adopted to improve the rate of recovery of overpayments; and

- In view of the high level of unrecovered overpayments by the Department of Social Security (\$104.3 million at 30 June 1984), it is considered that development of a national index of overpayment cases or cross matching facility, such as that presently available in State Headquarters, should receive some priority in STRATPLAN developments.

#### Departmental Response

9.10 The Committee considered that further information should be supplied by the Department on this matter (Appendix B). The Department had also stated in the earlier responses that Central Office monitoring would be improved by the establishment of the Performance Monitoring Branch in early 1983. The Committee asked this branch to make a submission and a presentation on its activities (Appendix B). The Committee's comments on this initiative appear below.

9.11 In its submission<sup>5</sup> relating to the September 1984 Auditor-General's Report, the Department described the environment in which it operated and the relativities that need to be observed. While in absolute terms the value of overpayments is material, when considered in the context of the overall level of expenditure on benefits, pensions and allowances overpayments identified represented 0.48 per cent of total payments during 1983-84. The Department also stated that the increase in the amount of overpayments raised during 1983-84 was matched by an equivalent increase in the number of overpayment cases identified and processed. The Department claimed that in effecting recovery the following factors have an impact:

- the socio-economic circumstances of the Department's clients require special consideration, particularly as many are not in the position to repay amounts owed;
- the high turnover of staff had led to a lack of experienced personnel available to calculate and process complex overpayments (particularly pensions);

5 See Appendix B, Department of Social Security.

- the transient nature of many clients made debtor location difficult; and
- overpayment processing and recovery was often an industrial target.

9.12 The Department's responses to the matters raised by the Auditor-General were as follows:

- that annual statistics covered details of overpayments by State and by benefit type together with comparative information for the preceding six years. It was not considered to be the Central Office's responsibility to monitor directly overpayment detection and recovery although, following a filtering of information held in regional offices, significant problems were referred to the Central Office. The Performance Monitoring Branch was established to evaluate and monitor the various levels of operations in the Department (some of its activities are mentioned below);
- that it did not normally use formal current documentation standards when making minor changes to systems which were not developed using current standards. When a change of some magnitude was planned current documentation standards were generally used in making the change. With the benefit of hindsight it agreed that, given the size of the total package of changes implemented, current documentation standards should have been used. For cost effectiveness reasons no further documentation of the system would be undertaken at that stage. Further changes would occur under the Department's major systems development and re-equipment program (STRATPLAN). In future, full documentation would be provided on Query Report and Test Sheets prepared during system testing;
- that the two remaining improvements would be incorporated during the development of STRATPLAN when consideration would be given to the Auditor-General's proposal for a facility for registering possible overpayments;
- that for the ADP Overpayments System:
  - the preparation of separate reconciliations for regional offices, a feature required only in New South Wales and Victoria as the overpayment processing in the other States is centralised, was a large task requiring at least 12 man-months of work;
  - automatic adjustment of withholdings after rate increases was a matter for the appropriate benefit payment systems; and
  - production of more detailed information to assist States in their monitoring role was a matter for consideration by the Performance Monitoring Branch;
  - . that in two of the three Area Administrations in Victoria task forces had been created to overcome the backlog of overpayments processing and that operation had been completed. The three offices visited during the audit were in the third Area where a similar task force operation had been scheduled for completion by mid-January 1983;
  - . that due to the rapidly rising number of unemployment beneficiaries, processing of overpayments could not be given priority over processing of claims for benefits. At the regional office, where there had been a large number of overpayments awaiting processing (December 1982), the increase in workload had been such that two new regional offices were to be opened in that vicinity;
  - . that a combined Coding/Clerical Procedures Manual and a User Manual was being prepared (released in 1983); and
  - . that with regard to the matters raised with the Victorian State Administration:
    - regular follow-up of outstanding corrections to rejected inputs to the ADP system was undertaken by the State Headquarters and a reminder was recently issued to regional offices on the subject. The Auditor-General's suggestions would be considered, as well as the introduction of intensive training sessions and emphasis on the problem of rejected transactions at area meetings;

- it would be difficult to change the debit numbering system. However, the Auditor-General's suggestion could be taken into consideration during re-design of the system under STRATPLAN;
- the introduction of a combined microfiche reference system in December 1982 was expected to greatly reduce the likelihood that overpayments previously written off would be overlooked when benefits became payable at a later date;
- due to the retention on the ADP master file of overpayments written off and to other factors, the age analysis of recovery transactions performed by the Auditor-General's Office would be distorted. It was estimated that 10 per cent of recovery cases may not have had any transaction for 90 days but consideration needed to be given to practical and legal difficulties; and
- strong measures would be taken to ensure that all cash recoveries were input to the ADP System, and in a timely manner.

#### Performance Monitoring Branch

9.13 All submissions referred to initiatives that were being undertaken to improve the recovery of overpayments and to administrative reforms to be carried out under the control of the Performance Monitoring Branch.

9.14 The Performance Monitoring Branch was formed in 1983 to bring together significant problem identification and problem solving skills to service the Department nationally. The Branch's primary orientation is therefore to monitor Departmental performance in key areas and to move quickly and responsibly to deal with existing or potentially unsatisfactory performance. There are three groups in the Branch:

- Internal Audit;
- Monitoring and Control; and
- Management Consultancy.

9.15 Although each has clear and distinct responsibilities the level of interchange between the groups is very high. Internal Audit and Monitoring and Control have problem identification as a major operational objective. The Management Consultancy Group provides a capacity to develop solutions and implement recommendations which derive from comprehensive reviews of major problem areas. The bringing together of these three

functions had taken place largely by optimising the overlap that had usually occurred between them.

9.16 One of the early major projects of the Branch was to devise, develop and implement the management information system, PRISM (Performance Related Information System for Managers). This system produces a series of reports for regional managers across the country, a number of which specifically provide information in relation to overpayments. These reports provide details as to volumes on hand and processed, the values involved, the reasons for overpayment and recovery rates. A further 'stand alone' series of programs designed to monitor volumes of cases where overpayments have yet to be confirmed is presently being tested in the Department's Western Australian administration.

9.17 The investigation of the feasibility of proceeding to direct credit as the prime mode of payment of benefit entitlements was undertaken in September/October 1984 by the Management Consultancy Group.<sup>6</sup> The result of the study indicated that this option was feasible, cost effective and brought with it significant advantages to clients. In 1983-84, approximately \$8m (or 12.5 per cent by value and 22.5 per cent by number) of overpayments were caused by original and duplicate cheques being cashed by clients. The Department stated that the adoption of direct credit will be significant in the prevention of this type of overpayment. The Government's decision to move to direct credit as the prime mode of payment was announced on 6 September 1984. Implementation is proceeding with the direct credit of pension and family allowance payments in April/May 1985 followed by unemployment and sickness benefit payments in June 1985. Significant savings in administrative costs to the Department will accrue with savings in a full financial year estimated at \$38m.<sup>7</sup>

9.18 In September 1983, the Management Consultancy Group was commissioned to undertake a comprehensive study of ways to improve the Department's debt recovery operations. In early 1985 a number of major recommendations arising from the national review were in the process of implementation. These included:

- . revised practices in respect of the priority in which overpayments will be raised in regional offices and followed up by recovery personnel. Essentially priority will be afforded to those categories of debts which have a high probability for recovery. Subsequent decisions will take into account cost-effectiveness;
- . the strengthening of the overall management capability of the function through the creation in Central Office of a small number of positions. They will provide strategic planning, direction and analysis of performance on a national basis and attend to the

6 See also Joint Committee of Public Accounts, Report No. 213, *Income Maintenance Programs*, Vol 1, pp 67-68.

7 Appendix B, Department of Social Security, Performance Monitoring Branch, 1 June 1984.

development of policy and associated administrative systems to improve operations. Further, a middle level management position has been allocated to each State to provide a focus for improvements at a local level and to ensure that policy initiatives are effectively translated into practice;

- in the interim, computer programs have been implemented to cross-match current overpayment records with benefit records. This will enable action to be taken to recover overpayments by deductions from benefits paid to current client debtors; and
- in the longer term, the development of a new national overpayment recovery computer system, based on current and foreseeable future user needs and integrated with the major benefit systems. The system is planned to identify the most cost-effective categories of overpayments to pursue as well as to allow for the ongoing adjustment of the level of deductions being made from benefits.

9.19 Other associated developments which will also have an impact on either the prevention, detection or effective recovery of overpayments are:

- implementation of national guidelines on Proof of Identity commenced in December 1984 following a national review (see Appendix C). The consistent application of these guidelines should have an impact in the prevention of overpayments and fraud;
- the development of a Quality Assurance Package for regional managers. The element of this self-monitoring package which deals with overpayment processing is designed to ensure that cases are dealt with in a timely manner, are accurately assessed and deductions are made (where appropriate) from ongoing payments of benefits to clients. National implementation was planned for April 1985;
- the implementation of revised procedures (following a national review) for the issue of replacement cheques. Further details are included in the next part of this Chapter on 'Issue of Replacement Cheques';
- further development of other benefits control techniques; and

in the longer term, the development of the Integrated Index Facility, which will bring together all information related to a client under STRATPLAN, will assist in both the prevention and recovery of overpayments.

#### Conclusions

9.20 The Committee is aware that the Department is addressing the problem of recovery of overpayments, particularly since the May 1983 Auditor-General's Report. Nevertheless, the Committee was particularly concerned that the Auditor-General had found that the Department is still facing serious problems in the identification and recovery of overpayments which arise from incomplete or inaccurate information given by its client population.

9.21 The Department did not provide information on the time taken to either identify overpayments or to initiate recovery action. The Committee is concerned that delays in identifying overpayments reduce the likelihood of recovery. The Committee believes that the system for prevention and detection of overpayments is crucial and wishes to be kept informed of developments in this area.

9.22 The Committee firmly believes that the adoption of the direct credit method of payment of benefits and allowances positively reduces the opportunity for duplication and fraudulent negotiation of cheques. Further, the Committee would strongly recommend that the direct credit method of payment be the principal means of payment of all benefits with only exceptional cases being paid by other means. The Committee is pleased to note the Department's progress in this direction.

9.23 The Committee has discussed the problems associated with appropriate identification of beneficiaries in further detail in its Report 233. As noted there, the Committee is very concerned that beneficiaries are properly identified prior to becoming entitled to, or continuing to receive, benefits.

9.24 The setting up of the Performance Monitoring Branch appears to have filled a gap in Central Office administration. It will, the Committee expects, give direction to the State offices in their task of the detection and recovery of overpayments. The Committee is aware of some of the problems (needs of clients, turnover of staff, transient nature of many clients and industrial action) but still believes that it is extremely important that this task be treated with considerable urgency.

9.25 The Performance Monitoring Branch reported that a series of programs designed to monitor volumes of cases where overpayments have yet to be confirmed is presently being tested in Western Australia. The Committee asks to be provided with six-monthly progress reports.

9.26 The Committee noted that the national implementation of a Quality Assurance Package for regional managers was to occur in April 1985. The Committee asks to be provided with six-monthly progress reports on the introduction of the Package and the impact it makes on overpayments.

9.27 The Committee was not satisfied with the Department's statement that it was not considered to be Central Office's responsibility to monitor directly overpayment detection and recovery although it does deal with significant problems. The Committee will also maintain an on-going interest in the progress of the Performance Monitoring Branch.

9.28 The Committee remains concerned that the Auditor-General continued, in his April 1985 Report, to report unsatisfactory findings in relation to the recovery of overpayments. The Committee is also concerned that the recent audit of the Northern Territory Office had not shown any impact from the remedial measures recommended for debt recovery. The Auditor-General stated that the development of a national index of overpayments cases or cross-matching facility should receive some priority in STRATPLAN developments. The Committee strongly endorses the Auditor-General's comments.

9.29 The Committee does not accept that the current level of overpayments identified is satisfactory. The Committee acknowledges that the high level of overpayments raised is partly a result of the Department's success in identifying cases. The Committee will continue to monitor the recovery of overpayments and will expect to receive quarterly reports showing the level of overpayments raised and recovered.

#### ISSUE OF REPLACEMENT CHEQUES

##### Background

9.30 Paragraph 16.1 of the May 1983 Auditor-General's Report, which refers to an indepth audit of unemployment, sickness and special benefits carried out in New South Wales, mentions difficulties being experienced by the Department in connection with fraudulently negotiated cheques and in ensuring that manually prepared replacement cheques were issued only where the originals had been genuinely lost.

9.31 Paragraph 16.2 (Recovery of Overpayments) also refers to the results of an indepth audit concerning recovery of overpayments carried out in Victoria. That audit included a review of overpayments arising from the fraudulent negotiation of both the manually prepared replacement cheques and the original computer generated cheques they were issued to replace. During

the audit a number of measures introduced by the Victorian State Headquarters (SHQ) of the Department, which were designed to reduce such occurrences, were noted by the Auditor-General's Office. The measures noted included the extent and nature of control exercised by the SHQ over the issue of replacement cheques by regional offices.

9.32 Following a reported case, where six replacement cheques were obtained by the same person over a nine month period by making untrue representations to a regional office in the ACT, an audit was conducted in the ACT during September 1982 into procedures for the issue of replacement cheques at local departmental regional offices. Because these regional offices are, for certain purposes, associated with the NSW SHQ the investigation was extended to NSW during October 1982. Objectives of the audit were to:

- . identify any problems associated with the issue of replacement cheques; and
- . establish whether the procedures for the issue of such cheques provided satisfactory safeguards against fraud.

9.33 Departmental statistics indicating the numbers of replacement cheques issued during 1981-82 are shown in Table 2.

TABLE 2  
DEPARTMENT OF SOCIAL SECURITY<sup>8</sup>

#### NUMBERS OF REPLACEMENT CHEQUES ISSUED IN 1981-82

	Cheques Issued (1981-82)	Population <sup>9</sup> (June 1981)	
	Number	No.	%
New South Wales	96 007	50.2	34.9
Victoria	38 405	20.1	3.9
Queensland	21 430	11.2	2.3
South Australia	12 567	6.6	1.3
Western Australia	12 405	6.5	1.3
Tasmania	3 997	2.1	0.4
Northern Territory	1 418	0.7	0.1
ACT	4 833	2.5	0.2
Total <sup>10</sup>	191 062	100.0	14.9 100.0

8 Report of the Auditor-General, May 1983, AGPS, p. 92.

9 Australian Year Book 1982.

10 Totals may not add due to rounding.

9.34 In commenting on the position in NSW, the Department stated that the replacement cheques issued during 1981-82 represented less than 0.5 per cent of the total cheques issued. However, about one half of the replacement cheques represented dual negotiations. Of these about 70 per cent were overpayments to payees while the remainder were fraudulently negotiated by persons other than payees. In respect of the latter cases recovery action was taken by the Department against the negotiators under the Bills of Exchange Act.

#### Auditor-General's Findings

9.35 The results of the investigations in the ACT and NSW, together with information obtained during the audit of recovery of overpayments in Victoria, were represented to the Central Office of the Department in November and December 1982.

9.36 Delays of up to 12 months were occurring in NSW from the time of negotiation of the original cheque until any resultant overpayment was identified and included on the Overpayment and Replacement Cheque microfiche. (This microfiche is used to determine whether any previous applications have been made or overpayments recorded as having previously been made to the applicant.)

9.37 The Auditor-General's Office referred to the following procedural deficiencies in NSW and ACT:

- the high volume of replacement cheques issued in NSW and the high percentage of these which resulted in overpayments;
- the authority to approve the issue of replacement cheques in NSW and the ACT was significantly more decentralised than in Victoria where replacement cheques could be issued only with SHQ approval;
- inconsistency between regional offices in NSW and the ACT in considering applications from persons who have had a history of previous applications, with some offices adopting a harder line than others; and
- advice received from the NSW SHQ that problems should be alleviated by the significant staff increases in this area which had recently occurred and by new processing equipment expected in March 1983.

9.38 The Auditor-General's Office expressed the view that control over the issue of replacement cheques in Victoria was significantly tighter than in NSW and the ACT. It also suggested that there was a demonstrated need for Central Office monitoring of the position and for consideration to be given to the formulation of standardised procedures, covering the issue of replacement cheques, to be applicable in all States.

9.39 During the audit of recovery of overpayments conducted in Victoria (see also 'Recovery of Overpayments') it was noted that 45 per cent of all replacement cheques issued in that State during 1981-82 had resulted in dual negotiations.

9.40 The Auditor-General concluded from the Departmental response (see below) that:

- the extent to which both original and replacement cheques issued by the Department are being negotiated by the same person is of concern;
- centralised procedures operating in Victoria have apparently proved to be more effective in combating these fraudulent activities than the decentralised procedures operating in NSW;
- the situation in NSW is exacerbated by the considerably longer time taken to identify dual negotiations and initiate recovery action;
- recognising the problem the Department is developing an ADP system to monitor and control the issue of replacement cheques which will facilitate the identification of dual negotiations; and
- in view of the apparent success of recent action taken by the Victorian Administration of the Department in reducing the incidence of dual negotiations, further consideration should be given by the Central Office to having measures along similar lines adopted on a nationwide basis. This is notwithstanding the differing logistical requirements of States such as NSW which the Department referred to in response to the Auditor-General's representations.

9.41 In general comments to the Auditor-General's Office on the position outlined above the Department stated that it has to meet competing priorities in relation to the issues of replacement cheques. On the one hand it has to ensure that people get their legal entitlements on time and it follows from this that procedures cannot be so rigid that needy people whose cheques have been stolen or lost in the mail are required to face an unreasonable delay in obtaining a replacement. On the other hand, procedures need to be such that the opportunity for misuse of the system or fraud is kept to an absolute minimum.

9.42 The Department also stated that it is conscious of its responsibilities and is working to produce national procedures to minimise opportunities for abuse.

#### Departmental Responses

9.43 The Department's response to the Auditor-General's Office, as well as its submission to the Committee on this subject, its submission on the Performance Monitoring Branch, further submissions on the 'Recovery of Overpayments' in the Auditor-General's Reports of May 1983, March and September 1984 (see Appendix B), and submissions on 'Fraudulent Negotiation of Cheques' in the Auditor-General's Report of September 1983 all deal in some way with the item of the 'Issue of Replacement Cheques'. Public inquiries were held in 1984 on the 'Fraudulent Negotiation of Cheques' and more details on that item will be found in the Committee's Report 233.11

9.44 Payment of pensions and family allowances are made by cheque or, at the option of the client, direct to an account with a bank, building society or credit union. The number of cheques issued each year is in the order of 63 million. The composition is approximately:

Family Allowances	11 million
Pensions (including Supporting Parent Benefit)	35 million
Unemployment, Sickness and Special Benefit	17 million

9.45 Clients who do not receive a cheque when expected can seek a replacement from the appropriate Regional Office. Reasons are required to substantiate the request. If, after validating the client's identity and considering the reasons provided, the Department's staff consider that the circumstances warrant issue of a replacement, that will be done manually and generally handed to the client at the counter.

9.46 During the 1981-82 financial year 191 000 replacement cheques were issued throughout Australia. The figure represents less than one third of one percent of all cheques issued to individual clients.

9.47 The Department's objectives include the desirability of clients receiving their entitlement on time. The majority of applicants for replacement cheques express hardship as the reason for the request and it is almost impossible to identify the genuine from the non-genuine client. However, not all applications are satisfied. In New South Wales and Victoria, for example, the refusal rate was 14 per cent and 28 per cent respectively during the nine month period July 1982 to March 1983.

9.48 A study has shown that in New South Wales 60 per cent of the cases for which a replacement cheque was issued in the nine months to March 1983 ultimately involved a dual negotiation, i.e., the original and the replacement were both negotiated. The comparable figure for Victoria was 25 per cent, a considerable reduction from the 45 per cent in 1981-82.

9.49 The same study indicates that in 79 per cent of these cases in New South Wales the original and duplicate were both negotiated by the payee and in 21 per cent by a third party. The comparable figures for Victoria were 64 per cent and 36 per cent respectively.

9.50 Where the payee is responsible for negotiating both the original and replacement cheques an overpayment account is raised and the amount due is recovered from continuing benefit.

9.51 When a third party is involved, recovery of the amount is sought from the bank or trader through which the original cheque was negotiated. Details of the case are referred to the Australian Federal Police. The amount recovered during the 1981-82 financial year from banks was \$309 000 and from traders \$868 000.

#### Delays in identifying overpayments

9.52 The Department advised that problems causing lengthy delays in identifying dual negotiations largely stemmed from the lack of integration between the various ADP systems supporting the reconciliation process, including both Departmental systems and those employed by the Reserve Bank and the Department of Finance. Significant progress had been made by the Department in designing an ADP system to assist in the monitoring and control over the issue of manual and replacement cheques. Since then, the Department's response to the September 1984 Auditor-General's Report stated that it had implemented revised procedures (following a national review) on the issue of replacement cheques. The guidelines issued were designed to provide regional officers with more timely and adequate information on the status of presentation of original cheques before deciding to accept or reject a replacement cheque application. These guidelines should reduce overpayments arising from dual negotiation of cheques by clients.

9.53 Other initiatives designed to specifically reduce the incidence of overpayments are the adoption of direct credit as the prime mode of payment (implementation in April/May 1985 of pensions and family allowances and in June 1985 of unemployment and sickness benefits); the development of revised practices in respect of the priority in which overpayments will be raised in regional offices and followed up by recovery personnel; and

11 Joint Committee of Public Accounts, Report 233, Report of the Auditor-General 1982-83 and September 1983, AGPS, 1985, Chapter 12.

national guidelines on Proof of Identity (commenced December 1984). Future initiatives planned are the development of a new national overpayment recovery computer system and the development of the Integrated Index Facility which will bring together all information related to a client in a readily accessible database environment under STRATEPLAN and will assist in both the prevention and recovery of overpayments. Further details on some of these items and related ones appears in the preceding section on 'Recovery of Overpayments'.

#### Procedural deficiencies in NSW and ACT

9.54 In response to the Auditor-General's Office representations the Central Office of the Department advised that:

- in June 1981 the replacement cheque authorisation function had been decentralised in NSW from the SHQ to the regional office level because the SHQ was experiencing significant difficulties in responding to requests for replacement cheque clearances from more than 60 regional offices;
- while it was essential to restructure the approach to respond to the unique logistical requirements of NSW, the State had, as expected, experienced a number of inconsistencies with this function in different regional offices. Replacement cheque applications are not of a homogeneous nature and the risks vary with different client groups and between clients serviced by different regional offices;
- while the NSW Administration is not yet satisfied that it is adopting a suitable approach in all regional offices, steps are being taken to develop and implement appropriate policies but such action had been restricted due to the need for system upgrading;
- the question of standardisation was a complex one having regard to the States' differing administrative structures, local conditions, forms and legal practices. Availability of Australian Federal Police and Deputy Crown Solicitors' Office resources as a deterrent factor was also a major variable between States;
- significant progress made towards the development of the ADP system referred to above would play a major role in the adoption of a truly national approach to the issue of replacement cheques;

• the additional staff resources made available in NSW should be seen as a temporary measure until necessary system development and the purchase of a cheque microfilming unit can take place;

• patterns emerging from the Department's investigations were also being used to develop appropriate policy for use by replacement cheque authorising officers. In this regard various strategies were being considered; and

• matters associated with the issue of replacement cheques, which needed to be addressed at the national level, were receiving priority.

9.55 While the difference in results between New South Wales and Victoria may in part be the result of the latter Administration retaining the centralised authorisation process within State Headquarters, it is not the sole reason. More information, differences in approach by Regional Managers and close liaison with the police have all contributed to a significant difference in the number of applications for replacement cheques between the two states.

#### Position in Victoria

9.56 The Victorian State Administration advised the Auditor-General that, despite the tighter controls over the issue of replacement cheques, the high incidence of dual negotiations resulted from:

- the difficulty of disproving claims of hardship;
- the possibility that, even though a person had previously been involved in dual negotiations, on a particular occasion his application could be genuine;
- organised criminal activity where a large number of cheques issued by the Department are stolen in a particular area.

9.57 The Victorian Administration advised it had taken the following action to reduce the incidence of overpayments arising from dual negotiations:

- issue of a special microfiche giving the history of replacement cheque issues for each regional office with a State list retained by the SHQ;
- running special ADP programs to identify replacement cheques issued by each regional office and by benefit type;

- personal involvement of relevant SHQ staff to deal with counter applications for replacement cheques at regional offices where there is a high incidence of dual negotiations;
- automatic refusal to issue a replacement cheque in cases where a specified number of replacement cheques have been issued to the one client, with referral to a social worker where hardship is claimed;
- close liaison with the police;
- in certain circumstances, investigations by departmental field staff; and
- a requirement that a regional office must obtain SHQ approval before a replacement cheque is issued.

9.58 In a reply to the Auditor-General's Office the Central Office of the Department advised that the current rate of dual negotiations in Victoria has been reduced from 45 per cent in 1981-82 to 23 per cent.<sup>12</sup>

#### Conclusions

9.59 The Committee is concerned particularly by the widely different patterns of dual negotiations experienced between states. It will continue to monitor this matter and will expect improvements arising from revised procedures. The Committee notes the effort by the Victorian State Administration to reduce dual negotiations ie from 45 per cent to 23 per cent of all replacement cheques. However the Committee also notes that a greater proportion of requests for replacement cheques are refused in Victoria than in New South Wales. The Committee commends the Department's efforts to reduce overpayments but notes that care should be exercised to ensure that these do not create undue hardship for genuine clients.

9.60 The Committee recommends that the Central Office or the Department of Social Security takes a more positive role in promulgating and monitoring procedures in the State Administrations. The Committee's conclusions to the previous section on the 'Recovery of Overpayments' are applicable here.

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<sup>12</sup> Report of the Auditor-General, May 1983, AGPS, p. 94.

#### CHAPTER 10

#### DEPARTMENT OF TRADE AND RESOURCES

##### EXPORT FINANCE AND INSURANCE CORPORATION

10.1 The Export Finance and Insurance Corporation was established by the Export Finance and Insurance Corporation Act 1974. The functions of the Corporation are:

- to insure and indemnify Australian exporters against monetary loss resulting from a variety of commercial and political risks in the course of trade with overseas countries;
- to enter into overseas investment insurance contracts, finance export transactions; and
- to guarantee loans and indemnify approved guarantors who provide bonds in relation to contracts, guarantees and loans deemed to be in the national interest.

10.2 In his May 1983 Report, the Auditor-General included reference to the Corporation's investment portfolio in the light of the Treasurer's 1981 decision to remove the 15 per cent limit imposed on investments held in semi-government securities, subject to the Corporation not increasing its longer term forms of investment by more than a commercially prudent amount.

10.3 The Auditor-General also referred to the Corporation's practice of transferring surplus funds to reserves.

##### Corporation's Response

##### Investment Portfolio

10.4 In 1981 the Corporation received approval from the Treasurer to increase its level of investment in semi-government bonds. At 30 June 1982, the Corporation held approximately 90 per cent of its investment portfolio in securities with a weighted average maturity age of about 3 years. Approximately 40 per cent was held in semi-government securities.

10.5 The Board believed that this neither exposed the Corporation to unwarranted risk nor compromised the Treasurer's advice that he did not wish EFIC to increase its longer term forms of investment by more than a commercially prudent amount.

##### Transfer of Surplus to Reserves

10.6 In 1975 the then Minister determined, *inter alia*, that the profits if any of the Corporation should, for the time being, be retained by the Corporation.

10.7 In each year since, except for the year ended 30 June 1978, the Corporation achieved a surplus which was transferred to reserves.

10.8 In February 1979 the Corporation wrote to the Minister expressing concern about the level of the Corporation's reserve particularly in the light of the very substantial increase in the scale of business operations. The ratio of capital and reserves to outstanding commitments had fallen from 4.13 per cent to 1.84 per cent. As a result, an Interdepartmental Committee (IDC) consisting of the then Departments of Trade and Resources, Treasury and Finance and EFIC was formed to undertake a full review of the Corporation's operations.

10.9 The IDC indicated that it was not possible to determine what was an appropriate level of reserves for the Corporation. The economic and political risks being covered were not amenable to actuarial assessment. However, it was thought reasonable for EFIC to aim at a level of capital and reserves in the region of \$40m in the following few years. The Minister subsequently informed EFIC that the Government had decided to request the Corporation to seek to increase the rate of additions to reserves.

10.10 At 30 June 1982, the capital of the Corporation was \$8m and reserves were \$30.5m. At the time of the submission to the Committee it was expected that an additional \$3.5m of the surplus would be transferable to reserves at 30 June 1983. The submission also stated that the Board of the Corporation would review the level of capital and reserves when it considered the financial statements of the Corporation and would report to the Minister as appropriate.

#### Conclusions

10.11 The Committee recognises the difficulties for the Corporation in determining a satisfactory level of reserves. The Committee notes the Corporation's commitment to review the levels of capital and reserves to ensure that they are appropriate to the risks involved. The Committee considers that the Corporation has responded satisfactorily to the report of the IDC and the Minister's instructions and is aware of the need to maintain appropriate levels of reserves in suitable forms of investment.

10.12 The Committee expects to be informed of the level and composition of the Corporation's financial assets as at 30 June 1985 in the response to this Report.

#### APPENDICES

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## APPENDIX A

ITEMS EXAMINED FROM THE REPORT OF THE AUDITOR-GENERAL FOR  
MAY 1983

DEPARTMENT/AUTHORITY	REFERENCE	SUBJECT
1. Administrative Services	50	Contract Arrangements (see also Special Broadcasting Service)
2. Defence/Defence Support	5.1 5.2	The Minehunter Catamaran Repair and Maintenance of Navy Ships
3. Education and Youth Affairs	7.1 7.2	School to Work Transition Program Adult Secondary Education Assistance Scheme
4. Foreign Affairs	10.1	Passport Issues and Control
5. Industry and Commerce	15.1	Investment of Trust Account Moneys
6. Social Security	16.2 16.3	Recovery of Overpayments Issue of Replacement Cheques
7. Australian Industry Development Corporation	26	Artificial Transactions to Avoid Tax; Purchase of Sydney Apartment
8. Curriculum Development Centre	41	Accounting and Control Deficiencies; Delays in Submitting Financial Statements; Administrative Expenses in Excess of Approved Estimates
9. Export Finance and Insurance Corporation	43	Retention of Profits
10. Special Broadcasting Service	50	Contract Arrangements (see also Administrative Services)
11. Superannuation Fund Investment Trust	51	Tax Evasion
12. Qantas Airways Ltd	49	Transactions to Avoid Tax

## APPENDIX B

## SUBMISSIONS FROM DEPARTMENTS AND AUTHORITIES

Department/Authority	Date of Submission	Page
• Department of Administrative Services	(a) 21 July 1983	52
- Special Broadcasting Service	(b) 30 May 1983	55
• Qantas Airways Limited	9 June 1983	58
• Department of Defence/Defence Support	10 June 1983	64
- The Minehunter Catamaran	14 June 1983	72
- Repair and Maintenance of Navy Ships		
• Department of Education and Youth Affairs	2 June 1983	78
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- Adult Secondary Education Assistance Scheme	2 June 1983	81
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• Department of Trade		
- Export Finance and Insurance Corporation	31 May 1983	155

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Report of the Auditor-General  
- May 1983

Submission by the Department of Administrative Services

The Auditor-General's report referred at page 176 to the extension by the Department of Administrative Services in 1981/82 of a contract entered into during 1979/80 with a contractor to provide services to the Special Broadcasting Service. It was stated that neither the original contract nor its extension was approved by the Minister responsible for the Special Broadcasting Service as required by Section 79ZF of the Broadcasting and Television Act 1942.

The contract in question was for the provision of technical services and studio facilities for the ethnic radio stations 2EA and 3EA. The successful contractor was The Bill Armstrong Organisation Pty Limited of Melbourne.

The contract was arranged and extended at the request of the Special Broadcasting Service by the Purchasing Division of the Department of Administrative Services, through its Victorian office. The Division provides a purchasing service to Commonwealth Departments and authorities on request as well as arranging contracts for common use items and handling ADP purchasing above the public tender threshold of \$10,000 established by Finance Regulation 52.

On both occasions mentioned in the Auditor-General's Report, the Purchasing Division, in accordance with its normal practice, obtained written assurances from the Special Broadcasting Service of the availability of the funds required for payment to the contractor for the periods in question. In advising the Division of the availability of funds the service did not refer to Section 79ZF of the Broadcasting and Television Act or give any indication whether Ministerial approval had been obtained. These, of course, are matters internal to the Special

Broadcasting Service.

The contract in question (CAPO number V405873) and previous contracts arranged for the same services going back to the period before the establishment of the Special Broadcasting Service were arranged on behalf of the Commonwealth. Similarly, contract amendments in 1982/83 were made in the name of the Commonwealth. The Purchasing Division was not asked by the Special Broadcasting Service to arrange contracts in the name of the Service. Nevertheless, as the Auditor-General has pointed out, the Service is a legal entity with power to contract on its own account. This fact was mentioned in a memorandum which the Special Broadcasting Service sent to the Regional Purchasing Office in May 1979, but the implications were not pursued by either party at that time.

Where the Purchasing Division arranges contracts for authorities that have power to contract on their own behalf, they can and should be arranged in the name of those authorities. Insofar as the Division was concerned, it appears that the failure to do so in the case of these contracts was inadvertent. The need to arrange contracts in the name of authorities where that is appropriate has been drawn to the attention of the Purchasing Division's Regional and Area Purchasing Officers to avoid the recurrence of similar incidents.

When its attention was drawn to the Auditor-General's report, the Purchasing Division's Central Office reviewed the current arrangements. By that time, the Division had (in April 1983) endorsed the establishment of a new contract to provide the same services for a further three-year period between June 1983 and June 1986. Steps were taken to verify that the Special Broadcasting Service had, in this case, obtained the necessary approval from the Minister for Communications and that the contract was arranged in the name of the Special Broadcasting Service.

As earlier noted, the contract referred to in the Auditor-General's report was only one of a number arranged by the Purchasing Division over a period of years. The Division is not

in a position to comment on whether necessary Ministerial approval was obtained by the Special Broadcasting Service on other occasions.

July 1983

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Report 1981/82

Submission by the Special Broadcasting Service

1. Introduction

1.1 This submission is in response to the Committee's request for further information on a matter raised in paragraph 50 of the Auditor-General's Report for May 1983; specifically that the Service entered into a contract and contract amendment both of which involved payments exceeding \$100,000 without the approval of the Minister as required by Section 79ZF of the Broadcasting and Television Act 1942.

2. Background

2.1 The contract covered the provision of technical services and studio facilities for Radio Stations 2EA in Sydney and 3EA in Melbourne for the period 30 December 1979 to 26 December 1981.

2.2 The contract was arranged on behalf of SBS by the Purchasing Division of the Department of Administrative Services following a public invitation of tenders. The successful tenderer was The Bill Armstrong Organisation Pty Ltd of South Melbourne. The original value of the contract was \$1,164,800.

2.3 The period of the contract was subsequently extended to cover the six month period up to 26 June 1982 and this amendment which increased the value of the contract to \$1,763,871 is that to which the Auditor-General's Report refers.

2.4 Since then the period of the contract has been extended by a further twelve months and it now terminates on 25 June 1983. The total value of the contract as notified on the amendment promulgating that extension was \$2,686,091.

3. Comment on the Auditor-General's Qualification

3.1 The SBS is not inclined towards and sees little point in, pursuing any further the legal issue as outlined in the Auditor-General's Report.

3.2 It is acknowledged that the SBS is empowered to and could in fact have arranged this contract without any involvement from the Department of Administrative Services. In such a case approval of the Minister for Communications would automatically have been sought.

3.3 It is expected that a like qualification will be included on SBS's 1982/83 accounts in consequence of the twelve month extension referred to in 2.4 above. That extension was arranged prior to SBS receiving the 1981/82 Audit report.

- 3.4 SBS has obtained approval from the Minister for Communications for a further three year contract to commence 27 June 1983. That contract is in the process of being arranged on the SBS's behalf by the Department of Administrative Services.
- 3.5 The SBS witness, if required for the purposes of a public inquiry, will be Mr Lachlan Shaw, First Assistant Executive Director, Corporate Affairs Division, SBS.

**SPECIAL BROADCASTING SERVICE**

Special Broadcasting Service  
30 May 1983

A letter from the Special Broadcasting Service, dated 10 September 1984, providing updated information may be found on Joint Committee of Public Accounts File 1983/5, Part B.

JOINT COMMITTEE OF PUBLIC ACCOUNTS  
INQUIRY INTO THE AUDITOR-GENERAL'S REPORT, MAY 1983  
SUBMISSION BY QANTAS AIRWAYS LIMITED

1. This submission is made in response to the Committee's request of 17 May 1982 as varied by its letter of 26 May 1983.
- 2.1 The submission relates to matters raised in section 49 (page 175) of the Auditor-General's Report.
- 2.2 That paragraph (a copy of which is attached) states in the second and third paragraphs that the

".... accounts of the company for the year ended 31 March 1982 have been audited and reports on the audit and on the financial statements have been provided to the Minister for Aviation.

The audit report on the financial statements of Qantas Airways Limited and subsidiaries was not qualified. It stated that the Auditor-General had audited the accounts of the subsidiaries which formed part of the group as at 31 March 1982 and that the reports upon those accounts were not subject to any qualification."

Other paragraphs refer to accounting matters relating to the sale, and it is assumed that the Committee's request for this submission relates to the last two paragraphs of the section 49 which state:

"With regard to the sale of shares in Qantas Wentworth Holdings Limited representations were made by Audit to Qantas Airways Limited seeking confirmation that prior to completion of the sale:

- the shares were transferred from a Sydney share register to a share register in Darwin so as to attract lower stamp duty costs upon the subsequent sale of those shares, and
- an agreement had been entered into to divide equally with the purchaser the net stamp duty savings, the company's share of which was estimated to be \$600,000.

In response the Company advised that an estimated receipt of \$600,000 under the abovementioned agreement was due to the Company and would be received no later than 26 March 1983."

3. The Committee will recognise that the Purchaser, and not Qantas, was responsible for the payment of stamp duties. Qantas understands that the Purchaser paid substantial stamp duties to acquire the Wentworth Hotel, including \$250,000 in New South Wales duty on the contract to buy the land on which the hotel stands and any relevant duties in the Northern Territory on the share transfer.
4. The transfer of the shares was mutually agreed between Qantas and the Purchaser and as a result of the agreement referred to, an additional amount of \$616,866 was received by Qantas from the Purchaser on 26 March 1983.
5. The Qantas Board and Management acted on all matters associated with the hotel sale and preceding negotiations strictly in accordance with the prior legal advice of its eminent solicitors, Freehill, Hollingdale and Page. A formal confirmation of advices previously given in relation to the share sale was provided by Qantas' solicitors on 25 October 1982 and forwarded to the Minister for Aviation on 27 October 1982. It concluded as follows:

"it was entirely legal and proper for you to execute the share sale contract in the Australian Capital Territory and to remove your shares to a Darwin register and so enhance your return from the sale."
6. The following attachments are submitted for the Committee's consideration:
  - (i) Section 49 of the Auditor-General's Report - May 1983.
  - (ii) Auditor's Report of 15 October 1982 to the members of Qantas Airways Limited in respect of Qantas' accounts for the year 31 March 1982.
  - (iii) Auditor-General's Report of 28 October 1982 to the Minister for Aviation on the inspection and audit of Qantas' accounts for the year ended 31 March 1982.
  - (iv) Letter from the Company's legal advisers, Freehill, Hollingdale & Page dated 25 October 1982 to Qantas (a copy of this advice was annexed to the Qantas Chairman's letter of 27 October 1982 - item 5 (v)).

- (v) Qantas Chairman's letter of 27 October 1982 to Minister for Aviation, enclosing Qantas' legal adviser's advice regarding sale of the Wentworth Hotel.
- (vi) Qantas Chairman's letter of 17 May 1983 to Auditor-General.
- (vii) Qantas Chairman's letter of 19 May 1983 to the Honourable the Minister for Aviation.
- (viii) Auditor-General's letter of 25 May 1983 to Qantas Chairman.
- (ix) Qantas Chairman's letter of 2 June 1983 to Auditor-General.

7. It is requested that pending consideration by the Committee of the above submission and further discussion with Qantas in regard thereto including any request by the Committee for further information and particulars that the submission be treated as confidential.

9 June 1983



J.B. Leslie  
Chairman  
Qantas Airways Limited

QANTAS AIRWAYS LIMITED

- Attachment (i) is not included. It may be found in the Report of the Auditor-General, May 1983 p. 175

**QANTAS AIRWAYS LIMITED**

- *Attachments (ii) - (ix) may be found on Joint Committee of Public Accounts File 1983/5, Part B.*

**QANTAS AIRWAYS LIMITED**

- *A letter from Qantas, dated 16 February 1984, providing updated information may be found on Joint Committee of Public Accounts File 1983/5, Part B.*

JOINT COMMITTEE OF PUBLIC ACCOUNTS  
Inquiry Into the Auditor-General's Report, May 1983  
Submission by the Department of Defence

THE MINEHUNTER CATAMARAN

Item 5.1

INTRODUCTION

1. The Auditor-General's Report for May 1983 at paragraph 5.1 refers to the Replacement Minehunter Project. The report commented on the management of the project in regard to:

- establishment of the land based magnetic test range;
- procurement of Australian Government Furnished Equipment; and
- activities leading to the hull contract.

2. The main conclusions drawn from the audit were:

- planning for the project did not take sufficiently into account the uniqueness and complexity of the task to ensure the project as a whole was completed on time and within reasonable cost and to ensure timely commencement and completion of major phases of the project;
- the shortcomings in project management have contributed to the project currently being 4-5 years behind schedule and to a significant increase in the project cost;
- security systems established for the integrity and safekeeping of classified documentation were inadequate; and
- Audit noted the initiatives being taken in regard to improved project management and recommended urgent action by the Department of Defence to correct the fundamental internal deficiencies evidenced by the findings of this audit.

BACKGROUND

3. Navy raised the requirement to replace the TON Class Minehunters in 1974. Several options were proposed including overseas designs, and in 1975 a proposal for a Glass Reinforced Plastic (GRP) minehunter catamaran to be designed by the Department of Defence and constructed in Australia was adopted on the basis that it provided the required capability at least cost. At that time it was recognised that the project would introduce new concepts and technology into the Royal Australian Navy and the involvement of Australian industry would be significant. The brochure attached to this submission outlines the minehunter catamaran.

4. Planning for the project was based on the phase-out of the existing TON Class minehunters which are due to decommission in the early to mid 80s. Consequently the implementation timescale has had to be compressed as much as possible.

5. It was recognised during the early planning of the project that because of the developmental nature of the task risk existed and it was therefore necessary to take steps to minimise the risk. This was achieved through phasing the project, so that risks in terms of time and cost were identified and reduced before proceeding to the next phase, and by having industry carry out studies on those elements of the project where risks appeared to exist.

6. The three phases of the project are:

- Phase 1 - Project Definition (including construction of test panels)
- Phase 2 - Prototype Construction and Evaluation
- Phase 3 - Construction of Production Vessels and Provision of Support Equipment.

7. Phase 1. Project Definition - the principal element of this phase has been the design of the vessel. Other major elements of Phase 1 were funded industry studies to obtain firm proposals for the weapon systems and studies to determine the indicative costs of production in Australia of the minehunters in glass reinforced plastic (GRP). This phase is largely complete.

8. Phase 2. This phase covers the acquisition of minehunting weapon systems and long lead equipment, the establishment of a Land Based Magnetic Test Range and the construction and evaluation of two prototype minehunters. Specifically, all critical equipments with long procurement delivery times including the minehunting weapon system are on order and are planned to be delivered in time to meet the construction timetable for the prototype vessels. The Land Based Magnetic Test Range has now been completed and accepted except for final instrumentation tests. It should be available to commence testing equipment for the prototype vessels shortly. The award of a shipbuilding contract to Carrington Slipways Pty Ltd in January 1983 for the construction of the two prototype vessels will provide for the first vessel to complete in late 1985 with the second following seven months later. A 55 week trial and evaluation period will then follow to enable by the end of 1986 an assessment of the design and operational capability of the vessels.

9. Phase 3. This phase is not yet approved and is dependent on the successful outcome of the trial and evaluation programme and involves the construction of follow-on production vessels. It also provides for appropriate logistic support to sustain a class of operational minehunters.

DEPARTMENTAL COMMENT

Planning inadequate to ensure project completed on time and within reasonable cost (conclusion points 1 and 2)

10. The Minehunter Catamaran Project has involved considerable design and development with attendant technical, time and cost risks; such risks having been recognized by this Department since the early stages of the Project. Furthermore, there has been the need, and additional time required, for the comprehensive Departmental analysis and review processes for a project of this nature to ensure that the risks in terms of time and cost were acceptable, particularly in the light of the unique nature of the project. This Department believes that the successful planning and management of a developmental project such as the Minehunter Project should not be totally judged in terms of the magnitude of the variations in estimated costs and timing which emerge during its development, but rather whether Government policies and procedures are consistently followed in an endeavour to ensure that the Commonwealth receives value for money.

11. The Minehunter Catamaran Project is the first for the Department involving the ab initio design and construction of modern glass reinforced plastic mine counter-measures vessels. Accordingly, the technical, time and cost risks and other implications of proceeding to financial commitment for any element - and in the case of the major elements, with the project as a whole - were planned to be identified in an orderly manner before financial commitment.

12. This Department considers that the majority of problems associated with this project result from its uniqueness, from the need to develop knowledge and gain experience in many areas of new technology, and from the implementation of new concepts. Whilst hindsight suggests that the problems should have been foreseen, it is doubtful that this is a reasonable supposition. The following major facets of the project are the first of their kind in Australia:

- Shock resistant GRP vessels. The design and construction of the vessels require new techniques. The 'foam sandwich' GRP hull material was chosen for its non magnetic, noise attenuation and shock resistant properties; but the necessary strength can only be achieved by laminating the GRP in a controlled environment shipbuilding facility. No such facility exists in Australia and the first twelve months of the shipbuilding contract is devoted to this task. Much of the time in the last two years of the project has been spent in defining the requirement for the facility and vessels and ensuring that the contractual conditions governing their provision are acceptable.

- Magnetics. Modern mines are very sensitive to radiated magnetic fields; consequently minehunters must have a very low magnetic signature. Significant time and cost have been involved in designing and evaluating equipments which meet the requirement. Design of equipments, equipment handling, equipment storage and shipbuilding

facilities must take magnetics into account. Australian industry has not previously encountered a similar minimum magnetic requirement.

• Vessel Design. The stringent requirements of magnetics, shock and noise have resulted in a unique catamaran design which has required innovative design with new concepts. The evolution of this design has been a lengthy process which has been dependent on information from equipment manufacturers.

• Land Based Magnetic Test Range. All equipments fitted in the minehunters have to be tested for magnetism. These tests require an extremely sensitive Land Based Magnetic Test Range. Magnetics is a complex science and comparatively little expertise is available, especially practical knowledge of the kind necessary to construct such a range in Australia.

13. The Project has involved the progressive refinement of costs, risks and timing through funded industry studies, followed by many contracts with Australian and overseas suppliers. It was not until the studies were completed and tenders were received for the supply of the specialised equipment that the Department became aware of the optimistic nature of its original time and cost estimates. During the project's implementation, extensions in timing and increases in project cost estimates have emerged as the result of the completion of the studies and from the tender responses. These tender responses reflect the high cost involved with magnetics noise and shock. The studies which have had the most impact are the minehunting weapons system study and the GRP ship construction study, both of which took place after the approved Equipment Acquisition Strategy was issued in 1978.

14. Audit notes that some design work progressed on the basis of notionally selected equipment as a means to reduce design time. This is an acceptable practice and had some benefits; however, in some cases the detail of the design of the equipment varied from that which was assumed, and in other cases the notional equipment proved to be unacceptable due to technical or cost reasons. In these instances the procurement process and the design process took longer than expected.

15. In general, risk reduction has been achieved, but at the expense of time.

16. One factor which has contributed to the extension of the project timetable has been the less than optimum level of staffing in the Naval Technical Services Division. This statement does not imply that the project was given less staff than other areas of equal importance with similar requirements; rather, it is a reflection of overall Defence manpower restraints and that this project, more than most, is dependent on in-house resources. The priority of the project and the availability of personnel are now such that an appropriate allocation of manpower is being made.

17. The estimated time to complete the prototype construction phases of the project is not markedly different to that for other similar projects being implemented overseas in the same timeframe. Moreover, whilst overseas designs have differing capabilities and cannot therefore be equated to the minehunter

catamaran the total estimated project costs are significantly less than those of other modern overseas designs, eg the UK HUNT Class and the European TRIPARTITE, having a minehunting performance similar to that expected for the Australian vessels. Current project cost estimates are considered now better defined, being based largely upon fixed price contracts for the construction of the prototype vessels and the majority of the equipments to be installed in the vessels.

18. The Auditor-General stated that November 1975 estimates (at August 1975 prices) were \$60.8m comprising \$21.0m for phases 1 and 2 and \$39.8m for phase 3; while October 1980 estimates (at August 1980 prices) were \$197.2m comprising \$75m for phases 1 and 2 and \$122.2m for phase 3. These initial approvals were given in the context of the budget rounds viz. Phase 1 - 1975/76 Budget, Phase 2A - 1976/77 Budget, Phase 2B - 1980/81 Budget. Whilst these figures are not disputed the early figure was a preliminary estimate which was not used as the basis for project approval. A clearer picture can be provided by looking at approved estimates which were, at the time, refined to the point whereby specific project approval could be sought.

19. Formally approved project costs began with initial approvals at \$0.5m (January 1975 prices), \$13.2m (January 1976 prices) and \$25.1m (January 1981 prices) for phases 1, 2A and 2B respectively. Phase 3 has not been approved and project estimates for this phase are refined at each update. The cost estimate of \$75.0m for phases 1 and 2 at August 1980 prices, quoted by the Auditor - General in his report, was an in-house estimate and was further refined before seeking and obtaining the approval of the Minister in March 1982 to a total revised project cost at a lesser figure of \$1.5m for phase 1 and \$69.0m for an amalgamated phase 2 (total \$70.5m at Aug 81 prices). Phase 2 project costs have since increased and project approval for these increases has been sought and given. The increased cost included a Real Price variation of plus \$3.653m which resulted, in the main, from the requirement to include design revisions and provide increased quality assurance and weight control requirements in the shipbuilding contract. This requirement reflects the shortcomings experienced during the construction of HMAS TOBRUK.

20. The currently approved project costs for phases 1 and 2 of the project are \$1.501m (August 1981 prices) and \$83.452m (August 1982 prices) respectively, a total of some \$85m. The cost increase since the project was originally approved for phase 1 and 2 totals \$46.167m. Real Price increases amount to \$21.133m, while the remainder (\$25.034m) is attributable to escalation and exchange rate variation.

21. It now appears that the early estimates of timing and cost were optimistic, but these were based on the best information available at the time and the subsequent increases in timing and costs could not reasonably, in the view of the Department, have been foreseen. The project cost increases necessitated a more comprehensive and lengthy process of analysis and Departmental consideration of the project than had been anticipated, and this contributed significantly to the additional time required to implement the project. However, to have truncated or dispersed with this process would have been imprudent.

#### Inadequate security systems for the integrity and safekeeping of classified documents

##### 22. Personnel

a. Enquiries have shown that all practices and procedures were in accordance with the accepted and approved standards of the time. There is no evidence to show that the approved personnel practices were short-circuited, by-passed or not followed by the Minehunter Project Team.

#### Tendering Information Leaks

b. During the period late 1979 to early 1980, several representations were made to the Commonwealth regarding the Minehunting Weapon System tenders received from Thomson - CSF of France and Krupp Atlas Electronik of West Germany. These representations indicated that tenderers appeared to be aware of Navy's preference. The competition between the firms was intense and the opportunities for information leakage were present during the evaluation and decision period. The contract was ultimately awarded to Krupp Atlas but any the leakage of information that may have occurred had no effect on the tender process or the eventual outcome.

#### Loss of Documentation

c. The alleged loss of 'Confidential' documentation between the Australian Embassy in Bonn, West Germany and the Department of Defence, Canberra, has been further investigated by the Defence Security Branch. Investigative efforts to date have revealed that a consignment containing the relevant 'classified' documentation from Bonn was received in the Russell Defence complex Safe Hand Mail section of the registry on 20 July 1979, but no further trace of the documentation can be found. No evidence could be found to indicate that the documentation was of anything but an 'In Confidence' nature and it was certainly not classified Australian National Confidential.

#### Initiatives to improve project management by the Department

23. Audit noted that initiatives for improved project management have been raised within the Department. There is currently under active consideration a proposal to provide greater concentration of authority, responsibility, and resources within the Navy project management organisation in line with the Utz Committee recommendations. In this regard it is recognized that, with the change of Government, consideration has not yet been given to the Utz report. In addition, initiatives and action which take account of experiences in this and other projects are being continually examined and, where appropriate, changes are being implemented.

24. The Auditor General mentioned that agreed task statements had not been produced for this project. A Project Management and Acquisition Plan and a new style of Task Plan have now been issued. They identify tasks to be performed by participating authorities and should have the effect of significantly improving the ability of this Department to monitor and manage necessary activities.

Summary

25. The management of the minehunter catamaran project has been a complex task involving numerous interrelated major activities such as provision of a land based magnetic test range, the development of a special glass reinforced plastic shipbuilding facility, the design of the vessel and its attendant systems, the separate procurement of equipment for fitting in the vessels and the construction of the vessels themselves. The optimistic dates and costs in early project planning reflected an underestimate at the time of the complexity of the task and of the magnitude of the resources required to carry it through to completion. This lack of appreciation was in main due to the unique and developmental nature of the project. Furthermore the project was a first for the Department involving an ab initio design and building of modern GRP mine countermeasures vessels and the very nature of this type of project means that risks are inherent.

26. With Phase 1 of the project largely completed, the award of the shipbuilding contract, and orders placed for the majority of equipments, the Department now has a good appreciation of this project. Consequently financial and time risks should likely diminish. Having developed expertise during the acquisition and construction activities associated with Phase 2, there should be objective information and experience available to ensure that project management of Phase 3 will be adequate. However it needs to be appreciated that this sort of unique development cannot be undertaken without risk, indeed the whole concept has never been proven. Certainly there remain many problems and it is unlikely that success will be achieved without difficulty. Time and cost risks for this Project remain, but they are considered acceptable. As risks are identified they are assessed and action is instituted to minimize the consequences to the overall project.

27. The Department is confident that the Minehunter Catamaran is a cost effective solution to part of Australia's maritime defence capability problem. The vessel is also considered to have overseas sales potential for allied maritime nations and a number of Navies are closely monitoring the project's progress.

DEPARTMENT OF DEFENCE

. Pamphlet on 'Minehunter' may be found on Joint Committee of Public Accounts File 1983/5, Part B.

JOINT COMMITTEE OF PUBLIC ACCOUNTS  
Inquiry Into the Auditor-General's Report, May 1983  
Submission by the Department of Defence

REPAIR AND MAINTENANCE OF NAVY SHIPS

ITEM 5.2

INTRODUCTION

1. Paragraph 5.2 of the Auditor-General's Report for May 1983 deals with repair and maintenance of Navy ships. The report comments on planning, control and management aspects of the ship repair and maintenance task. Department of Defence input to the report was prepared in consultation with the Department of Defence Support.

2. Although the report assessed that Navy and dockyard management recognised the need for efficient maximisation of desirable maintenance tasks, the Report highlighted the following areas for possible criticism:

- Many instances of planned maintenance tasks not being performed during a refit because of unavailability of labour in required trades. Further rationalisation of the underlying processes appeared necessary.
- Although identification of defects is a continuing process between refits, Audit considered that the stage at which finalisation of the work package occurs sometimes leaves insufficient time to obtain required material and replacement parts.
- At the time of the audit, one of the two Captain Cook dry dock caissons (dock gates) at GID was not in use, because it was undergoing maintenance. Both were needed for the most efficient use of the dock and it was considered that a continuing maintenance routine for the caissons, similar in scope to upkeep plans for ships, seems desirable to aid in minimising the downtime for caissons.
- Review of contract accounts revealed that in some areas additional costs are incurred because incorrect 'in aid' parts have been provided to contractors and because of lost time caused by resources, principally craneage, not being available from the dockyard.
- The method of determining costs of refits appeared to be inadequate and that the usefulness of dockyard computer generated costing figures as an analysis tool was doubtful.

A review of a number of Post Refit Analysis (PRA) Reports revealed that, whilst a certain measure of standardisation existed, allowing broad comparison of refits of a number of ships, there was insufficient standardisation to enable detailed comparison.

BACKGROUND

3. Planning and executing the repair and maintenance of Navy ships is a progressive process. The planning stages are designed to take account of individual maintenance requirements of the different ships and ship types and to allow for last minute alterations to the work packages. Such a process is necessary to enable inclusion of maintenance items which may affect the availability and performance of operational fleet units. Timings and procedures for notification and consolidation of the work packages are well documented.

4. Execution of a work package is, however, often complicated by constraints placed upon that process by the non-availability of sufficient manpower in specialist trades, by the higher priority which may have to be afforded to the requirements of operational fleet units in unexpected need of repair and by variations to the budgetary allocation supporting the work package. Such constraints are seldom predictable; and in order to minimise them the planning and execution process must be kept as flexible as possible to obtain the most effective utilisation of manpower, finances and material resources with the ultimate aim of optimum Fleet operational availability.

DEPARTMENTAL COMMENT

Further rationalisation of the underlying processes of planning for repair and maintenance suggested.

5. The improvement of the underlying process in ship repair is an ongoing task. This includes endeavours to match ship repair requirements with available resources. It is an historical fact that the task has almost always exceeded the available resources. The shortfall in resources may be due to insufficient dockyard manpower within the right trade, inadequate funds and other competing demands within the budgetary context, insufficient time in Dockyard hands within the Usage/Upkeep cycle to complete the work, or non-availability of material.

6. It is doubtful whether perfection could ever be attained in such an involved and interlocking process but optimisation of employment of the available dockyard labour force will be of paramount importance. Inevitably, occasions will arise when the balance of trade skills does not match a particular ship's defect list and on these occasions lower

priority work will be taken on where the particular trade is available, whilst higher priority work will be shelved for lack of trade capacity. This is a feature of the jobbing nature of ship repair work which should not be mistaken for the maximising of dockyard labour utilisation for its own sake.

Late finalisation of the work package provides insufficient time to obtain required material and replacement parts.

7. It has always been the dockyard's aim to have the majority of known material and spares requirements to hand at refit start. Achievement of this aim should be improved by provision of a Materials Management Division in the dockyard organisation, the formation of which has been approved. Civilian staff ceiling constraints are inhibiting its full development and consideration is presently being given to transfers between wages and salaried staffs to achieve the necessary numbers in the new Division.

8. GID is seeking to implement new procedures which will facilitate the early ordering of stores. These procedures involve the transfer of relevant data to a central computer system known as GIMISDY (Garden Island Management Information System for Dockyard). GIMISDY contains control modules for networking, workshop scheduling, material and financial control. The financial management aspects of dockyard accounting, as distinct from the overall financial control through the Appropriation System, are presently handled by a computer system known as DYKOST (Dockyard Costing).

9. DYKOST is a system which has been in operation since 1980 but, because of the need to devote resources to the conversion of systems within the Department from Honeywell to UNIVAC computers, it has not been developed to perform any other than the financial management function. In addition, the continual deferral of the introduction of GIMISDY because of its priority vis-a-vis other Departmental projects has caused DYKOST to be in operation longer than intended.

10. There will be an interim period in which the GIMISDY and DYKOST systems run in parallel. Current planning is for GIMISDY to be the sole system from July 1986. Whilst GIMISDY will largely overcome problems in ordering material and spares, it is reiterated that uncertainty about the availability of funds (having regard to the continuing need for reassessment of Defence priorities against needs) and the generally unpredictable nature of ship repair work and the associated stores requirements do impose limitations on any forward planning system.

A continuing maintenance routine is required for Captain Cook dry dock caissons.

11. GID is revising upkeep plans for the caissons but planning resources are limited and must presently be allocated to higher priority maintenance tasks. The plans, once complete,

will be incorporated in the ship repair programme so that the interdependence of caissons and ships under refit will be more readily identified.

12. Although major maintenance tasks may sometimes preclude the use of one caisson, as was the case when Audit visited GID, it is generally possible to use both caissons. Planned dockings of ships are not normally disrupted, and even in the case of HMAS TORRENS quoted by Audit, work in the ship was able to be progressed whilst in dock and her ability to meet her operational commitments was not adversely affected.

Significant additional costs incurred because incorrect 'in aid' parts provided to contractors and lost time caused by non-availability of dockyard resources.

13. Errors can occur in a Naval Stores organisation which handles thousands of transactions in the course of a single ship refit, but every effort is made to minimise them.

14. Cranage at GID is provided by the dockyard. In the event that sufficient dockyard cranage is not available when required by a contractor, he has sometimes been able to claim for lost time. A judgement is made at the time whether it is more cost effective to pay the claim for lost time than to hire cranage, or to provide the contractor with a dockyard crane that is being used elsewhere in support of the dockyard's own workforce, or in support of Fleet ships berthed at GID.

15. Since the audit, the matter of cranage support for contractors has been reviewed and there is now a documented requirement for contractors to give 24 hours notice of their cranage needs, and this will allow for better planning by dockyard authorities. Previously, it was convention for customers to provide 24 hours notice. Moreover, the risk of crane shortages is soon to be reduced by GID's acquisition of four mobile cranes (replacing old, less reliable units) by the end of June 1983 and one new heavy duty mobile crane during financial year 1983/84.

Method of determining costs of refits inadequate.

16. The inadequacies of the present system of costing refits are recognised but that system was formulated within the requirements of the Appropriation Ledger System that is to bring to account under Division 235 (Ship Repair) the cost of the direct labour manhours and contract work. All direct and indirect wages are initially charged to the Pay Vote reflecting actual manhours worked by the various trades. The actual direct manhours worked, at an average rate for all trades, are then transferred to Division 235. In view of the large number of trades involved on different pay rates and the jobbing nature of ship repair work, this is considered to be the most practical way of bringing to account the direct labour cost. There is no evidence that this method under- or over-states the direct labour component of refits or that

it masks comparison between ships, bearing in mind that no two fleet units have the same work package content.

17. Under present arrangements, the DYKOST management system at Garden Island addresses direct dockyard labour manhours; contract support costs and material costs. In keeping with Appropriation type accounting procedures, all overheads, including the costs of salaried staff, are currently charged to the relevant Appropriation Item. These processes do not purport to provide a costing system. The Department of Defence Support plans that the dockyards transfer to a 'Trust Fund Accounting' system which should appropriately allocate overheads to jobs. The recovery rate of overheads for Navy work is yet to be determined.

18. The 'penalty' portion of wages for overtime worked during refits is presently brought to account against a separate Finance Authority or order designated for the purpose. It is not apportioned to individual refits either in regard to estimating or charging for the work because:

- a. it cannot be estimated in advance on a job-by-job basis; and
- b. it would create inconsistencies between the same tasks for different ships as the availability and requirement for overtime would vary according to circumstances.

Insufficient standardisation of Post Refit Analysis (PRA) Reports to enable detailed comparison.

19. The PRA Report does not lend itself to a simplified pro forma in which ships of different types can be reduced to a common matrix, for comparison. Every effort is made to produce a comprehensive PRA; and additional information about a particular refit which may be considered useful for future reference, is always included. Means of providing greater standardisation in PRAs are nevertheless being pursued.

Summary

20. The unpredictable work package growth in most ships undergoing repair and maintenance, the associated financial implications and manpower availability in terms of numbers and trades continue to be issues which are a challenge to Departmental management. It is appreciated that more comprehensive and rigorous ways of planning and accounting for ship refits need to be devised which will reduce the problems inherent in present systems. Hence, every effort to achieve optimum usage of available resources in support of Navy ship refits, particularly in the areas of cost-accounting and material control, will be pursued.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Reports.  
September 1982 and May 1983

Submission by the Department of Education and Youth Affairs

- Secondary Allowances Scheme
- Overpayments procedures
- Adult Secondary Education Assistance Scheme

JOINT COMMITTEE OF PUBLIC ACCOUNTS

INQUIRY INTO THE AUDITOR-GENERAL'S REPORTS OF SEPTEMBER 1982 AND MAY 1983  
SUBMISSION BY THE DEPARTMENT OF EDUCATION AND YOUTH AFFAIRS

AUDITOR-GENERAL'S REPORT SEPTEMBER 1982

PARAGRAPH 7.1 SECONDARY ALLOWANCES SCHEMES (SAS)

GENERAL

1. The Auditor-General's Report refers to the administration of the Secondary Allowance Scheme by the ACT Office of the Department. That Office is one of the Department's smallest (staff of 16) and was responsible for 450, or less than 2% of the 27025 students assisted under the scheme in 1982.

AUDIT FINDINGS

Index Card System

2. The index card system provides for a manual check of dual applications. For the ACT Office the one index card system is used for all student assistance schemes. Under the Secondary Allowances Scheme, where the parent is the applicant, an index card is raised in respect of each applicant and the student concerned. Following receipt of the Auditor-General's query the index card system was examined in the light of apparent deficiencies listed by the Auditor-General. These deficiencies were reported to be a lack of cards for some applicants, students cards not updated and probable misfiling. The examination involved a check of parental and student cards in relation to 100 applications (22% of total). All cards relating to parents were found to be in order, but two instances were found where student cards had not been raised. Staff were reminded of the necessity to follow correct procedures in relation to the index.

3. The Auditor-General also commented on the lack of physical security for the index card system. The trolley of index cards is now locked away at the end of each working day.

Input/Output Checks

4. The Auditor-General was concerned that there was no provision on the SAS application form for the signature and date of the officer approving the grant. This situation has now been remedied. The SAS application form for 1983 has been redesigned and now includes provision for the assessor's signature and date of assessment. Staff in the ACT office and other State Offices have been instructed to sign and date the application form once an assessment has been finalised.

5. The Auditor-General was concerned that at the time of the audit V forms (bulk requests to the Department of Finance for the payment of Student Allowances) were certified and authorised by the OIC of the Payment Section unsupported by either the related approved applications or evidence of examination by an authorised officer.

6. Procedures now in operation in the ACT Office require the OIC of the Payments Section to prepare a control sheet, listing all applications authorised for payment by assessors under Finance Reg. 48(c). The control sheet along with the application forms is then sent to the ADP Section for processing. When processing is complete the ADP computer operator notes the control sheet with the number of applications processed and returns the sheet and applications to the OIC Payments Section. Prior to the OIC of the Payments Section signing the V form certifying the payments under Finance Regulation 56AA he checks the contents of the V form against the control sheet to ensure all entries on the V form are supported by an application. This arrangement provides a mechanism whereby the officer who certifies the request for payment checks that they are in respect of applications approved for benefits.

7. The Auditor-General states that the officer signing V forms should be a delegate under regulation 45(2) of the Finance Regulations. On this particular point we have reservations. The Department of Finance Student Allowances Payments Handbook states that officers signing V forms do so under Regulation 56AA of the Finance Regulations; this is what happens now. We will pursue this point further with the Auditor-General's Office.

Verification of Income

8. For 1983 an additional step in the verification of income checking procedures has been introduced nationally in the light of the Auditor-General's concern that there were no procedures in existence to ensure that all verification checks of income with the Taxation Office were accounted for. Lists of cases to be checked with the Taxation Office are now produced from the Department's mini-computer, for this purpose.

9. The Auditor-General was also concerned that as one of the eligibility criteria for SAS was that a student must be financially dependent on the applicant (usually the parent) than the student's own income should be means-tested and also subject to checking with the taxation office. The Auditor-General's question was based on an assumption that, if it was intended that students earning substantial income of their own should not attract SAS benefits, then an upper limit of student income should be specified and checks instituted.

10. However, the purpose of the requirement referred to was simply to ensure that applicants were actually responsible for the students on whose behalf they applied and to minimise the possibility of abuse whereby students might be "discovered" so that other persons who satisfied the means test might apply for benefits on their behalf. It had never been intended that students from low-income families should cause their parents to be excluded from benefits by the level of their own part-time earnings.

11. With the agreement of the Minister and of the Auditor-General the situation has been clarified in the Policy Manual for 1983. The revised requirement now relates only to claims from persons other than parents and concentrates on factors such as the degree of support provided by the claimant and whether any contribution is made by the parents themselves.

AUDITOR-GENERAL'S REPORT SEPTEMBER 1982

PARAGRAPH 7.3 OVERPAYMENT PROCEDURES

GENERAL

12. The Auditor-General's Report refers to the administration of overpayments in the Northern Territory Office of the Department. The total number of overpayments outstanding in that office as at 31 December 1981 was 295 with a value of \$61,350. This represents approximately 2.5% of the total number of cases outstanding nationally.

13. The Northern Territory Office processes applications for the full range of student assistance schemes but with a heavy emphasis, due to its location, on the Aboriginal Secondary Education Grants Scheme (Abseg) and the Aboriginal Study Grants Scheme (Abstudy). A large proportion of payments made under these two schemes are made to persons in remote localities. Accordingly, difficulties arise in effecting recoveries. Prior to the audit of April 1982 the registration and recovery of overpayments was undertaken as staffing resources permitted. In November 1981 the recruitment of a temporary clerk enabled a considerable number of overpayments to be registered and recovery action commenced. This is reflected in the number of overpayments registered between June 1981 and December 1981. In April 1982 a Clerk Class 5 was appointed part-time in the recoveries section and that Officer has been able to oversee and maintain the recoveries system.

14. The Northern Territory Office does not currently have the benefit of the computer assisted recovery system operating in other States due to the small number of cases raised each year.

AUDIT FINDINGS

A lack of comprehensive and up to date instructions

15. A draft recoveries manual was issued to all States in May 1982. Although the manual was in draft form it was issued to replace all existing procedures and practices in State offices. The part-time recoveries clerk appointed in the Northern Territory Office in April 1982 has implemented the procedures outlined in the manual. A revised version of the manual was issued to State Offices in May 1983.

16. The issue of the recoveries manual is the first stage in a complete revision of the recoveries system within the Department. A review team has been set up to re design the present ADP system, which will encompass the N.T. Office.

Lack of evidence of a check of overpayment calculations

17. With the appointment of the part-time recoveries Clerk in the Northern Territory Office procedures for the checking of overpayment calculations have been strengthened. After each overpayment case has been registered, its details are examined by the recoveries clerk to ensure that the registration has been carried out correctly, that the

first letter of demand has been issued and that the amount of the overpayment has been correctly calculated by the assessor. To ensure that each of these steps has been taken, each new overpayment raised is accompanied by an overpayment check list which is noted as each action is completed.

Undue delay in recovery action

18. The Auditor-General was concerned about the delay from the time overpayments are discovered and recorded and the commencement of recovery action.

19. This has been remedied. With the appointment of the part-time recoveries clerk registration and follow-up of overpayment now takes place within two weeks of overpayments being discovered.

Inadequate recovery procedures

20. Procedures for the recovery of overpayment have been extensively revised in accordance with the draft recoveries manual issued in May 1982. Procedures now in use ensure that overpayments are registered and the first letter of demand issued within 1 to 2 weeks of their discovery. Each month the card register of overpayments is culled by the recoveries clerk and cases where there has been no response from the debtor are forwarded to the Deputy Crown Solicitor (Darwin) for a second letter of demand to be issued. Should any letter of demand be returned as "unknown at this address" then "whereabouts investigation" takes place. This normally involve checking with other government bodies to find an alternative address where the debtor may reside. In cases where the debtor does not respond to the letter of demand, prosecution action may be considered.

Increases in Overpayments

21. The Auditor-General has noted the large increase in the number of overpayments registered between June and December 1981. As outlined earlier this increase related to overcoming back log of overpayments previously not registered. With the appointment of a temporary clerk in November 1981 these cases were subsequently registered and recovery action commenced. Subsequent overpayment statistics are comparable with those of December 1981. As at 30 June 1982 the number of cases outstanding was 296 with a value of \$72,201 and at 31 December 1982 there were 253 cases valued at \$72,043.

AUDITOR-GENERAL'S REPORT MAY 1983

PARAGRAPH 7.2 ADULT SECONDARY EDUCATION ASSISTANCE SCHEME

GENERAL

22. The Auditor-General's report refers to the administration of the Adult Secondary Education Assistance Scheme (ASEAS) in the ACT Office of the Department. The ACT Office of the Department was responsible for 80 or less than 5% of the 2097 students assisted under the scheme in 1982.

23. The Auditor-General was concerned about lack of communication between officers in the different areas who were involved with overpayment procedures. This led to delays in informing the recoveries clerk of the existence of overpayments or of repayments which had been made. The Department acknowledges that these deficiencies were apparent at the time of the Auditor-General's investigation. At that time the recoveries clerk position dealing with overpayments raised in the ACT Office was located in the Departmental Services Branch of Central Office. As overpayments were discovered a first letter of demand was forwarded to the debtor by the ACT Office and the case was then referred to the recoveries clerk in Central Office. Due to the involvement of both Offices in the recoveries process procedures became unclear and supervision difficult.

24. The problem was remedied in October 1982 when the recoveries clerk position was returned to the ACT Office.

#### AUDIT FINDINGS

##### Inadequate procedures for the follow-up and recovery of debts

25. The audit disclosed that controls over the recovery of debts were not satisfactory. This is acknowledged; the present ADP system, which provides the basis for control, is limited, and cannot supply special listings such as age analysis of debts and re-submit lists. The Department is working towards significant improvements in this area by undertaking a review of the total recoveries procedure and by redeveloping the ADP systems side. A draft manual of procedures has been issued, and the redesign of an ADP recoveries system is underway. Of the four cases identified by the Auditor-General as lacking control, two have subsequently repaid their debt, one has had the debt cancelled on re-establishing eligibility and the remaining case has been written off as being irrecoverable.

##### Significant delays between the discovery of overpayments and the commencement of recovery action

26. Since the relocation of the recoveries clerk position in the ACT Office procedures for registering overpayments have been strengthened. Through closer supervision the recoveries clerk is required to register overpayments immediately and ensure that where there has been no activity on an overpayment within 30 days, follow-up action is taken. In addition, to ensure that recovery action proceeds regularly, the recoveries clerk is required to periodically cull the overpayment register cards.

##### Inadequate procedures for verifying information supplied by applicants

27. The Auditor-General was concerned that there were occasions where dependants allowance was being paid without relevant birth certificates being sighted, that in some cases the status of refugee students was not being confirmed prior to payments being made, and that some student enrolments were not being checked.

28. In respect of birth certificates, procedures issued to State Offices indicate that only a random sample of cases are to be checked. To extend the check to include a 100% of cases would significantly add to the work load of State Offices and would not be cost effective. Of the 151 cases checked nationally in 1981 one case was discovered where dependants allowance should not have been paid. In respect of the cases referred to in the Auditor-General's Report as having not been checked, none of these were part of the random sample.

29. State Offices are required to undertake checks of refugee status before awarding benefits when the applicant's entitlement depends on eligibility concessions for refugees introduced for the first time in 1982. (As a result of a 1981-82 Budget decision, the rules of the Scheme were changed in 1982 to exempt refugees from the requirement of a two year absence from secondary schooling.) Applicants in this situation are required to produce appropriate documentation and provision exists for verifying cases with the Department of Immigration and Ethnic Affairs where doubt exists. The ACT Office was not undertaking this check at the time of the Audit due to assessing backlogs. They have since been reminded of the importance of carrying out the check prior to granting benefits.

30. Procedures for the checking of student enrolments are issued from Central Office. The ACT Office has been reminded of these procedures and asked to ensure that in future all student enrolment checks are carried out.

##### Numbers of ASEAS Overpayments in the ACT Office

31. The Auditor-General noted that ASEAS overpayments had increased between 30 June 1981 and 27 April 1982. Since the relocation of the recoveries clerk position the situation in regard to outstanding cases has improved. As at 29 April 1983 the number of outstanding cases has decreased from 53 with a value of \$53,810 to 40 with a value of \$44,422.

32. The names of possible witnesses to appear before the Joint Parliamentary Committee of Public Accounts are:

Mr Don Moss  
Director, Operations Section  
Tertiary Students Assistance Branch

Mr Peter Bowler  
First Assistant Secretary  
Student Assistance and Territorial Division

2 June 1983

REPORT OF THE AUDITOR-GENERAL - MAY 1983 -  
SCHOOL TO WORK TRANSITION PROGRAM

1. Background

The Auditor-General's Report outlines the objectives of this program and the general funding arrangements. As additional information on objectives, a copy of the Ministerial Statement of November 1979 announcing the Program, is at Attachment A.

2. As can be seen from the objectives, the Transition Program was not introduced to meet a single, simple objective as has been the case with a number of States Grants education programs eg. provision of library facilities or science equipment. It embraced government and non-government schools and TAFE, and the original Ministerial Statement envisaged that a wide variety of activities would be introduced or expanded in order to bring about change in schools and in TAFE in the interests of young people making the transition from school to employment. The administering authorities were to be (except in the ACT) non-Commonwealth authorities all of which were already engaged in many of the activities which the Program sought to stimulate.

3. As indicated by the Auditor-General's Report his office conducted a lengthy and detailed audit of the Program. The objectives of the audit are stated in the Report.

4. This submission comments firstly on specific matters which the Auditor-General has drawn to the Department's attention where further action is indicated. An important aspect of the Auditor-General's Report on this Program, however, is the more general comment which he makes, particularly in the last section of his Report, (page 40), concerning the administration of States Grants programs, like the Transition Program, which operate without specific States Grants legislation. This submission also makes some comment on the matters raised by the Auditor-General in this area.

5. Auditor-General's Specific Findings

On page 32, the Auditor-General comments that the Department has taken reasonable measures to determine that the Program is meeting its aims and objectives. He suggests, however, that the evaluation process might have been more effective if there had been a systematic program of review designed to cover all aspects of the Program at regular intervals. In this regard he understood that the Department proposed a major review of the Program in 1983 based on comprehensive information provided by the States.

6. The Department's comments on evaluation arrangements are summarised in the Auditor-General's Report. In brief, the Department pointed out that evaluation had addressed the

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School to Work Transition Program

central questions in transition education and that monitoring and evaluation arrangements provided an adequate framework for determining within practicable limits whether the program was meeting its objectives. The 1983 review referred to in the Report commenced as scheduled, but with the change of government, review of the Program is now placed in a rather different context. In accordance with its election undertakings, the new Government proposes to modify the program to give emphasis to initiatives aimed more directly at encouraging increased secondary school retention and increased tertiary participation.

7. On pages 34-35 of the Auditor-General's Report, the Department agreed to raise with State Transition Committees the practices which they have followed in respect of reserving funds for proposals coming forward during the course of a year, the relative responsibilities of education departments and State Committees in considering proposals and the sample checking by committees of project estimates and other details submitted by institutions to the Committees. Action was taken on these matters. The suggestions were brought to the attention of State Committees in meetings in October and November 1982 and confirmed in writing. At this stage, some authorities have indicated that the matters raised have been discussed and are being taken into account in administration of the program.

8. On page 35 the Auditor-General's Report expresses concern that consideration of the 1982 program in one State did not in all respects follow the arrangements agreed to between the Commonwealth and the States. While this was also of concern to the Department, as indicated in its response to the Auditor-General, the Department took action to see that the Commonwealth's main objectives in relation to the 1982 program approval in the State concerned were met. It then held discussions with the relevant State with a view to overcoming the problems in connection with the 1983 Program. These discussions took place and the State's 1983 proposals were framed in accordance with the agreement and were dealt with at the State level in accordance with the agreed procedures.

9. On page 35 the Auditor-General commented that the Department did not carry out a comparison of actual project costs with the estimates of those costs provided to State Committees.

10. The Department does not deny the importance of actual costs being compared with estimates as a means of financial control. The Department, however, is not convinced that under a States Grants program involving expenditure by hundreds of institutions, often of quite small amounts of money, detailed comparisons of this kind need to be made centrally by the Commonwealth administering authority. The institutions have their own auditing procedures under State arrangements as do the State authorities administering the programs. The Department requires from the State authorities statements of expenditures

under the Program and checks that these are consistent with the Commonwealth's approvals. It considers that comparing costs with estimates within individual projects is more appropriately carried out at the institutional and State levels.

11. On page 36 of the Auditor-General's Report the Department agreed to discuss revision of the Guidelines for the Transition Program and the Education Program for Unemployed Youth (EPUY) at conferences with State officers and then seek Commonwealth and State approval of a single set of guidelines.

12. Following discussion at conferences with State officers, a draft single set of guidelines has been prepared. However, Commonwealth and State approval has not been sought at this stage pending consideration by the new Government of transition and youth program arrangements.

13. On pages 37 and 39-40, the Auditor-General reported the view that the Department needed to develop an expanded recording (card) system for approvals and transactions under the Program and also a comprehensive manual of procedures.

14. The Card System has been progressively expanded in accordance with the Auditor-General's suggestions. The writing of a procedures manual has commenced but has not proceeded far at this stage, pending clarification of the future of the Program.

15. The Auditor-General comments on page 39 that an internal audit review of the Program has not been undertaken. While the Department had intended to conduct an internal audit of the Program in 1982 this has been postponed given that the Program has been reviewed in detail by the Auditor-General's office. At this stage, it is estimated that an internal audit will be conducted towards the end of 1983.

16. General Audit Comment  
In making his general comment on accountability in respect of States Grants Programs, the Auditor-General concluded that administration of the Transition Program involves considerable complexities and that overall the Department did a reasonable job. He observed, however, that given the lack of a measuring stick on what ought to be accountability arrangements for such programs, he had difficulty in concluding whether the degree of supervision by the Department is adequate or not.

17. The Secretary of the Joint Parliamentary Committee of Public Accounts requested that this submission should outline the complexities of administration referred to by the Auditor-General and provide full details of the supervision of the program.

18. To a large extent the complexities emerge in the Auditor-General's Report and are referred to at the beginning of this submission. The Program has broad objectives and a multiplicity of activities. Funds are being applied in hundreds of institutions, as well as directly by State authorities, and the funded activities often are not clearly separate from activities funded from State sources. The States and the non-government school authorities are responsible for the institutions; they are not Commonwealth administered.
19. There is a hierarchy of responsibility for the Program, for approval of funded activities and for monitoring and accountability. In some States there are regional administrative structures and in all there are State level advisory arrangements. Participating in administration of the Program are State education and TAFE authorities and in most cases labour departments, with separate arrangements for non-government schools. At the Commonwealth level, approvals need to be obtained for proposals from both the Minister for Education and Youth Affairs and the Minister for Employment and Industrial Relations. This requires the administrative involvement of both Commonwealth Departments.
20. Attachment B gives details of the Department's supervision of the Program by outlining the procedures followed.
21. On the State Transition Committees the Commonwealth is closely involved in the consideration of proposals through Committee membership of officers of the Departments of Education and Youth Affairs and Employment and Industrial Relations. The two Commonwealth Ministers approve annual programs although by agreement with the State Ministers for Education these approvals are in terms of broad programs rather than fine detail of individual proposals. Reports and statistics are received annually from State authorities and consultations are held regularly with the authorities administering the Program in the States. In accordance with Finance Directions, statements of expenditure and formal declarations that funds have been used in accordance with the purposes of the grants are received from authorities in the States.
22. The extent to which the Department can check up in detail on the operation of the Program in the many institutions receiving funds is a matter for judgment based on a variety of considerations. There are questions of the practicality of detailed supervision of such a decentralised program by a Commonwealth department. There are State concerns about the extent of their rights and responsibilities in relation to the field of education which is constitutionally a State responsibility. Indeed the previous Government announced in April 1981 following the Review of Commonwealth Functions that in relation to joint Commonwealth/State programs, Commonwealth involvement in the determination of guidelines should embrace general objectives only and deal in broad terms with the manner in which these objectives should be sought. Further administrative involvement of

Commonwealth Departments should be limited to that necessary to ensure that programs are progressed satisfactorily towards the agreed broad objectives, and accountability reports limited to the minimum necessary to satisfy the Commonwealth Auditor-General and the Commonwealth authorities concerned that funds have been expended appropriately.

23. These directions were known to the State authorities and in the Department's view limited its ability to impose specific requirements on the States, both in setting guidelines and seeking information on the implementation of a program which is funded by the Commonwealth and delivered by the States. In the Department's view, however, co-operation from authorities in the States in providing information on the operation of the program and accountability data has been reasonable.
24. The Department agrees that the existence of specific States Grants legislation may have given a more precise measuring-stick in respect of some aspects of supervision of the Program. However, for such a broad and innovative program it seems unlikely that many of the matters covered by guidelines would have been incorporated in legislation thus leaving a number of areas subject to ministerial decision as at present.
25. The names of possible witnesses to appear before the Joint Parliamentary Committee of Public Accounts are:

Mr John Wilson  
First Assistant Secretary  
Resource Allocation and Transition Education Division  
Department of Education and Youth Affairs

Mr John Burnett  
Assistant Secretary  
Transition Education Branch  
Department of Education and Youth Affairs

1 June 1983

DEPARTMENT OF EDUCATION AND YOUTH AFFAIRS

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Reports, September  
1982 and May 1983

Submission by the Department of Education and Youth Affairs

Curriculum Development Centre

- Attachments A and B may be found on Joint Committee of Public Accounts File 1983/5, Part B.

1. The Auditor-General's reports refer to four major issues namely -

- Continuing deficiencies in the Centre's accounting and control procedures which were noted for the year ended 30 June 1980 and for the year ended 30 June 1981.
- The submission of draft final statements for the year ended 30 June 1981 which were returned to the Centre on a number of occasions because of inadequate support documentation.
- Estimates of cash expenditure for 1980/81 approved by the Minister in accordance with Sub-section 34(2) of the Curriculum Development Centre Act exceeded by \$23,088 in respect of administrative expenses.
- Delay in tabling in the Parliament the 1980/81 Annual Report of the Centre.

2. Continuing Deficiencies

During the period in which the Auditor-General drew certain matters to the Centre's attention, the publications program of the Centre was experiencing rapid growth. This caused serious strain on the finance and accounting unit which, at no stage, exceeded three persons in number. The systems in place at the time were obviously deficient and plans were underway to automate a number of systems which would accelerate processing and ensure better controls. At the time of the RCF decision a proposal had been presented to the Public Service Board for the Centre to engage a firm of ADP consultants. The proposal lapsed by mutual agreement with the announcement of the RCF decision.

In a brief to the Minister of 20 August 1982 (Attachment "A") the Director of the Centre advised on the status of the matters raised by the Auditor-General. While some of these matters cited in the Auditor-General's Report for the year ending 30 June 1981 had not been rectified in full, there were others that had been addressed and improved procedures instituted. You will note from point 8 of the briefing to the Minister, that despite the inability to introduce a full ADP system, the Centre was able to arrange for a partial solution for the debtors ledger.

3. Draft final statements for the year ended 30 June 1981

Following the RCF decision, the Centre raised no barriers to the transfer of staff to other areas of the Public Service. A consequence was that the person who had been responsible for the Centre's accounting over a number of years and who was experienced in accrual accounting transferred from the Centre early in the 1981/82 financial year. Less experienced staff were called upon to prepare the financial statements. Staff relied heavily on the advice of the Auditor-General in this matter but were not always able to produce on demand support documentation to his satisfaction. Hence the statements were referred to the Centre for additional information on a number of occasions.

The Centre, faced with a similar situation in respect of the 1981/82 financial statements engaged the services of a firm of accountants to assist in their preparation. We believe this has overcome the problem.

4. Over expenditure of Minister's approved estimates 1980/81

The Centre is required to obtain a specific approval from the Minister in accordance with Sub-section 34(2) of the Curriculum Development Centre Act. This approval is obtained prior to any expenditure in a financial year and may be revised in the light of changes in program priority and expenditure trends. Following the review of estimates of early June 1981, the Minister's approval was obtained for a revised estimate of cash receipts and payments. A copy of the Minister's approval is at Attachment "B".

About this time the Director of the Centre asked finance and accounts staff to review the impact of the RCF decision of May 1981 on the Centre's program. The effect of this diversion was to lessen controls on the monitoring of cash expenditure. Further, there was considerable pressure from creditors for payments of accounts as a direct consequence of the publicity given to the abolition of the Curriculum Development Centre. At that time details of appropriation (if any) for 1981/82 were not clear. The net effect was that accounts for administrative expenditure were processed without due and complete regard to the Minister's approval on the item Administrative Expenditure and the approved amount was exceeded by \$23,088. Underexpenditure in other areas of the estimate reduced the overexpenditure to \$8,307. This did not, of course, lead to any overexpenditure of the Centre's appropriation; it was funded from receipts for the sale of publications which were higher than estimated.

5. Delay in tabling 1981/82 Annual Report

The difficulties which arose in presenting financial statements to the specification of the Auditor-General are set out in item 3 above. The Curriculum Development Centre Act requires the financial statements, together with the Auditor-General's Report on his inspection of those statements to be incorporated in the Annual Report before it is presented to the Minister for tabling in the Parliament. Once these difficulties were encountered, arrangements were made to prepare and present an interim report which was tabled on 5 May 1982.

The Auditor-General's Report of 1980/81 financial statements in compliance of Sub-section 34(2) of the Curriculum Development Centre Act was presented to the Minister on 24 December 1982 and the final Annual Report prepared for tabling in the Autumn 1983 Session. The announcement and consequence of the 1983 election prevented the Centre tabling the report in February as intended; the report was tabled on 17 May 1983.

Work on the 1981/82 Annual Report is well in hand; the draft financial statements have been presented to the Auditor-General.

6. It is apparent from the foregoing that there were a number of weaknesses in the staffing structure and the accounting procedures of the Centre during the period under review. The Government has announced the reactivation of the Centre and a case will be put for a strengthening of finance and accounting expertise and the application of ADP processes from the outset.

7. The names of possible witnesses to appear before the Joint Parliamentary Committee of Public Accounts are:

Mr David Francis  
Director of the Curriculum Development Centre

Mr Peter Maher  
Assistant Secretary  
Departmental Services Branch  
Department of Education and Youth Affairs

31 May 1983

DEPARTMENT OF EDUCATION AND YOUTH AFFAIRS

- Attachments A and B may be found on Joint Committee of Public Accounts File 1983/5, Part B.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Report - May 1983  
Submission by the Superannuation Fund Investment Trust

1. This submission addresses those matters regarded as unsatisfactory by the Auditor-General as a consequence of his audit of the financial statements of the Superannuation Fund Investment Trust for the year ended 30 June 1981.
2. The principal role of the Superannuation Fund Investment Trust which is constituted under the Superannuation Act 1976, is to manage the Superannuation Fund and to invest those moneys not immediately required for the purpose of making benefit and other payments in accordance with the Act. Responsibility for the general administration of the Act falls to the Commissioner for Superannuation but the Trust, in collaboration with the Commissioner, is also responsible for the preparation of the annual financial statements of the Superannuation Fund.

3. The Auditor-General's Report, inter alia, draws attention to the following matters:-

- (a) non-reconciliation of certain control accounts maintained by the Australian Government Retirement Benefits Office with the relevant subsidiary accounts
- (b) overdrawing of the Superannuation Fund balance by the Trust on six occasions during the year
- (c) method of consolidation of property unit trust accounts and overstatement of property unit trust income in Trust's Statement of Operations
- (d) non-provision of income tax on capitalised profits from property unit trusts.

4. The matter of control account reconciliation (a) raised by the Auditor-General comes within the responsibility of the Commissioner for Superannuation who heads the Australian Government Retirement Benefits Office (AGRBO) and the explanation that follows was provided by the Commissioner for incorporation in this submission.

5. The Auditor-General's report noted that the three control accounts, Refunds of Accumulated Contributions \$34,123,359, Benefits Unpaid \$139,059 and Unidentified Contributions Held \$678,582, could not be reconciled with subsidiary account balances. The report went on to say that the control account balances had been used in the financial statements of the Trust and that work was proceeding within the AGRBO to effect full reconciliation.

6. The delay in achieving these reconciliations was associated with the winding up of the old Superannuation Fund and its aftermath. Briefly, at the time the new Superannuation scheme came into operation on 1 July 1976, contributions recording under the old scheme (the contributions basis of which was extremely complex) was about two years in arrears. It was necessary to overtake those arrears before the actuarial examination of the old Fund as at 30 June 1976 could proceed, opening balances in transferred contributors' accounts at 1 July 1976 could be established and the old Fund could be wound up. While these processes were continuing it was not possible to calculate final benefits and new scheme contributions - related benefits paid between 1 July 1976 and December 1978 were on an interim basis subject to later final determination.

7. The winding up was an immense task that involved the division of the Fund of \$991 million as at 30 June 1976 between contributors and pensioners, the allocation of equities to some 244,000 contributors and 35,000 pensioners and the distribution of \$288 million to approximately 247,000 eligible contributors, pensioners and others.

In addition, final calculations were necessary in respect of about 50,000 interim benefits paid between 1 July 1976 and December 1978 and this resulted in adjusting payments totalling \$38 million being made.

8. Because of the winding up and related activities, it was not practicable to commence the reconciliation of the control accounts as from 1 July 1976 until early 1980 and the work was still in progress at the time of the audit of the 1980/81 financial statements. By December 1982, the accounts had been reconciled to 30 June 1982 and, accordingly, the financial statements for 1981/82 will reflect fully reconciled figures for the three control accounts.

9. The matter at (b), i.e., overdrawning of the Fund, reflects the difficulties faced by the Trust in its endeavours to keep the Fund invested in the best interest of its members. The uninvested balance of the Superannuation Fund forms part of the Commonwealth Public Account which is controlled by the Department of Finance and kept at the Reserve Bank. The Department of Finance, through its Australia-wide Accounting Offices, also receives the bulk of the receipts (members' contributions) into the Superannuation Fund and draws the cheques against the Fund on the authorisations of either the Trust (for investments) or the Commissioner for Superannuation (for benefits etc.). Investment income is received directly by the Trust in Canberra and paid as received into the Superannuation Fund via the Commonwealth Public Account. Thus, there are many transactions in and out daily, the Trust being informed of these by means of telexed advices from the Accounting Offices. These transactions are put daily with the Trust's own transactions (principally investment income as stated) and a net balance is struck. It is then customary to invest this balance on the short term money market. The Trust has taken the view that it would not be fulfilling its trustee obligations if it did not do this.

10. When the printed monthly record of the Superannuation Fund transactions and daily balances is made available to the Trust from the Department of Finance Central Office, it is sometimes revealed that the Fund has been overdrawn. As stated to the Auditor-General, these overdrawals are quite infrequent and inadvertent and are usually the result of timing differences between the telexed advices to the Trust and when the actual postings are made to the Department of Finance ledgers.

11. Sometimes the Fund transactions are mistakenly posted to another Department or Authority or vice versa. In fact, any incorrect or late posting by Finance personnel results in incorrect ledger balances. Delays can also occur at State Office level where funds are held overnight or where the CPM or RPM is temporarily absent from duty.

12. The procedure of estimating the balance of money available in the Fund from internal Trust records rather than confirmed balances from Departmental ledgers has been in place for many years and has been regarded as the best way to avoid the errors described above which are beyond the Trust's control. However, the Auditor-General has quite rightly pointed out that the overdrawning of the Fund (irrespective of any errors incorporated in the balance of the Fund) is contrary to the provisions of the Superannuation Act.

13. Discussions have taken place with the Department of Finance about the problem including the suggestion that the Trust should have some overdraft type facility to enable it to discharge its obligation to Fund members whilst, at the same time, avoiding any inadvertent overdrawning of the Fund. The Department feels that it cannot at present support any overdraft type facility being made available and is looking to improved reporting from its Accounting Offices. If the Trust were to have relied solely on Departmental ledgers during the current year, the average daily uninvested balance of the Fund would have been of the order of \$6 million.

On this basis, for every day by which operations on the Fund had been postponed, there would have been an annual loss of up to \$1 million to Fund members. The Trust has been most concerned at the possibility of incurring such a loss but agrees that in the absence of some compromise with the Department before 30 June, it should accept the confirmed balance of the Fund as the amount available for investment. In the meantime, a somewhat more conservative approach is being taken in assessing the daily balance of funds.

14. Items (c) and (d) are related and concern the operation of certain property unit trusts in which the Trust has invested Fund moneys, the financial statements of those unit trusts, and the accounting treatment in the Trust's financial statements of investments in those unit trusts.

15. Regulations made pursuant to the Superannuation Act 1976 specifically authorise the investment of Fund moneys in unit trust investments. Such investments are a valuable and convenient form of investment for the Trust. They allow the Trust to invest in property in conjunction with other property investors and thereby gain for contributors the benefit of the expertise and experience of those investors in the selection and management of property investments without encountering some of the adverse features associated in property through corporate vehicles.

16. The Trust has invested Fund moneys in a number of property unit trusts, although items (c) and (d) relate in particular to two such trusts. The Trust Deeds establishing these unit trusts provide for the issue of two types of units: first, what might be called ordinary equity units and secondly, what might be called fixed participation funding units.

17. The fixed participation funding units initially provide in respect of each property investment by the unit trust approximately two-thirds of the funds required to acquire the property investment. They are cancelled over time in accordance with the provisions of the relevant Trust Deed at a rate dependent on the success of the property investment in respect of which they were issued. In the meantime, they entitle the holder of the unit to income and capital rights which rank above those of the holders of ordinary equity units and provide the holder with a commercial return parallelling the return available on secured debt-type investments.

18. In each of the unit trusts there is one other investor. That investor holds a particular number of ordinary equity units while the Trust holds a similar number of ordinary equity units and all of the fixed participation funding units. Accordingly, the Trust's investment in each unit trust is substantially larger than that of its co-investor in the unit trust.

19. As the two unit trusts involve a relatively new type of investment structure, in each case before investing in the unit trust the Trust, together with its co-investor, obtained Counsels' (including Senior Counsel's) advice in respect of the unit trust, made known to the Commissioner of Taxation the mode of operation of the unit trust and obtained an income tax ruling from the Commissioner in relation to the unit trust. In each case, Counsel advised and the Commissioner ruled that the unit trust would not be liable to pay income tax on its net income. Holders of units in the unit trusts, of course, pay tax on income derived by them from their units according to the normal income tax rules applying to them.

20. The financial statements of the unit trusts were prepared and the treatment of the unit trust investments by the Trust in its own financial statements was adopted on the basis of such advice and rulings. The Trust adopted a method of presentation in its financial statements for its investments in unit trusts which involved the consolidation of the unit trusts after elimination of minority interests represented by the entitlements of co-investors in the unit trusts.

21. Both in his report on the Trust's financial statements for the 1980-81 year and in his May 1983 Report, the Auditor-General expressed a view which emphasises what is perceived to be an appropriation of profits in repayment of capital in respect of the fixed participation funding units. The Auditor-General in consequence considered that the item "Income from Investments - Property Unit Trusts" in the Trust's 1980-81 financial statements was overstated by \$346,239. The Trust in its 1980-81 Annual Report commented that in its view:

"A reduction in this item by this amount would require a compensating entry elsewhere in the Statement of Operations to reflect the increased value of the Trust's equity in the unit trusts represented by certain other units which are not cancelled. The net result would be that the amount transferred to the Statement of Assets and Liabilities would remain unchanged."

The Trust acknowledged in its Annual Report, however, that as the structure of the unit trusts in question was relatively new and complex there was no well defined precedent or a clearly applicable or uniquely appropriate accounting treatment. Discussions were therefore held with the Auditor-General's Office with a view to arriving at a suitable and mutually acceptable form of presentation for unit trust investments in the Trust's financial statements.

22. These discussions, together with concerns that had arisen within the Trust and resulted in it seeking further advice from Senior Counsel, led the Trust to request the Commissioner of Taxation again to review the income tax aspects of the structure and operation of the unit trusts. Following this review, the Commissioner's Office by letter dated 14 January 1983 admitted that there were "questions of doubt and difficulty" but indicated that these questions were satisfactorily resolved by certain arrangements that had been agreed between the Commissioner's Office, the Trust and the other co-investors in the unit trusts.

23. These arrangements, commencing from the 1981-82 year, are to the effect that the unit trusts will continue not to be liable to pay income tax and each holder of ordinary equity units will pay income tax on a proportion of the net income of the relevant unit trust equal to the proportion the number of ordinary equity units held by him bears to the total number of ordinary equity units issued by the unit trust. The Commissioner of Taxation confirmed by letter also dated 14 January 1983 to the then Minister of Finance that these arrangements would not involve avoidance of tax. A copy of this letter was supplied to the Auditor-General but was not received until after the publication of his report. On receipt of this information, that Office advised by letter on 30 May 1983 general satisfaction with the action taken in regard to the relevant taxation treatment of the two property unit trusts mentioned in his reports.

24. The Auditor-General has also agreed with the Trust to certain modifications of the accounting treatment of its investment in unit trusts in its financial statements which overcomes that part of his qualified report on the 1981 financial statements. This information was conveyed to the Trust by letter on 30 May 1983.

25. The situation with regard to matters raised in paragraph 51 of the Report of the Auditor-General May 1983 is now as follows:-

- (a) The Commissioner for Superannuation has advised that the financial statements for 1981-82 will reflect fully reconciled figures for the three control accounts.
- (b) Overdrawing of the Superannuation Fund balance is still the subject of negotiation with the Department of Finance but should be resolved before the end of this financial year.
- (c) The accounting treatment of the Trust's investments in property unit trusts has been agreed with the Auditor-General in such a way as to avoid qualification in future years.
- (d) The questions of doubt and difficulty concerning the income tax aspects of the structure and operation of property unit trusts have been resolved to the satisfaction of the Commissioner of Taxation.

26. In the event of a decision by the Committee to hold a public inquiry on these matters, the following witnesses will be available -

R.A. Hammond, Chairman, Superannuation Fund Investment Trust

J.F. Kane, Chief Investment Manager, Superannuation Fund Investment Trust

R.C. Davey, Commissioner for Superannuation

7 June 1983

Joint Committee of Public Accounts Inquiry into the Auditor General's Report May 1983 paragraph 10.1 Passport Issues and Control

Submission by the Department of Foreign Affairs

The Department of Foreign Affairs assumed Passport Act functions in 1975. Since then, the increase in passport issue has grown from 326,087 passports to 530,151 in 1981 following the introduction of passports for trans-Tasman travel. The anticipated issue total for 1983 is 580,000 passports, or an increase since 1974 of 78%.

2. Despite intense pressure to maintain a reasonable service to the Australian public and within limited staff and financial resources available, the Department introduced significant changes to passport issue and control procedures between 1975 and 1982. These included:

- The conversion of a State-by-State card index system, by consolidation of State Office records in Canberra reproduced on microfiche for all passport offices.
- Lost passport and passport warning lists on microfiche were distributed to passport offices in 1978. These records were computerised using the Department of Industry and Commerce (DIAC) system facilities i.e. "PASS". (DIAC provided on-line access to passport warning lists and data capture off passport application details with the Department of Foreign Affairs updating the passport index each night.)

- The Passport Act (1938) was amended in 1979 to tighten procedures for the issue of passports, and the circumstances under which a passport could be either denied or withdrawn. Penalties for passport abuse were increased substantially.
- On-line access to the passport index mounted on the DIAC central computer was extended in 1980 to all passport-issuing offices in Australia.
- In 1981 the lamination of the photograph and holder's signature in passports was introduced to prevent alteration.
- In 1982 the Department introduced random checks of passport applicants and persons certifying the identity of applicants against data held in other areas such as the electoral office.
- Improvements to the passport were made in 1982 to enhance its security.
- Currently, all Australian travel documents are being redesigned to enhance further the security of the passport and to introduce machine-readable passports.

3. As explained to the Auditor-General by memo of 23 February 1983 (attachment A), the improvements outlined above were the first major changes made to the passport system in over 40 years.

4. In addition during the same period, the provision of evidence for, and the follow up to, the two Royal Commissions of Enquiry into Drugs and Drug Trafficking (Williams and Stewart) was undertaken by the Department. These two Commissions emphasised the need to ensure the integrity of the system and in particular the checking of the identity of applicants.

5. The audit of the passport issue and control function of the New South Wales office was conducted in November/December 1981, and the report provided by the Auditor-General on 3 June 1982. The Department's reply of 12 August 1982 to that report is at Attachment B. The Auditor General acknowledged subsequently that except where staff resources were required to overcome some deficiencies, remedial action was taken in the regional offices to satisfy requirements. A further report from the Auditor-General of 20 August 1982 indicated that individual deficiencies identified in one regional office had not led to an examination of possible deficiencies in other offices. In some areas this criticism may be valid but there are a number of circumstances which inhibit the Department's ability to simply apply the one set of recommendations to all offices. These include:

(a) Until recently, each office required different solutions to operational problems due to the origin of passport applications. For example, the majority of applications at Brisbane were lodged by mail, whereas applications lodged at Sydney were either across-the-counter or submitted by travel agents.

- (b) The Department adopted a decentralised approach to the management of the passport operation, with the central office providing only policy advice. Involvement in the management of the regional passport operations occurred when the integrity of the system was in question or when a decline in the service to the Australian public was apparent.
- (c) Some matters raised by the Auditor-General in his reports and in his memorandum dated 20 August 1982 were overtaken by implementation of some recommendations of Interim Report No. 2 of the Stewart Royal Commission.
- (d) Furthermore, changes to the passports issue and control system being introduced over the next 12 months will have a major impact on procedures in all Passports Offices. They include:

- . Increased security checking of passport applicants.
- . Use of official post offices as passport application lodgement centres.
- . Personal interviewing of all passport applicants and elimination of mail application facilities.
- . Passports to be forwarded to applicants' residential addresses by certified mail. Personal collection will not be permitted unless under exceptional circumstances.
- . More strict requirements for documentation in support of a passport application.
- . Revision and reprinting of all existing travel documents and associated application forms.

- . Introduction of passport printers.
- . Introduction of machine-readable script in passports.

Because of these changes a standard set of procedures for each office is required, and steps to implement common procedures are outlined in paragraph 10 below.

6. The computerised passport issue and control system (PICS) is an on-line system to passport issuing offices in Australia. It is linked to the Department of Industry and Commerce (DIAC) computer network. DIAC provides all computer services including operation of the system and computer programming. As indicated in the Auditor-General's Report, PIKS maintains an on-line index to all passport issues, maintains warning lists and is used in the issue of new passports. [No other country of which we are aware has a system which is as efficient and which is able to instantaneously control passport issue by preventing the issue of a second passport to an Australian, or a passport to a person appearing on a warning list as covered by Sections 7A - 7E of the Passports Act.]

7. The system PIKS introduced in 1980 has undergone many design changes in the intervening period. The Department of Foreign Affairs accepted the PIKS system before all its specifications had been programmed and accepted into the system. Its understanding was that PIKS was the most up-to-date system available, and it would be continually reviewed with a major redevelopment planned in five years. It was a vast improvement on what it replaced and certainly minimised the need for additional staff resources to overcome the peak passport issue periods which followed. On balance, the Department believes that the decision

to proceed on this basis was right.

8. PICS is not without faults, some of which have been identified by this Department, DIAC and the Auditor-General. Faults identified so far result from specifications not included in the original program. A copy of the latest analysis report including specifications to be included in the redevelopment can be made available if required.

9. The following comments are offered on the features which the Auditor-General's Report identified as being unsatisfactory:

. Unknown\_(U)\_Status\_Passports

The enhancement specifications for PICS require that all authorising officers have their own visual display units (VDUs) from which all supervisor functions will be exercised, and all passport issue details checked. DIAC is also investigating as a matter of urgency "cross-chain" problems which force allocators to use "U" status. The cross-chaining problem arises when an allocator attempts to enter details of a passport and during the search of the names file for matching finds that the data being accessed is corrupted. Therefore, normal issue cannot be completed. To overcome the difficulty the (intended) Passport Number is then marked as being in existence; but as the system does not hold any details concerning the passport or the names attached, the Unknown or "U" status arises. State Offices then register the details on a Travel

Document Return for input later when the cross-chaining problem is resolved. Some of these problems have been rectified easily but most have required the construction and running of a major suite of programs against the approximately 4,000,000 names held. This process has completed 4 of 20 runs. The entire program should be completed by mid-June 1983. In June 1982 the Department of Industry and Commerce provided a list of 211,341 "U" status passports but this was culled to 84,234 by deletion of expired and destroyed passports. As PICS does not provide a listing of the names of the holders of those passports they will have to be entered into the system manually. An estimate of the staff required to undertake this exercise has been made and it is hoped that the employment of temporary staff will complete the task in 1983/84 financial year.

. Effectiveness\_of\_the\_PICS\_System\_for\_Sections\_7B-7E\_Cases

PICS is not fully effective in preventing the issue of passports to persons to whom Sections 7B, 7C and 7E of the Passports Act denies issue, largely because the Department of Foreign Affairs is not advised by the relevant authorities of the names of persons who are covered by these Sections. There is no fault in the system itself of which we are aware. In March 1982 the Department of Foreign Affairs wrote to the Attorney-General's Department pointing out that advice was not being provided to this Department about persons to whom Section 7B might apply and requesting that the Registrars

of all Federal Courts be reminded of the facility available on the Passport Control File (PCF). Similar advice was provided to the Department of Prime Minister and Cabinet requesting that action be taken to obtain the co-operation of appropriate State and Territory authorities. Responses from some Courts have already been received. During consultation in the latter half of 1982 on the Stewart Royal Commission report on passports, State and Territory authorities were reminded of the facility of the PCF which was available under Section 7B by using the computerised passport system. There are some problems with Section 7C cases and remedial action is being taken to handle this problem. The question of 7E cases is to be the subject of discussion between the Minister for Foreign Affairs and the Attorney-General.

Control\_Over\_Spoilt\_Passports

The requirement for regular spoil reports to aid the follow up of discrepancies relating to passports, stocks and spoils was included in the original specifications for PICS but not included in the system accepted by the Department of Foreign Affairs in 1980. It is, however, one of a number of enhancements being introduced as resources become available. We first drew attention to the need for this enhancement in January 1982. The first daily spoil report (print out) for each regional office is expected this month. These reports

will provide the information required to follow up discrepancies relating to passport stocks and spoils.

Control\_Over\_Stocks\_and\_Issues

The comments in the immediately preceding point are relevant. In addition, we noted in our response to the report on the Sydney Office that PICS provides adequate controls over the sequential issue of passports.

Security\_Over\_Supervisors'\_Pass\_Words

We have shared for some time concern over the lack of security over supervisors' pass words. It is a problem which has emerged from our experience with the system. The basic problem is that supervisors use the same VDUs as the allocators and it is difficult therefore to maintain the integrity of the pass words. As indicated in a previous point, we are arranging for VDUs to be made available to supervisors with terminals which will be used exclusively by the supervisors, thus protecting not only the pass words but any supervisor functions. Provided there are adequate funds made available this could be achieved by December 1983. It has not been possible to achieve this aim yet because of a combination of a lack of funds and the inability of the network to take on more terminals. Supervisors have been checking the input data on a random basis since late 1981.

• PICS Specifications Not In Full Operation

As outlined in paragraph 9 above, and for the reasons given there, this Department accepted the system in 1980 without all the specifications having been fulfilled.

10. A procedural manual will be issued to all passport offices in Australia and at overseas posts by 30 June 1983. Uniform procedures result from the introduction of new requirements for passport applications, especially the requirement that all applicants should attend in person at a Post Office for interview where applicable. A copy of the manual in draft form was forwarded to the Auditor-General on 23 February 1983. The manual is part of a comprehensive training package for the training of some 4,000-plus officers (including Australia Post officials).

11. The Department of Foreign Affairs agrees with the Auditor-General's Office that the development, maintenance and improvement of computer-based systems and other procedures to administer the provisions of the Passports Act are the responsibility of the Department of Foreign Affairs. This responsibility cannot be exercised fully until such time as a redeveloped PICS system is operated on computers controlled and maintained by this Department.

31 May 1983

DEPARTMENT OF FOREIGN AFFAIRS

• Attachments A and B may be found on Joint Committee of Public Accounts File 1983/5, Part B.

DEPARTMENT OF FOREIGN AFFAIRS

- Letters from the Department of Foreign Affairs, dated 14 September 1984 and 29 April 1985, providing supplementary information may be found on Joint Committee of Public Accounts File 1983/5, Part B.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Reports of September 1982

(paragraph 29) and May 1983 (paragraph 26)

Submission by the Australian Industry Development Corporation

A - STATEMENT OF POLICY AND OBJECTIVES

1. The Australian Industry Development Corporation (AIDC) has the statutory objectives of promoting the development and advancement of industry in Australia and participation by Australians in that industry growth, through its commercial activities as a development financing business.
2. Subject to those objectives, and to certain policy directives contained in the Australian Industry Development Corporation Act (AIDC Act), the Corporation is required by its Act to conduct its affairs according to sound business principles.
3. The content and tenor of the AIDC Act accord closely with the description of the Corporation given to Parliament by the then Minister for Trade and Industry in his second reading speech when he introduced the original AIDC legislation into Parliament in 1970.
4. Some important elements of that description of the Corporation, and of the intent of the legislation, are set out below. The Corporation has always sought to follow, and to preserve, these basic principles.
  - a. "The AIDC, though set up by Government, will be a body entirely set apart from Government and operating only within the charter set down for it in the legislation. It is structured to become entirely a part of the private enterprise scene. Its role will differ from the customary role of statutory corporations ...."
  - b. "The Corporation's role will be to provide a specialised service to Australian industry."

- c. "AIDC will exist not merely to provide funds for Australian industry, but to provide funds to Australian industry to secure or aid a particular result."
- d. "It will help to structure industry on a world competitive basis, and to maximise the Australian ownership. No financial institution exists which is charged with this responsibility."
- e. "There are pressing needs for Australian industry to expand, and in the process to improve its efficiency, and become highly competitive at home and overseas. There is no institution or facility in Australia which has the primary purpose of encouraging and aiding industrial undertakings to achieve a dimension by which they will be capable of competing in world markets, and of competing with imports in the domestic market."
- f. "It is to our national advantage for Australian industry to be able to develop, and grow, with minimum resort to foreign ownership."
- g. "AIDC is completely non-regulatory and non-restrictive in nature. It is structured to function in a private enterprise environment and completely in accord with the principles of free enterprise and the free enterprise system."
- h. "AIDC will be controlled by an independent Board of Directors .... in the main of part-time Directors, drawn from private enterprise."
- i. "Its operations will be subject to the same tests of commercial viability as are ordinarily applied in business planning by the experienced board of any great private enterprise venture."
- j. "It will be subject to taxes on exactly the same footing as any public company."
- k. "Earnings or capital gains from the Corporation's investments will be used as capital reserves, to strengthen its capacity as an international borrower and broaden its assistance to Australian industry, in accordance with its objectives."
- l. "The Bill provides for the AIDC to have the fullest freedom in its administrative and financial arrangements, so that it may conduct its affairs for all practical purposes as if it were a private enterprise company."
- m. "An annual report and accounts of AIDC must be presented to the Government and tabled in the Parliament. If the Government, on receiving an annual report of the corporation, considered the Board was not operating in accordance with the policy principles laid down in the legislation, it - the Government - can meet with and inform the Board to this effect. In that event .... the Government must then table in the Parliament its reasons for so doing."

THE AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION

C - INFORMATION IN RELATION TO AUDITOR-GENERAL'S REPORT  
OF MAY 1983 (PARAGRAPH 26)

36. Advice was provided to the Minister by the Corporation's Board of Directors, in response to a letter sent to the Board following receipt by the Minister of the Auditor-General's report to him which had included comment on the investment in a Sydney apartment.

37. A copy of that advice is annexed, as follows:

Annex 1 : Letter of 24 February 1983 to Treasurer, Mr Howard, by Acting Chairman, Sir John Dunlop, KBE (with attached extracts from Board Minutes).

38. The Acting Chairman's letter refers inter alia to the performance of the Corporation, under its present Chief Executive, "both in its service to industry and in its profitability as a commercial business". For the convenience of the Committee a summary of those results, taken from the Corporation's 1982 Annual Report, is annexed as follows:

Annex 2 : Five Year Summary of Operations.

39. The apartment is a "two-bedroom unit" at "The York" in York Street, Sydney, set up as an operational base as well as living quarters. That is, it has one bedroom set up as such and the other as an office/study. It has a lounge area suitable for meetings, and a dining area.

40. When the Chief Executive is interstate, he plans and spends virtually all his time on Corporation business. It is not possible to do this outside office hours from an office block. The Chief Executive will need to spend an increasing amount of time in Sydney.

- pp 4-8 of the Corporation's Submission relate to matters raised in the Report of the Auditor-General for September 1982, and have been omitted from this Report.

41. The Corporation has had extensive and profitable experience in property investment - including industrial and commercial properties. Its competence in this field is further illustrated, and enhanced, by its role as financial adviser to major property developers. Developments for which it has acted or is acting in this capacity include the Morwell Integrated Regional Development in the Latrobe Valley, the Box Hill Centre also in Victoria, the Chatswood Chase shopping centre recently opened in Sydney, and the White Industries proposal for the Tivoli Gardens centre in Canberra.

42. The Corporation has advised the Minister that it has called for a market report with a view to divestment of the York apartment.

3 June 1983

THE AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION

• Annex 1 and Annex 2 may be found on Joint Committee of Public Accounts File 1983/5, Part B.

## INVESTMENT OF TRUST ACCOUNT MONEYS

### **1. INTRODUCTION**

1.1 At the time of audit, the Department of Primary Industry was handling investments for twenty-one Trust Accounts established under various Acts of Parliament as listed at Attachment A.

1.1.1 In making investments the Department endeavours, within the relevant legislative constraints, to obtain the maximum return possible. Over the past two years the scope of investments has been broadened to include weekly investments on 24 hour call and the overnight money market. The range of long term investments permitted has also widened.

1.1.2 These innovations have, by their very nature, involved considerably more complex administrative and processing procedures.

1.2 The Auditor-General's Report of May 1983 includes comments on several aspects of the Department's investment practices.

### **2. INVESTMENTS CONTRARY TO LEGISLATIVE REQUIREMENTS**

2.1 Attention has been directed to investments made from the Wool Research Trust Account and the Wheat Finance Fund which were not in accordance with the legislation.

2.2 The investments in question were made in keeping with the guidelines advised by the Department of Finance in February 1981. These state that a bank accepted bill of exchange (BAB) may be regarded as falling within the definition of "on deposit in a bank"

2.2.1 The relevant legislation in each case allows moneys to be placed on deposit in a bank.

2.3 The Department of Finance subsequently (in December 1981) sought a legal opinion concerning BABs purchased through a broker. On the basis of that opinion it advised this Department on 13 January 1982, that BABs purchased through a broker could not be regarded as being a deposit in a bank. BABs could however continue to be purchased directly from banks.

2.4 On 6 August 1982, having sought a clarification of the original legal opinion, the Department of Finance advised that BABs could not be considered as falling within the definition of "on deposit with a bank" under any circumstances.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

INQUIRY INTO THE AUDITOR-GENERAL'S REPORT MAY 1983

SUBMISSION BY THE DEPARTMENT OF PRIMARY INDUSTRY

2.4.1 This Department therefore immediately ceased to invest in BABs.

2.4.2 BABs previously purchased however still represented a significant investment.

2.5 Consideration was given to realizing on this investment, but as

- substantial losses would have been incurred,
- the Minister for Finance had approved an amendment to the Audit Act on 21.5.82 to widen the range of Trust Account investments to include BABs, and
- the necessary amending legislation was scheduled to come before the Parliament during the Budget Session,

it was decided (after discussion with the Department of Finance) to allow them to continue to maturity.

2.6 On 22 September 1982 the proposed amendment to Section 62B of the Audit Act came into effect. As a result, BABs fell within the range of investments possible for Trust Accounts.

2.6.1 There was an exception to this - the Wool Research Trust Fund. This research trust account differs from all the others in that the avenues for investment are specified in the Wool Industry Act itself and not in the Audit Act. The amendment to the Audit Act therefore had no effect on this particular trust account.

2.6.2 Through an oversight, the importance of this departure from the norm was neither immediately appreciated nor acted on until brought to the Department's attention by Commonwealth Audit. By that time investments to the value of \$3 million had been made in BABs.

2.6.3 This deficiency in the Wool Industry Act has now been listed along with other necessary amendments to the Act for inclusion in the legislation programme as soon as practicable. Until such time as that can be achieved special procedures have been instituted by the Department to ensure that investment of moneys standing to the credit of the Wool Research Trust Fund are kept to the legislative requirement.

2.6.4 In the meantime, action was taken to eliminate BABs from the Wool Research Trust Fund investment portfolio, and no investments are now held in any trust account which are not in accordance with the requirements of the appropriate legislation.

### 3. RECEIPT OF INTEREST

3.1 The Auditor-General noted that delays had occurred in the receipt, from investment companies, of interest due on short term money market investments, and specifically noted two cases.

3.2 The delays in receipt of \$154,619 for July, August and September related to one investment company which at the time in question was in the process of merging with another investment company. Due to computer changeovers and associated problems within the company, it had not been possible to utilise its computer facilities for interest calculation and payments for a period of approximately 3 months.

3.2.1 This is an exceptional circumstance, nevertheless revised procedures introduced following the Audit Report are designed to highlight any delays in receipt of interest, for immediate investigation.

3.3 The interest of \$58,534 was again related to one investment company. In this case the interest cheque was originally misdirected by the investment company and subsequently lost. Enquiries by this Department at the time also revealed a difference between the amount expected and the amount being paid. The dispute over the correct amount further delayed receipt, but this was subsequently resolved and the amount received on 3 November 1982.

3.3.1 No further difficulties have been experienced with this investment company. Again the revised procedures referred to at paragraph 3.2.1 above have been introduced.

3.4 Further the Department has emphasised to all investment companies with which it deals, the need for prompt payment of interest due. Any investment company failing to meet this requirement is removed from the list of those contacted for quotes. As a result, the delays occurring at the time of Audit have been eliminated and interest payments are now received two or three days after the end of the month.

#### 4. RECORDS OF INTEREST DUE

- 4.1 The Auditor-General expressed concern that satisfactory records were not kept of the dates interest payments were due. This relates to two distinct areas; interest on 24 hour call investments and interest on long term investments.
- 4.2 The 24 hour call investments are a consolidation of available funds from all Trust Accounts. Accordingly it is necessary to calculate for each investment, interest due to each of the participating Trust Accounts. This is carried out on a schedule (Attachment B) designed for the purpose, which at the time of Audit was kept on the inside cover of the relevant file. When the interest was received the Schedule was removed from the cover and filed in the normal manner. On the suggestion of the Auditor-General's staff a formal register is now kept in addition to the schedules. This register shows details of the investments, the interest due and received and includes a reference to the particular calculation schedule.
- 4.3 Long term investments are recorded on a computer system operated within the Department. The present computer program was developed prior to the broadening of the scope of investment types and does not now meet all requirements. As a result, interest calculations are not reliable and the determination of due dates for payment not always accurate. Accordingly the report available on these details is used only as a guide and not as a definitive record. Manual records are being maintained to record both the amount of interest and the due date for payment.
  - 4.3.1 A re-design of the computer programme to meet current needs has been deferred pending the outcome of two recent reviews - one of the Department's computer needs as a whole by outside consultants, and the other a Joint Management Review of research trust accounts.
  - 4.3.2 It should also be noted that investments generally involve interest being due on maturity. As the Department already operates an effective system for planning action on maturing investments, this has been adapted to provide a further check that interest is received as it falls due.
  - 4.3.3 For those relatively few investments which do not fall into this category, manual recording of due dates is being undertaken.

#### 5. RECONCILIATION OF TRUST ACCOUNTS

- 5.1 The Auditor-General in his report suggested that monthly reconciliations between the Department's Investment Register and the Department of Finance Investment Ledger on an individual trust account basis seemed highly desirable.
- 5.2 As reported, this Department recognises the desirability of the reconciliation suggested, but sees reconciliation of the individual trust accounts as a whole, as being of greater importance. However with existing staff resources, it is not possible to carry out both reconciliations monthly. It is proposed that such a facility be provided for in any computer system developed following the Joint Management Review, or as part of an upgrade of the investment computer system.
  - 5.2.1 In the meantime, following the Auditor-General's suggestion, staff have been employed on this task when available and some progress has been made. To date, eighteen of the twenty trust accounts presently involved in investments have been reconciled.

#### 6. MANAGEMENT INFORMATION REPORTS

- 6.1 The Auditor-General noted in his report that computer reports designed for the purposes of management review and control over investment activities were in some cases inaccurate and not always timely for decision making.
- 6.2 As stated previously the computer programmes relating to investments have become obsolete with the increased range of investments currently being made by the Department, and do not meet all requirements. However the report on maturing investments remains valid and continues to be used for management decision making.

#### 7. GENERAL ADMINISTRATIVE CONTROLS

- 7.1 The Auditor-General in his report noted deficiencies in procedures in relation to apportionment of interest received, amendment to investment records and recording of bills of exchange held interstate. It was also considered that security was not entirely satisfactory.
- 7.2 Concern was expressed that schedules for apportionment of interest were not always signed by the preparing officer or cross-referenced to the appropriate receipts. This action is now being taken.

7.3 Forms used to request amendment to investment records on the computer system and apportionment of interest schedules were noted as not checked by a second officer. This is considered desirable but again is restricted by available staff time. It is also considered that there is an adequate degree of self checking in the apportionment of interest in that the individual amounts must add to the total amount received. However, the Department is endeavouring, whenever time permits, to carry out this subsidiary level of checking. Also it is proposed that provision be made for checks to be incorporated in any revised computer system.

7.4 Details of investment documents held interstate were previously held only on the individual file relating to the particular Trust Account for which the investments were held. A consolidated register is now also maintained.

7.5 Investment documents (BAB's, Negotiable Certificates of Deposit, Promissory Notes) have always been held in safe custody. Arrangements have been made to keep records of investment in locked filing cabinets when staff are not in attendance.

#### 8. AUDIT COMMENT

8.1 The Auditor-General commented that the task of maintaining a constant review of the significant cash balances available for investment in a large number of trust accounts, locating optimal investment opportunities and reacting in a timely manner to arrange deposits, requires a well-developed and professional approach. In view of the weaknesses identified in the systems reviewed by his office he suggested that there would be merit in the Department subjecting its Trust Account investment processes to fundamental review.

8.2 The Department of Primary Industry had already recognized that a review was required of the overall situation in relation to research schemes which it administered. For this reason an approach to the Public Service Board for a Joint Management Review (JMR) was made in May 1982.

8.3 The terms of reference of the JMR, which commenced on 28 February 1983, included a requirement that, in particular, it examine and report on the "cash flow and funds management of research trust accounts in relation to investment opportunities".

8.4 The JMR has now been completed and the report was submitted to the Public Service Board and the Department on 20 May 1983. The recommendations are being considered in association with the Public Service Board.

#### 9. SUMMATION

9.1 The Department has, for some time, been concerned regarding the investment of trust account moneys, and as a first step towards improving the situation made additional staff resources available in November 1981. At the same time, a start was made on an internal review of administrative procedures, which eventually culminated in the approach to the Public Service Board for a Joint Management Review, referred to in 8.2 above.

9.2 It is considered that the Department has taken positive action in all areas included in the Auditor-General's report in relation to investments and many of the matters have in fact been remedied. Those which remain outstanding are predominantly related to the present computer systems and recommendations to remedy all of these deficiencies are included in the report of the JMR. As indicated earlier, this report is presently under consideration and it is proposed that action arising out of the JMR recommendations, including revision of the ADP support systems, will be initiated shortly, and be finalised by January 1984. Funds are presently being sought for this purpose.

31 May 1983

DEPARTMENT OF PRIMARY INDUSTRY

- Attachments A and B may be found on Joint Committee of Public Accounts File 1983/5, Part B.

DEPARTMENT OF PRIMARY INDUSTRY

- A letter from the Department of Primary Industry, dated 17 September 1984, providing supplementary information may be found on Joint Committee of Public Accounts File 1983/5, Part B.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Report of the Auditor-General - May 1983  
Submission by the Department of Social Security on paragraph  
16.2 - Recovery of Overpayments

In the paragraph referred to above the Auditor General discusses reviews undertaken in Central Office and Victoria in connection with the processing arrangements for recovery of overpayments. The Audit conclusions were:

"The Audit disclosed that the Department is facing serious problems in the identification and recovery of overpayments which arise from incomplete or inaccurate information given by its client population to support claims for benefit. The Victorian State Administration was aware of these problems and was taking remedial measures.

This Office considers, however, that the Central Office should play a more positive role in monitoring the situation at regular intervals to determine whether the position is satisfactory in all States ....."

The paragraph gives statistics for overpayments. These need to be viewed in the context of departmental outlays:

Year	Expenditure (\$ million)	Overpayment (\$ million)
1980-81	8,061	27
1981-82	9,373	28

Thus overpayments raised represent only about one-third of one per cent of total outlays.

2. The Department is conscious of the problems in relation to processing of overpayments. One major difficulty facing a Regional Office Manager with finite resources and with constant and increasing pressure from clients is at what point the resources allocated to satisfy clients' immediate welfare needs should be redirected to improving the speed with which that office can discharge its other administrative responsibilities.

3. Two important steps have been recently taken which, inter alia, have increased the capacity of the Department to respond to problems relating to that and other concerns.

4. The first step was a restructuring of the Central Office organisation that has led to the creation of the Field Operations Service which provides a much clearer organisational focus for benefits delivery programs which are principally exercised through the Regional Office network and for the other work which must be processed in a Regional Office.

5. Within that Service, the new Performance Monitoring Branch, to which staff are currently being recruited, has a clear mandate to review, and correct where necessary, major problems

in the capacity of the Department to effectively and efficiently fulfil its objectives.

6. The second exercise, a review which examined Regional Office staffing, was led by Coopers and Lybrand Consulting Services. Key recommendations of this review were that regular information be provided on payment processing times and the extent of correct payments. Both these recommendations are to be followed up by the Performance Monitoring Branch.

7. The Monitoring and Control section of the Branch has, as its first responsibility, the development and maintenance of a national, performance related management information system which will address itself to both the qualitative and quantitative aspects of Departmental performance down to Regional office and section level.

8. So far as overpayments are concerned the regular collection and collation of key management information, together with an early review of the options available to the Department with regard to the processing arrangements will provide assistance to managers at all levels so that they can exercise the "control" necessary to achieve the desired results. In the long term the "desired" results will be budgeted by regions and constantly monitored.

9. Central Office Monitoring and Control processes are limited both organisationally and geographically in directing Regional Office Managers. The Performance Monitoring Branch has been created to help managers manage their work better by providing better and more timely information on which they can act. The Branch will also assist with the provision of advice regarding options for more useful deployment of existing resources. The suggestion in the Auditor-General's report (Section 16.2, page 89) that some clerical staff at Regional Offices be permanently assigned to recovering overpayments is presently under consideration.

**SYSTEM DOCUMENTATION**

10. The Department's recently purchased system development methodology SDM/70 will facilitate better documentation of future system changes. Using the standards and review processes which accompany this new methodology, the revision of systems under STRAPPLAN will be subject to stringent requirements for full documentation and control.

**ENHANCEMENTS TO ADP SYSTEM**

11. The Auditor-General has recently and in the past made a number of suggestions for improvement to the overpayments system. Some of them:

- are resource intensive
- encompass a wide range of changes over a number of our major Income Security ADP systems

- would need to be examined with regard to cost-effectiveness.

12. The recently announced re-equipment program for the Department (STRATPLAN) will incorporate reappraisal and major redevelopment of all the Department's system in the context of the new technology which will be available. All recommendations which have been made to improve the overpayments system will receive consideration as part of this process.

#### PAYMENT TO NON-RESIDENTS

13. The Department has developed a 'matching' exercise between Family Allowance and Immigration Department records to ascertain which endowees and children have left Australia permanently. The early results of the exercise have proved useful and further refinements will be undertaken pending extension to other states.

#### DELAYS IN RECORDING OVERPAYMENTS FOR RECOVERY

14. Average time being taken to calculate and commence recovery action has been substantially reduced in Victoria due to the formation of task forces. As a result of this there has also been a reduction in the previously identified levels of potential overpayments cases.

#### NATIONAL PROCEDURES MANUAL

15. The preparation of a combined policy, coding and procedures manual has reached an advanced stage and should be available for issue on a national basis within three months. The draft document has recently been circulated to affected areas within Central Office and each State.

#### CONCLUSION

16. The Department is confident that the approach outlined above will be successful in minimising the difficulties which currently surround the "overpayments" question.

17. As the Auditor-General has mentioned the amounts due often arise from the normal departmental review process bringing to light incomplete or inaccurate information supplied by clients. The workload which arises in this way has to be managed in Regional Offices. However, that is the environment where strong pressures already exist to use the resources available to the fullest extent to meet people's welfare needs.

18. The work of the Performance Monitoring Branch will seek to help the Department's staff manage such work as well as making certain that the processing arrangements are the most suitable. A "policeman" approach by Central Office in reacting to statistics of work on hand etc is not the most appropriate solution for this category of work. Helping, in a number of different ways, those responsible for doing the work and monitoring the results will be a much more effective way of achieving the ultimate objectives.

19. The Audit Office has signified that it will review the position again during future audits in the light of the Department's responses, particularly the degree of monitoring exercised by the Central Office following the establishment of the Performance Monitoring Branch.

7 June 1983

JOINT PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Report: March 1984

Submission by the Department of Social Security on paragraph 17.2  
Recovery of Overpayments

As part of the examination of the Auditor-General's report for March 1984, the Department of Social Security has been asked to provide information as to the initiatives that are being undertaken to improve the recovery of overpayments arising under the Act.

2 It has been recognised that positive action is required to seek ways to increase the effectiveness and efficiency of processing and recovering overpayments arising under the Social Security Act 1947. The current situation is that in concert with a growing client base, the number of cases and the cumulative balance owing to the Department is increasing over time.

3 Furthermore, the recovery of overpayments is becoming increasingly more difficult, in the main due to the following factors:

- the socio-economic circumstances of the Department's clients require special consideration, particularly as many are not in the position to repay amounts owing;
- the increased demands on limited Departmental resources;
- the high turnover of staff has led to a lack of experienced personnel available to calculate often complex overpayments (particularly pensions);
- the transient nature of many clients makes debtor location difficult.

4 In September 1983, the Department's Executive commissioned the Management Consultancy Group of its Performance Monitoring Branch to undertake a comprehensive study of the administrative systems, organisational arrangements and foundation policy currently applied by the Department in respect of the processing and recovery of overpayments arising under the Social Security Act 1947. The objective of the study was to recommend variations to existing practices or alternative measures to improve the overall rate of recovery in a cost effective manner.

5 The current status of the review is that it is nearing finality with preliminary recommendations (as outlined below) being currently considered by all State Administrations and the Department's Central Office.

6 The preliminary recommendations made as a result of the study centre around :

- policy;
- administrative systems;
- organisational arrangements.

7 In respect of policy, the study has indicated that :

- the primary objective of the activity should be to actively pursue the economic recovery of debts but at the same time be sensitive to client circumstances;
- in view of the significance of the resources invested and the increasing incidence and value of outstanding debts, this function needs to be recognised in its own right and accorded increased relative priority;
- economic thresholds should be determined on an on-going basis to ensure that overpayments are pursued generally only where it is cost effective to do so.

8 In respect of administrative systems, it has been recommended that:

- work commence to develop a new national overpayment recovery system, that is based on current and foreseeable future user needs and that is integrated with the major benefit systems as part of STRATPLAN, and that will identify the most cost effective categories of debt to pursue;
- in the interim, develop and place into production stand alone modules that will cross-match current overpayment records with benefit records so that all possible cases are identified and action taken to recover moneys owing by deductions from benefits paid to current client debtors;
- in the interim also, develop and place into production programs which will allow deductions currently being made from benefits as a means of recovery to be indexed with movements in benefit rates to always approximate 10 per centum which is departmental policy and currently applied manually. It should be noted that such action would not be taken where this would cause hardship to clients.

9 In respect of organisational arrangements, a number of options are presently being considered which involve:

- the formation of a National Debt Recovery Unit within the Central Office of the Department to provide strategic planning, direction and analysis of performance on a national basis and attend to the development of policy and associated administrative systems to improve operations;
- a re-aligning of existing and presently separated overpayment processing and debt recovery responsibilities into specialised areas within the Department; and
- the development of a comprehensive Management Information System to assist Departmental officers at all levels to monitor performance and initiate action to remedy problems identified.

16 July 1984

JOINT PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Auditor-General's Report: September 1984  
Submission by the Department of Social Security on  
Paragraph 19.3 - Recovery of Overpayments

As part of the examination of the Auditor-General's report for September 1984, the Department of Social Security has been asked to provide information as to the current situation with regard to initiatives being undertaken to improve the recovery of overpayments arising under the Act.

2 In considering the matter, the environment in which the Department operates and the relativities need to be observed. Whilst in absolute terms the value of overpayments is material, when considered in the context of the overall level of expenditure on benefits, pensions and allowances, overpayments represented only 0.46% during 1983/84. It should also be noted that the increase in the amount of overpayments raised during 1983-84 was matched by an equivalent increase in the number of overpayment cases identified and processed. In effecting recovery the following factors have an impact:

- the socio-economic circumstances of the Department's clients require special consideration, particularly as many are not in the position to repay amounts owing;
- the high turnover of staff has led to a lack of experienced personnel available to calculate and process complex overpayments (particularly pensions);
- the transient nature of many clients makes debtor location difficult;
- overpayment processing and recovery is often an industrial target.

3 In addressing the problems and issues the Department has taken positive action. Two major initiatives which have been designed specifically to reduce the incidence of overpayments and increase the effectiveness of recovery operations are:

- the adoption of direct credit as the prime mode of payment;
- the implementation of a number of major recommendations arising from a national review of debt recovery operations undertaken in late 1983 and continuing

through 1984. Reference to this review was made in the Department's previous submission to Committee concerning this matter.

4 There are also a number of other initiatives currently being undertaken by the Department which should have a beneficial influence on the recovery of overpayments. These are:

- the development of a corporate computer-based management information system entitled PRISM (Performance Related Information System for Managers);
- the implementation of revised procedures related to Proof of Identity;
- the development of a Quality Assurance Package to assist regional managers to monitor and improve the application of departmental policies and procedures;
- the implementation of streamlined processes in respect of the issue of replacement cheques;
- in the longer term, the implementation of the Integrated Index Facility as part of STRATPLAN.

All of the above initiatives are briefly discussed in the following paragraphs.

5 In September/October 1984 a comprehensive feasibility study of proceeding to direct credit as the prime method of paying the entitlements of individuals by the Department was undertaken. The result of that study indicated that this option was feasible, cost-effective and brought with it significant advantages to clients. With approximately \$8m (or 12.5% by value and 22.5% by number) of overpayments being caused by original and duplicate cheque negotiations by clients during 1983/84, the adoption of direct credit will be significant in the prevention of overpayments. Following consideration of the option by Cabinet, the then Minister, Senator the Hon. D Grimes, announced on 6 September 1984, the Government's decision to move to direct credit as the prime mode of payment. Implementation is now proceeding. It is expected that the conversion of pension and family allowance payments will occur in April/May 1985, followed by Unemployment and Sickness Benefit payments in June 1985. Significant savings in administrative costs to the Department will also accrue.

6 A number of major recommendations arising from the national review of debt recovery operations, of which the

Committee was previously advised, are currently in the process of implementation. These include:

- the development of revised practices in respect of the priority in which overpayments will be raised in regional offices and followed up by recovery personnel. In essence they will be designed to ensure that priority will be afforded firstly to those categories of debts which have a high probability for recovery and that subsequent decisions in respect of particular action to be taken will take into account the cost-effectiveness of those actions;
- the strengthening of the overall management capability of the function through the creation in the Department's Central Office of a small number of positions to provide strategic planning, direction and analysis of performance on a national basis and attend to the development of policy and associated administrative systems to improve operations. Further, a middle level management position has been allocated to each State to provide a focus for improvements at a local level and to ensure that policy initiatives are effectively translated into practice;
- in the interim, computer programs have been implemented to cross-match current overpayment records with benefit records so that all possible cases are identified to enable action to be taken to recover moneys owing by deductions from benefits paid to current client debtors;
- in the longer term, the development of a new national overpayment recovery computer system, that is based on current and foreseeable future user needs and that is integrated with the major benefit systems. It is likely that the system will identify the most cost-effective categories of overpayments to pursue as well as allowing for the ongoing adjustment of the level of deductions being made from benefits which is a popular means used by clients to repay overpayments.

7 Associated developments which will also have an impact on either the prevention, detection or effective recovery of overpayments are:

- the implementation nationally of the management information system PRISM in November 1984. This system produces a series of reports for regional managers across the country, a number of which specifically provide information in relation to

overpayments. These reports provide details as to volumes on hand and processed, the values involved, the reasons for overpayment and recovery rates. A further 'stand alone' series of programs designed to monitor volumes of cases where overpayments have yet to be confirmed is presently being trialled in the Department's Western Australian administration;

- following a national review conducted during the period March-November 1984 in respect of standards of information to be provided as an acceptable level of Proof of Identity, implementation of national guidelines commenced in December 1984. The consistent application of these guidelines will have an impact in the prevention of overpayments and fraud;
- the development of a Quality Assurance Package for regional managers. In essence the package is a self-monitoring practice which focuses attention on the quality of administration of the benefit processes. The element of the package which deals with overpayment processing is designed to ensure that cases are dealt with in a timely manner, are accurately assessed and that deductions are made (where appropriate) from ongoing payments of benefits to clients. National implementation is planned for April 1985;
- the implementation of revised procedures (following a national review) in respect of the issue of replacement cheques. The guidelines issued were designed to provide regional officers with more timely and adequate information so that they may accept or reject replacement cheque applications with a much greater confidence of the current status in respect of the presentation of the original cheque. These guidelines have the impact of reducing overpayments arising from dual negotiation of cheques by clients;
- continuing development and refinement of other benefits control techniques;
- in the longer term the development of the Integrated Index Facility which will bring together all information related to a client in a readily accessible database environment under STRATPLAN, will assist in both the prevention and recovery of overpayments.

4 February 1985

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Submission on the Structure, Role and Responsibilities of the Performance Monitoring Branch in the Department of Social Security

1 In the context of a major restructuring of the Central Office of the Department of Social Security in the first half of 1982, those areas within Central Office whose responsibility related directly to the Department's income maintenance operations were brought together into a large organisational unit entitled the Field Operations Service.

2 The major objective of this change was to bring an organisational focus to the Department's responsibility for its 4.8 million clients whose access to the Department is principally through its 190 Regional Offices. The Field Operations Service was a direct response to the need for the Department to adopt a more uniform approach to its operations nationally, particularly in the income maintenance arena.

3 Within the Field Operations Service the Performance Monitoring Branch, set up in the first half of 1983, plays an important role. The Branch is being developed specifically to enable the Department to respond quickly and more consistently to demands placed upon it from both internal and external sources. Strong emphasis has been placed on improving the proactive capacity of the Department's Central Office to move to a position of more effective coordination than was possible under previous organisational arrangements.

4 The Performance Monitoring Branch was formed to bring together significant problem identification and problem solving skills to service the Department nationally. The Branch's primary orientation is therefore to monitor departmental performance in key areas and to move quickly and responsibly to deal with existing or potentially unsatisfactory performance.

5 There are three groups in the Branch, viz,

- Internal Audit
- Monitoring and Control
- Management Consultancy

and although each has clear and distinct responsibilities (as outlined below) the level of interchange between the groups is very high. Internal Audit and Monitoring and Control have problem identification as a major operational objective. The Management Consultancy Group provides a capacity to develop solutions and implement recommendations which derive from comprehensive reviews of major problem areas. The bringing together of these three functions has taken place largely

by optimising the overlap that usually occurs between them. In practice, when the functions are managed separately the overlap is usually ungainly and counter-productive.

#### INTERNAL AUDIT

6 Internal Audit activities are directed at the adequacy of internal controls and at providing a reasonable assurance that the Department's objectives and goals are being met efficiently and effectively. In line with current audit thinking and practice the Department is committed to a systems based approach to the auditing task. Where major problems are identified these are taken up, where appropriate, by the Consultancy Group. Audit findings and recommendations are formally reported to senior management and the Departmental Audit Committee.

7 Although the Internal Audit Group is organisationally structured within the Performance Monitoring Branch, internal audit independence is maintained by direct reporting links to the Director-General and the Chairman of the Departmental Audit Committee (a Deputy Director-General). The Assistant Director-General (Internal Audit) is responsible nationally for all audit matters including departmental responses to matters raised by the Parliament and the Auditor-General.

8 Internal Audit Group in Central Office comprises two Sections, General Audit and ADP Audit. There is also an Internal Audit Section within each State Administration. These cells work together in three main areas :

- audits of national systems
- operational audits of regional offices and other state units
- other audits and 'consultancies' undertaken periodically or at the request of State Management.

9 The methodology for auditing national systems has, until now, involved the conduct of an 'initial' audit in one State which is subsequently refined to enable 'secondary' audits in each other State. Forward planning of national audit activities is based upon a dynamic Strategic Audit Plan which to date has aimed to cover all auditable areas over a three year cycle. Until now the Plan has comprised 75 auditable areas; however a recent review has resulted in a new listing of 110 auditable areas of which 44 (40 per cent) are categorised as 'high-risk'.

10 Regional Office operational reviews have been undertaken by State audit cells on the basis of an informal policy that each regional office should be reviewed annually. Local (State) issues of an emergent or one-off nature are dealt with on an 'as-required' basis.

11 Coincident with the implementation of STRATPLAN a comprehensive program of computer-oriented audit tasks has

been formulated and incorporated into the Strategic Audit Plan. The present program will operate over the next few years. One significant recent development has been the planning of an 'integrated audit facility' to operate in the context of STRATPLAN and provide the Department's auditors with the capacity to trace individual transactions at any stage of the computer process.

12 The Departmental Audit Committee has recently been restructured and strengthened. The Committee is now headed by a Deputy Director-General. Other members include a number of Division Heads and one State Director.

13 Following a recent detailed review by Departmental senior management and audit managers, work is underway to enhance the efficiency of the audit operation by moving from the State-based 'initial' and 'secondary' audit approach to a national approach which is at once more rational, thorough and cost-effective.

14 Other aspects of this move include :

- a significant up-grade in the frequency of 'high risk' audits and overall coordination of audit activities in conjunction with State Administrations
- a clear recognition that line management should have primary responsibility for the quality of regional office operational performance
- a capacity to realise the Department's commitment to the use of a systems-based methodology for all internal audit tasks.

#### MONITORING AND CONTROL

15 The role of the Monitoring and Control Group is to :

- devise, develop, implement and manage management information systems; and
- conduct studies into management information systems-related problems and to recommend remedial action.

16 The major project of the Group since its inception in the first half of 1983 was to devise, develop and implement the departmental management information system, PRISM (Performance Related Information System for Managers). That system is aimed at providing managers at all levels, but particularly regional managers, with timely and concise performance-related data on key aspects of the workings of their offices. The performance indicators highlighted by the system will deal with both quantitative and qualitative aspects of timeliness and accuracy in the benefit process. PRISM is a management tool which identifies problem areas and assists decision making.

17 This project is being carried out in three phases and will extend over several years. Phase 1, a prototype system, has now been implemented; Phase 2, a nation-wide operating system will be implemented in November 1984. Phase 3 is tied to the implementation of the Departmental ADP strategic plan and will be implemented in parallel with that plan.

18 The information being produced by the prototype system being trialled in 20 regional offices has already resulted in :

- earlier recognition of factors affecting timeliness of service delivery
- improvements in the degree of accuracy in transactions made as part of the benefit process
- greater visibility for regional management of other key performance indicators.

Full benefits from PRISM data will not be gained until after national implementation in November 1984.

#### MANAGEMENT CONSULTANCY

19 The Management Consultancy Group's role is to provide wide ranging professional consultancy services to the Department nationally to assist in all aspects of management improvement. The scope of such assignments not only spans the analysis of a wide range of problems and the development of recommendations for improvement but also extends to a significant commitment and responsibility for helping to manage the implementation of those improvements.

20 To concentrate efforts in areas which have major implications for the Department's operations nationally, the Group has placed a heavy emphasis on consultation with State Directors and senior management within the Department in the development of its forward work program. Prior to inclusion in the forward program, assignments are evaluated against the following criteria :

- criticality to departmental operations
- potential for realising savings in terms of :
  - . reduced costs
  - . improved efficiency
  - . redeployment of resources to areas of greatest need
- capacity to improve service delivery
- urgency for remedial action to be taken.

21 In undertaking consultancy assignments, project teams typically involve officers from State administrations to ensure both the comprehensive development of practical recommendations for change and a commitment to successful implementation of those changes.

22 Examples of major projects which the Consultancy Group has undertaken include :

- development of improved administrative arrangements for dealing with replacement cheque processing
- investigation of the feasibility of proceeding to direct credit as the prime mode of payment of benefit entitlements
- examination of ways to improve the Department's debt recovery operations
- a review of the Department's approach to records management policy and practice
- revision of the role, structure and operational practices of the Department's personnel services
- implementation of revised procedures for Invalid Pension processing
- a critical examination of the Department's output monitoring function
- a review of the adequacy of Aboriginal and Torres Strait Islander access to the services administered by the Department.

#### COSTS AND BENEFITS

23 The Branch has effectively been operational since July 1983. Since then, and to date, a total of 35 person years has been expended on administration, management and conduct of the Branch's Central Office operations. Using a notional 'average' salary of \$25,000 pa, and applying the standard overhead factor of 85%, salary, overhead and travel costs for the operation of the Central Office unit has been of the order of \$1.8 million.

24 It is difficult to quantify many of the benefits accruing to the Department and the Government from the activities of the Branch. While they are all directed primarily at improving service delivery and/or developing or maintaining effective controls against operational deficiencies, the resulting benefits often include qualitative benefits such as staff morale and motivation, the highlighting of key problem areas and the enhancement of the Department's image.

25 However, a number of projects currently in progress or planned will result in substantial quantifiable savings.

One such project of interest to the Committee relates to the extension of direct crediting of income maintenance payments. Following substantive implementation, current estimates of savings for the Department in a full financial year have been put at \$38m.

1 June 1984

JOINT COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Report of the Auditor-General - May 1983  
Submission by the Department of Social Security  
On paragraph 16.3 - Issue of Replacement Cheques

BACKGROUND

Payment of pensions and family allowances are made by cheque or, at the option of the client, direct to an account with a bank, building society or credit union. The direct credit option is not available for payment of unemployment, sickness or special benefits, the relevant computer programmes being different in this respect from those which process the other payments.

2. The number of cheques issued each year is in the order of 63 million. The composition is approximately:

Family Allowances	11 million
Pensions (including Supporting Parent Benefit)	35 million
Unemployment, Sickness and Special Benefit	17 million.

3. Clients who do not receive a cheque when expected can seek a replacement from the appropriate Regional Office. Reasons are required to substantiate the request. If after validating the client's identity and considering the reasons provided, the Department's staff consider that the circumstances warrant issue of a replacement, that will be done manually and generally handed to the client at the counter.

4. During the 1981/82 financial year 191,000 replacement cheques were issued throughout Australia. The figure represents less than one third of one percent of all cheques issued to individual clients.

5. The Department's objectives include reference to the desirability of clients receiving their entitlement on time. In one way or another the majority of applicants for replacement cheques express hardship as the reason for the request and in the light of statements by the client and/or evidence of financial commitments it is almost impossible to identify the genuine from the non-genuine client. However, not all applications are satisfied. In New South Wales and Victoria for example the refusal rate was 14 percent and 28 percent respectively during the 9 month period July 1982 to March 1983.

6 There are a number of possible reasons why a cheque may not be received and they include changes of address by the client, postal difficulties, or theft by a third party. Under existing arrangements information as to the fate of the original cheque is not available to the Department until at least five days after the date of issue because of the data handling methods within and between the Reserve Bank and the Department of Finance. Even if it was, knowledge that the original had been negotiated would make it more difficult for regional staff when the client is insisting that it has not been received and the relevant cheque form itself cannot be made available to the counter at that time.

7 The case identified in the Auditor-General's Report is evidence that the process is not without its problems. The client concerned came under notice during an investigation of other offences by the police. His applications for the replacement cheques were in relation to unemployment benefit and claimed hardship as the reason for the request. The office concerned did not have any information to dispute that claim.

8 A recent study has shown that in New South Wales 60 percent of the cases for which a replacement cheque was issued in the nine months to March 1983 ultimately involved a dual negotiation ie the original and the replacement were both negotiated. The comparable figure for Victoria was 25 percent.

9 The same study indicates that in 79 percent of these cases in New South Wales the original and duplicate were both negotiated by the payee and in 21 percent by a third party. The comparable figures for Victoria were 64 percent and 36 percent respectively.

10 Where it is ascertained that the payee is responsible for negotiating both the original and replacement cheques an overpayment account is raised and the amount due is recovered from continuing benefit.

11 When it is ascertained that a third party is involved, recovery of the amount is sought from the bank or trader through which the original cheque was negotiated. Details of the case are referred to the Australian Federal Police. The amount recovered during the 1981/82 financial year from banks was \$309,000 and from traders \$868,000.

12 The Department's internal audit staff have also drawn attention to difficulties with cheque processing. An extensive review of the current processing arrangements commenced in March of this year. The newly created Performance Monitoring Branch has carriage of the project which will include discussions at senior level with officers of the Department of Finance, the Reserve Bank and the Australian Federal Police.

13 A complementary project being undertaken at the present time concerns the feasibility of making greater use of facilities to credit payments directly to accounts with banks, building societies and credit unions.

#### THE AUDITOR-GENERAL'S COMMENTS

14 Paragraph 16.3 of the May 1983 Report summarises the results of audits in New South Wales and Victoria in connection with the subject and expresses the following conclusions:

- the extent of dual negotiation by payees is cause for concern
- centralised procedures in Victoria are apparently more effective than the decentralised approach in New South Wales
- the longer time taken in New South Wales to process dual negotiation cases exacerbates the situation
- further consideration should be given to adopting the Victorian approach nationally.

15 The Department shares the Auditor-General's concern about the extent of dual negotiations and for that reason the review mentioned earlier was the first major task allocated to the Performance Monitoring Branch.

16 The solution to the problem lies firstly with a reduction in the extent to which the cheque method of payment is used. Directly crediting a client's account in a financial institution removes the "not received" problems associated with payments by cheque. A significant reduction in the number of clients paid by cheque would automatically reduce the number of applications for replacement cheques.

17 The project referred to earlier (para 13) is examining the advantages and disadvantages of the direct credit method of payment with the object of placing a submission before the Minister for Social Security in the very near future.

18 The second important element in the improvement process concerns both the extent of information available at the point of authorisation of the issue of a replacement cheque and the timeliness of it. Whilst the work done in Victoria towards providing more details was a local initiative the results give grounds for some optimism with respect to a national approach with similar objectives. The study being undertaken at present has already shown that the identification of those categories of clients with a proven high risk of dual negotiation will be particularly useful.

19 The decentralised approach to authorisation of issue of replacement cheques in New South Wales was a response to the deteriorating client service occurring there as a result of staff in over sixty regional offices having to seek authorisation from the State Headquarters of the Department. Sometimes clearance was needed immediately on receiving the application from the client. Almost always it was required on the same day. For those clients in genuine need the process caused frustration and complaints. For the staff the process was cumbersome and frustrating as well as costly in terms of resources involved.

20 Whilst acknowledging that the difference in results between New South Wales and Victoria may in part be the result of the latter Administration retaining the centralised authorisation process within State Headquarters it is not the sole reason. More information, differences in approach by Regional Managers and close liaison with the police have all contributed to a significant difference in the number of applications for replacement cheques between the two states.

21 As well as recommending the most desirable approach for the future it is the expressed intention in the terms of reference document for the Performance Monitoring Project mentioned earlier that a national solution be found. As a result all states will use the same approach.

22 Contact has already been made with the Department of Finance and the Australian Federal Police in connection with the project and the results of a recent survey will be discussed with them in the next two weeks as well as with senior officers of the Reserve Bank. It is expected that the project will be completed in mid to end July 1983 with implementation of the recommended solutions on a national basis to quickly follow after that.

23 A reduction in the problems currently being experienced should be progressively evident in the latter half of the year.

2 June 1983

#### JOINT COMMITTEE OF PUBLIC ACCOUNTS

#### Inquiry into Auditor General's Report 1981-82 Submission by Export Finance and Insurance Corporation

#### POLICY AND OBJECTIVES

1. The Corporation was established by the Export Finance and Insurance Corporation Act 1974 with the duty to encourage trade and commerce with countries outside Australia by developing and expanding its business under the Act. The Corporation pursues this objective by providing a specialised range of credit insurance, guarantees, investment insurance and finance facilities not normally obtainable from commercial sources. Similar schemes are operated by many overseas countries. The Corporation succeeded Export Payments Insurance Corporation which was established by Act of Parliament in 1956.
2. The business and other affairs of the Corporation are conducted and controlled by the Board under delegations by the Minister for Trade and subject to the requirement that the Board keep the Minister for Trade informed of decisions of the Board with respect to matters of policy and, on a quarterly basis, of the levels of business transacted. The Act requires that in the conduct of the Corporation's business the Board shall act in accordance with sound commercial principles and shall pursue a policy directed towards securing revenue sufficient to meet all the Corporation's expenditure properly chargeable to revenue.
3. The Corporation operates under the guarantee of the Government, but so far has been able to meet all its commitments, including claim payments, from revenues and its reserves.
4. From time to time there are situations in which the acceptance of a risk may be in Australia's national interest, but because of the risks associated with the markets involved and/or the magnitude of the commitment the acceptance of such a risk would conflict with the Corporation's duty to act commercially. In these cases the Government may accept the whole or part of the risk under the National Interest provisions of the Act. Receipts in respect of business in the National Interest, less reasonable expenses, are paid to the Commonwealth by the Corporation, and amounts needed to discharge any liability of the Corporation under such contracts or guarantees are met by the Commonwealth. Receipts and expenditures for business in the National Interest are not, therefore, included in the calculations of the surpluses or deficits of the Corporation.

#### THE AUDITOR GENERAL'S REPORT 1981-82

5. The Report included reference to two matters: the investment portfolio, and the transfer of the surplus to reserves. The purpose of this submission is to provide the Committee with

further information on both matters.

#### INVESTMENT PORTFOLIO

6. Section 71(2) of the Act provides that moneys not immediately required for the purposes of the Corporation may be invested:-
  - (a) on fixed deposit with an approved bank;
  - (b) in securities of Australia; or
  - (c) in any other manner approved by the Treasurer.
7. Until the late 1970's the Corporation's investment policy was to seek the best interest rate through the purchase of long term government bonds, whilst maintaining a spread of maturities to provide a reasonably regular redemption of funds in order to meet claim payments.
8. Since then the Corporation, with the endorsement of its Board, has adopted the policy of investing the bulk of moneys not immediately required so that:
  - (a) the portfolio achieves the optimum return on funds invested with particular regard to achieving a higher return than the cost of the Corporation's capital;
  - (b) there is a ready market for the securities held;
  - (c) there is a range of maturities and coupons so that in the event of a forced sale, the risk of capital loss is kept to a minimum.
9. In pursuit of that policy, on 8 May, 1981, the Corporation requested the Treasurer to approve additional manners of investment for the Corporation for the purposes of sub-section 71(2)(c) of the EFIC Act. The request included, *inter alia*:  

"Finally, in order to maximise our investment income, consistent with security and to increase the flexibility and scope of our investment alternatives, particularly now that some of the semi-government authorities have also come into the market with short dated paper, it is requested that the present 15% limitation on semi-government investments mentioned above be removed".
10. On 22 June, 1981, the then Minister for Trade and Resources wrote to the Corporation advising:-  

"In addition, the Treasurer also agreed to remove the present limit of 15% on investments in semi-government securities that was imposed by the then Minister assisting the Treasurer in 1975. The Treasurer's approval is subject to it being indicated to EFIC that he would not wish EFIC to increase its

longer term forms of investment by more than a commercially prudent amount".

11. The Corporation manages its investments in accordance with its duty to act in accordance with sound commercial principles, and with an awareness of the above mentioned guidance from the Treasurer.
12. In this case the Corporation believes that the removal of the limit on the percentage of investments which can be held in the form of semi-government securities has not led to a commercially imprudent increase in longer term forms of investment.
13. At 30 June, 1981, the Corporation held 89% of its portfolio in securities with maturities of less than five years, and the portfolio had a weighted average maturity of 3.2 years. At 30 June, 1982 the Corporation again held 89% of its portfolio in securities with maturities of less than five years, and the portfolio had a weighted average maturity of 2.95 years.
14. At 30 June 1982 the Corporation's investment portfolio, all maturities, was held in approved securities in the following proportions:

Commonwealth Bonds	44.43%
Semi-government Securities	39.37%
Fixed Deposits	1.38%
Bank Bills	14.62%

Details of the maturities of the portfolio are shown in Attachment I.

#### TRANSFER OF SURPLUS TO RESERVES

15. On 27 February, 1975, the then Minister for Overseas Trade determined, *inter alia*:  

"(ii) the profits, if any, of the Corporation shall, for the time being, be retained by the Corporation".
16. In each financial year since then, except for the year ended 30 June, 1978, the Corporation has achieved a surplus which has been transferred to reserves. In 1977-78 the Corporation incurred a substantial deficit because of claims paid on account of exchange transfer blockages in Turkey, and the deficit was transferred to reserves as a deduction. At that time the Corporation utilised \$6.5 million of its investment portfolio to meet these claims, which totalled \$10 million.
17. The figures for surpluses and reserves since the Corporation commenced business on 1 February 1975 are as follows:-

	<b>Surplus \$000</b>	<b>Reserves \$000</b>	<b>Estimated Outstanding Commitments \$000</b>
1 February 1975			
Transferred from			
Export Payments			
Insurance Corporation	-	8,294	657,185
30 June 1975	1,105	9,398	677,784
1976	2,741	12,139	762,679
1977	3,646	15,785	810,597
1978	(6,155)	9,630	1,162,142
1979	3,711	13,341	1,123,224
1980	3,530	16,871	1,074,189
1981	4,435	21,306	1,550,501
1982	9,230	30,536	1,916,604

The capital advanced by Government to EFIC has remained at \$8 million.

18. In February 1979 the Corporation wrote to the then Minister for Trade and Resources about the adequacy of the Corporation's reserves. The Corporation noted that there had been a very substantial increase in the scale of business operations and concomitant outstanding commitments quite disproportionate to the increase in the Corporation's capital resources over the five years since it was established. The letter noted that the ratio of capital and reserves to outstanding commitments had fallen from 4.13% in 1964 to 1.84%, and went on to say:-

"The problem stems from the continued expansion of business with the consequential deterioration in gearing ratio. As a corollary of this, it could be asserted that the Corporation is potentially in breach of its statutory duty to 'pursue a policy directed towards securing revenue sufficient to meet all the Corporation's expenditure properly chargeable to revenue' (Sec. 66). In strictly commercial parlance, the Corporation is overtrading in relation to its own capital resources and only the ultimate Commonwealth guarantee of its liabilities makes such business conduct tenable. If the Corporation were a private enterprise undertaking it would be requiring its shareholders to contribute additional equity capital".

The letter went on to suggest ways in which the problem could be approached, including:-

"(a) do nothing and therefore be prepared to live with the increasing likelihood of the Corporation having to call on Government financial assistance in a future claims situation".

19. The Minister responded, in a letter dated 31 July, 1979 -

".... The other approach put forward was to take no specific action. I believe this, at least for the time being, is the appropriate course for the Corporation... I would like to take this opportunity to advise you that, in considering the Corporation's financial needs within the framework of the forthcoming Budget, the Government felt that there would be merit in the Departments of Trade and Resources, Treasury and Finance and EFIC undertaking a full review of the Corporation's operations. The review is to cover:-

- (i) the manner in which EFIC's operations are conducted (including charging policies, interest rates on export finance, degree of risk borne by the exporter and effectiveness)
- (ii) means of authorising future commitments in respect of the export finance facility other than those at present provided by the Subsidy Commitment Authority".

20. The Inter-Departmental Committee considered the matter of reserves, and in April 1980 reported as follows:-

"Operating within these restraints EFIC has pursued a policy of building up its reserves. This has enabled EFIC to meet all claims so far, including those arising from the recent non-payment of Turkish debts. Subsequent to the rescheduling of these debts the level of capital and reserves, which had fallen sharply, has been increasing again. Especially in the present situation of severe budgetary restraint any further provision of capital to the Corporation would present difficulties for the Government. Such a provision of additional capital at this time is not considered vital to the effective operation of EFIC which can, for the time being, rely on the Government guarantee to cover any shortfall in reserves in the event of dramatically high claims. In order to achieve a more satisfactory level of reserves appropriate to the current international trading environment, which is characterised by increasing economic and political risks in many developing countries, it is desirable for EFIC to seek to increase the rate of additions to reserves, consistent with ensuring that the competitive position of Australian exporters is not adversely affected. As indicated in Section 4 it is not possible to say what is an appropriate level of capital and reserves as the economic and political risks being covered are not amenable to actuarial assessment. It is thought reasonable for EFIC to aim at a level of capital and reserves in the region of \$40 million in the next few years. The Board would need to keep any such target under constant review in the light of changing circumstances and especially in

relation to the prospects of recoveries under rescheduling arrangements with overseas Governments".

21. The Minister informed the Corporation of the Government's view in a letter dated 21 August 1980, which said, in part -

"It was the Committee's view that given a perceived increase in the political and economic risks of default, it would be desirable if the present level of EFIC's capital and reserves in relation to its outstanding commitments were increased. In these circumstances and given, inter alia, the practical difficulties associated with the provision of additional capital during a period of budgetary restraint, the Government has decided to request the Corporation to seek to increase the rate of additions to reserves.

In making this request, the Government recognises the difficulties in determining what is a satisfactory level of reserves and appreciates the problems which confront EFIC in its efforts to increase revenue while at the same time ensuring that exporters continue to receive the fullest possible support at a cost which does not adversely affect their competitive position. The Board should report to me, as appropriate, on this aspect of EFIC's operations".

22. At 30 June, 1982, the capital of the Corporation was \$8,000,000 and the reserves were \$30,535,901 for a total capital and reserves of \$38,535,901. At the same date the outstanding commitments of the Corporation totalled \$1,916,604,000. The ratio of capital and reserves to outstanding commitments was therefore 2.01%.

23. The Corporation's net claims experience in 1981/82 was unusually favourable. Total claim payments on the Corporation's commercial account at \$5,240,392 were lower than in the previous year. Because of a high level of recoveries, from political risk claims paid in prior years, recoveries at \$5,408,104 exceeded payments for the first time on record.

24. Payment delays reported at 30 June, 1982 totalled \$9.7 million. The Corporation's latest estimates are that in 1982/83 it will pay claims totalling \$11,800,000 and obtain recoveries totalling \$5,500,000. This reflects the deleterious effects of the current recessionary international trading conditions on the creditworthiness of both countries and individual firms. The latest estimate of the surplus prospectively transferable to reserves at 30 June, 1983, is \$3,500,000.

25. The Board of the Corporation will review the level of capital and reserves when it considers the financial statements of the Corporation for the year ending 30 June, 1983 and will report to the Minister as appropriate.

31 May, 1983.

EXPORT FINANCE AND INSURANCE CORPORATION

• Attachment 1 may be found on Joint Committee of Public Accounts File 1983/5, Part B.

## U+SB MANUAL - ELIGIBILITY - UNEMPLOYMENT BENEFIT -

## EXTRACT FROM

## DEPARTMENT OF SOCIAL SECURITY

UNEMPLOYMENT AND SPECIAL BENEFITS MANUAL

## Investigation of facts and evidence-

## Proof of Identity

2.352 The claimant (and spouse as appropriate) should be asked to sign the form at the end of the interview, and after the form has been read to or by them. The form should also be signed by the interviewing officer in the presence of the claimant.

2.353 Evidence is not normally taken on oath but interviewing officers may take sworn evidence in a particular case if there is good reason for doing so. This procedure would be exceptional.

PROOF OF IDENTITY  
General

2.400 The identity of each claimant needs to be established. Wherever possible the claimant's identity should be based on documents he or she provides. The claimant is responsible for giving the department enough information to enable identity to be confirmed.

For people born in Australia this is done by collecting information about the person's name at birth and date of birth. For people born outside Australia information is to be collected about the person's name on arrival in Australia and the date of arrival.

PLUS (in both the above cases)

evidence of the current name used in daily living by the claimant over a period of time;

AND

information about any other names that have been used, including legal name, previous married name, de facto name or aliases.

2.401 Documents offered should usually come from at least THREE different sources. Two or more documents from the same source are regarded as a single document. Documents may show the full name, current

address, occupation and signature of the claimant, along with other relevant facts. In particular, the documents taken together should show that the person has been known in the community under the name on the application, for twelve months or more.

The information and signature on each document must be consistent with the claim form, the proof of identity form and the other documents offered. The range of information collected should put the identity of the claimant beyond reasonable doubt. All information offered by the claimant should be accepted. Where the information offered is inadequate for proof of identity purposes, further documents or information should be requested. This further information may be requested regardless of the number of documents initially offered by the claimant.

#### INVESTIGATION OF FACTS AND EVIDENCE

##### PROOF OF IDENTITY 'Sound' Documents

2.405 Identity may also be established where only two documents are provided by the claimant, if the determining officer is satisfied that at least one of the documents is a 'sound' document and that seeking a third document would unnecessarily waste resources and time. Documents designated as 'sound' are:

- a passport or refugee document;
- an original Australian birth certificate or an extract issued at least five years previously. Note: Overseas birth certificates are NOT regarded as sound documents;
- a marriage certificate, if the identity of the marriage partner has been established as outlined at 2.400;
- an official legal document proving that the claimant has been involved in formal legal action or is bound by formal legal contract under the name of application;
- naturalisation or citizenship certificates; and apprenticeship indenture papers.

A Department of Social Security record showing association over 12 months or more is regarded as 'sound' for proof of identity purposes if the claimant's identity was established on a previous claim and the claimant can show he or she is the same person as the original claimant.

2.406 Appropriate original documents tendered by a claimant should be photocopied. See Instructions 1.450-1.458.

#### INVESTIGATION OF FACTS AND EVIDENCE

##### PROOF OF IDENTITY

###### References

2.410 A reference or references may be used if documentary evidence is not available or is insufficient. The authenticity of all references is to be verified by, for example, contacting the organisation or referee concerned. References should be in the following format:

- written reference from an established organisation;
- written reference from a prominent citizen; and
- verbal reference from a prominent citizen.

Written references from an established organisation should be traceable in Australia. They should be on letterhead showing the name, address and telephone number of the organisation. The name of the referee and his or her position in the organisation must be clear. The reference should include the full name of the claimant, the current address of the claimant (if known), the period of time the referee has known the claimant, the basis of the relationship (e.g. welfare worker and client), the signature of the claimant (witnessed by the referee) and the referee's signature and date.

Written references from prominent citizens are only to be accepted if the referee is on the Commonwealth Electoral Roll and he or she is recognised as a responsible member of the community. The reference must contain all of the information outlined above together with the full name of the referee (legible) and the telephone number and/or address or means of contacting the referee.

Verbal references from prominent citizens are only to be used in difficult cases and require approval of the Officer in Charge (OIC). Circumstances where verbal references may be used include remote area situations

or where a prominent citizen is unable to provide a written reference e.g. an aboriginal community leader in a remote area. Information collected should include the claimant's full name, address, the period of time the claimant has been known to the referee and the nature of their relationship. The referee's full name and address should be recorded as well as the name, signature and position of the recording officer. Verbal references must be followed up with a check with the Registrar of Births, Deaths and Marriages or where applicable the Department of Immigration and Ethnic Affairs.

**INVESTIGATION OF FACTS AND EVIDENCE**  
**PROOF OF IDENTITY**  
**Aborigines**

2.415 To establish the identity of Aborigines who are unable to provide any other acceptable form of identification, a reference should be obtained from a member of the National Aboriginal Conference, an established Aboriginal organisation or an Aboriginal Liaison Officer. The basis of the identification should be that the claimant is recognised under the name on the application and as a member of an Aboriginal community or network.

Note: Aboriginal includes a Torres Strait Islander and the official definition of such a person is:  
'An Aboriginal or Torres Strait Islander is a person of Aboriginal or Torres Strait Islander descent who identifies as an Aboriginal or Torres Strait Islander and is accepted as such by the community in which he or she lives'.

**INVESTIGATION OF FACTS AND EVIDENCE**  
**PROOF OF IDENTITY**  
**Migrants**

2.420 Documents tendered in languages other than English should be referred to the Department's translation unit (refer Migrant Services) and a written translation requested. This translation should be placed on file. The original document should be photocopied and filed as indicated in Instructions 1.451-1.453.

2.421 In the case of claimants in whose own culture different naming conventions apply (e.g. surname normally given first, wife retains maiden name etc), special care should be taken to clarify any

inconsistencies between entry documents to Australia and other documents tendered. Reference may be made to the departmental booklet 'Naming Systems of Ethnic Groups'. Any name variations or inconsistencies should be checked against current departmental records.

2.422 In cases where the claimant has little or no English, where claimant's English is poor or where use of an interpreter is requested by the claimant, the use of a qualified interpreter at interviews is essential to the proper establishment of identity.

**INVESTIGATION OF FACTS AND EVIDENCE**  
**PROOF OF IDENTITY**  
**Spouse or De Facto Spouse**

2.425 For 'proof of identity' purposes a dependent spouse or dependent de facto spouse is in exactly the same position as the claimant. That is, the dependant is required to attend the pre-grant interview (see Instructions 2.300-2.304, 2.320) and provide information to enable identity to be confirmed. Where there are reasonable grounds for non-attendance at pre-grant interview e.g. spouse is in hospital or remote area problems exist, then the married rate may be paid subject to review within two pays.

Where the identity of the claimant is established but the identity of the spouse or de facto spouse is not, payment should be made at the single rate and reviewed within two pays. However, if there are dependent children living with the couple for whom family allowance is paid, payment should be made at the married rate and reviewed within two pays. If this is the case the claimant is to be advised that payment will be made at the married rate for two pays to enable the identity of the spouse to be confirmed.

In any case, if the identity of the spouse or de facto spouse is not established within two pays, a review of both the claimant and dependant is required. If following this review the identity of the spouse or de facto spouse is not established payment is to be made at the single rate with additional benefit for the children, if any.

## INVESTIGATION OF FACTS AND EVIDENCE

### PROOF OF IDENTITY

#### Identity Not Thoroughly Established - Two Pay System

2.430 Cases will arise where the determining officer is not satisfied that the claimant's identity has been thoroughly established. Where the claimant borders on satisfying the proof of identity (POI) criteria the determining officer may authorise payment of pension or benefit for TWO PAYS, and initiate action to confirm identity during that period. This discretion should be exercised rarely. The determining officer should be satisfied that information to establish proof of identity will be available within the 'two pay' period. The claimant is to be advised that if proof of identity is not established during this period then payment may be suspended or cancelled. If at the end of that period the claimant's identity is still in doubt, the determining officer must refer the case to the OIC with a recommendation to:

- give the claimant the benefit of the doubt and continue payment. (See Instruction 2.433);
- suspend payment and seek further information; or
- reject the claim and cancel payment.

2.431 If the determining officer is not satisfied that identity has been adequately established (whether or not documents from three different sources have been offered), confirming information is to be obtained. This information may be sought from:

- existing departmental records;
- the Registrar of Births, Deaths and Marriages;
- the Department of Immigration and Ethnic Affairs;
- previous employers;
- medical reports or other information associated with the claim;
- school or education records;

#### family allowance check:

- to confirm that family allowance is paid to or for the claimant; and
- to confirm that the claimant is a member of a family group; and
- the Electoral Roll.

2.432

If the determining officer is not satisfied as to the identity of the claimant and concludes that further investigation will still leave doubts about the validity of the claimant's identity, he or she may recommend to the OIC that the claim be rejected. The OIC may approve the rejection of the claim if satisfied that:

- a. the reason for the inadequate identification is NOT caused by disability or genuine incapacity to provide adequate information (e.g. retardation or alcoholism);
- b. the reason for doubt is NOT based on facts about which the claimant is ignorant (e.g. name of parents, adoption or other facts concealed from the claimant by the family); and
- c. the department is justified in concluding on the basis of available information that the claimant is not who he or she claims to be.

Where a claim is rejected the reasons for the decision are to be documented on file and the claimant is to be notified of the decision and of the right of appeal.

2.433

If the determining officer or OIC believes that the claimant is genuine despite insufficient information, the claimant should be re-interviewed by a different senior officer (Clerk Class 5 or above). The purpose of the interview is to seek more information and to find out whether the facts obtained at both interviews are consistent. If the OIC is satisfied that all channels of information have been explored and, if the facts obtained in both interviews are consistent, the OIC may authorise that the claimant be given the benefit of the doubt.

INVESTIGATION OF FACTS AND EVIDENCE  
PROOF OF IDENTITY  
Inter or Intra State Transfers

2.435 In the case of inter or intra state transfers identity of an existing or recent client will need to be confirmed. For identification purposes, a recent client may be treated the same as an existing client so long as a file exists.

To confirm identity, an existing client should be asked to complete a 'proof of identity' (POI) form (SS205). The information given on this form should then be compared with the information provided on the first POI form. If the information on both is the same the identification of the client may be accepted. The information may be relayed between offices by telephone where appropriate.

Where the client has not previously completed a POI form he should be asked to complete one and the information contained thereon is to be compared with his previous file papers. Providing the determining officer is satisfied, then POI may be accepted as having been established.

Identification can also be established where appropriate by a client who can verbally confirm information recorded on microfiche and give some documentary evidence (such as a driver's licence) which confirms the address, signature or other relevant details. However if there are any grounds for doubt, the client should be asked to complete a new POI form, which is to be compared with the first form.

If it is convenient for the claimant or the department or where previous file papers cannot be obtained, the client's identity should be re-established as outlined in Instructions 2.400-2.401.

APPENDIX D

DEPARTMENT OF SOCIAL SECURITY

SELECTED STATISTICS ON OVERPAYMENTS OF BENEFITS, PENSIONS AND ALLOWANCES

- Overpayments by type of benefit 1980-81 to 1983-84;
- Overpayments - State comparison 1980-81 to 1983-84;
- Summary of overpayments 1976-77 to 1983-84; and
- Overpayments raised compared with expenditure on pensions, benefits and allowances 1977-78 to 1983-84

**OVERPAYMENTS - ANNUAL STATISTICAL RETURN 1980/81 - TOTAL STATE COMPARISON**

OVERPAYMENTS	NSW	VIC	QLD	SA	WA	TAS	NT	COMMONWEALTH
1. Balance at 1 July 1980	12,389,795	9,278,925	6,002,121	3,173,552	2,984,500	1,209,715	529,161	36,268,259
2. Net Debts raised during 1980/81	3,575,030	7,027,634	3,979,531	3,009,723	2,304,884	847,581	416,188	22,164,531
<b>SUB TOTAL</b>	<b>22,368,885</b>	<b>16,306,559</b>	<b>9,981,652</b>	<b>6,183,275</b>	<b>5,289,384</b>	<b>2,157,296</b>	<b>945,849</b>	<b>63,432,901</b>
<b>LESS:</b>								
3. Cash Refunds during 1980/81	1,974,810	2,184,739	999,839	756,061	734,505	176,151	54,100	6,883,205
4. Recoveries by limitation of benefit during 1980/81	2,708,422	2,729,161	1,340,886	1,174,346	1,177,720	379,308	177,490	9,087,333
5. Write-offs under Sub-Section 70C(1) of the Audit Act	499,643	798,412	58,006	154,638	210,091	56,423	70,053	1,849,266
6. Re-raised amounts reverting to write-off status during 1980/81	5,095	8,557	5,174	2,615	23,590	941	NTL	45,942
<b>SUB TOTAL</b>	<b>5,187,970</b>	<b>5,720,839</b>	<b>2,403,905</b>	<b>2,090,660</b>	<b>2,145,906</b>	<b>614,823</b>	<b>301,643</b>	<b>38,465,446</b>
<b>172</b>								
<b>2</b> as at 30 June 1981								
7. (a) Balance of cash refund cases at 30 June 1981	9,268,214	5,954,759	4,915,406	1,928,923	1,534,741	698,167	365,934	24,656,144
(b) Balance of limitation cases at 30 June 1981	8,112,698	4,630,961	2,662,342	2,163,682	1,608,377	844,306	278,272	20,301,008
8. (a) Number of cash refund cases at 30 June 1981	17,108	9,342	9,779	3,113	2,740	961	650	43,732
(b) Number of limitation cases at 30 June 1981	15,671	7,371	5,235	4,548	3,780	1,282	561	36,448
9. Number raised during year	31,835	24,450	13,050	11,560	9,227	2,840	1,338	94,300

**Overpayments - Annual Statistical Return 1981/82 - Total State Comparison**

Overpayments	NSW	VIC	QLD	SA	WA	TAS	NT	Commonwealth
1 Balance at 1 July 1981	17,386,913	10,585,720	7,577,747	4,092,615	3,143,478	1,542,473	644,206	44,967,166
2 Net Debts raised during 1981/82	10,495,037	7,033,533	3,710,993	3,127,078	2,466,695	789,527	521,724	28,145,387
<b>SUB-TOTAL</b>	<b>27,876,750</b>	<b>17,619,9254</b>	<b>11,286,740</b>	<b>7,219,693</b>	<b>5,610,173</b>	<b>2,332,013</b>	<b>1,165,930</b>	<b>73,112,553</b>
<b>LESS</b>								
3 Cash refunds during 1981/82	1,575,002	1,781,279	903,403	815,185	677,159	168,305	62,255	5,916,308
4 Recoveries by limitation cases at 30 June 1981/82	3,307,020	2,554,432	1,424,631	1,357,403	1,213,797	395,181	231,491	10,483,955
5 a) Write-offs under section 70C(1) of the Audit Act	670,445	510,587	434,693	130,678	199,640	43,052	96,884	2,085,909
b) Re-raised amounts reverting to write-off status.	7,746	20,913	16,396	6,973	20,445	9,672	4,648	86,793
<b>SUB-TOTAL</b>	<b>5,561,013</b>	<b>4,870,711</b>	<b>2,779,123</b>	<b>2,310,239</b>	<b>21,111,041</b>	<b>616,220</b>	<b>395,198</b>	<b>18,643,045</b>
Total balance outstanding as at 30 June 1982	22,315,737	12,749,043	8,509,617	4,909,454	3,499,132	1,715,793	770,732	51,469,508
6 a) Balance of cash refund cases at 30 June 1982	11,890,636	6,880,311	5,240,019	2,287,921	1,691,013	633,552	386,399	29,009,951
b) Balance of limitation cases at 30 June 1982	10,425,096	5,866,729	3,269,596	2,621,533	1,808,119	1,082,443	304,333	25,459,549
7 a) Number of cash refund cases at 30 June 1982 by Number of limitation cases at 30 June 1982	17,629	11,306	8,195	3,484	2,678	804	636	44,732
8 Number raised during year	29,539	27,365	12,601	13986	9,950	2,700	1,869	96,032

NOTE: Some discrepancies occur due to rounding

\* difference between 30/6/81 balance and 1/7/81 balance due to error in Tasmania's closing balance submitted for 1980/81

## OVERPAYMENTS - ANNUAL STATISTICAL RETURN 1982/83 - TOTAL STATE COMPARISON

	NEW \$	VIC \$	QLD \$	SA \$	WA \$	TAS \$	NT \$	COMMONWEALTH \$
1. Balance at 1 July 1982	22,315,723	12,749,240	9,569,615	4,599,447	3,355,334	1,715,793	707,732	54,469,94
2. Net debits raised during 1982-83	18,403,184	13,725,562	5,357,575	4,076,153	3,416,020	1,666,041	823,341	45,772,436
<b>SUB-TOTAL</b>	<b>40,718,917</b>	<b>26,454,802</b>	<b>13,846,194</b>	<b>8,587,575</b>	<b>6,919,177</b>	<b>2,721,874</b>	<b>1,591,073</b>	<b>101,241,337</b>
<b>LESS</b>								
3. Cash refunds during 1982-83	2,255,838	2,914,233	1,074,379	963,589	693,701	219,206	76,968	6,182,914
4. Recoveries by limitation of benefit during 1982-83	4,900,928	3,991,168	1,865,484	1,590,713	1,424,354	476,711	304,319	14,593,717
5. (a) Write-offs under sub-section 70C(1) of the Audit Act included in the amounts reported for the purpose of section 50 of the Audit Act	586,124	821,295	487,036	111,393	203,705	60,880	65,882	2,342,103
(b) Re-raised amounts reverting to write-off status	40,124	36,256	26,553	5,413	20,840	3,899	4,477	177,342
<b>SUB-TOTAL</b>	<b>7,703,014</b>	<b>7,165,532</b>	<b>3,493,492</b>	<b>2,671,416</b>	<b>2,347,610</b>	<b>761,696</b>	<b>451,656</b>	<b>25,246,976</b>
<b>TOTAL</b> <b>Balance outstanding as at 30 June 1983</b>	<b>32,925,903</b>	<b>18,689,270</b>	<b>10,365,742</b>	<b>6,315,159</b>	<b>4,570,127</b>	<b>1,951,138</b>	<b>1,142,417</b>	<b>75,995,956</b>
6. (a) Balance of cash refund cases at 30 June 1983	16,198,325	9,593,902	5,168,815	2,553,481	2,063,944	619,551	454,559	31,207,277
(b) Balance of limitation cases at 30 June 1983	16,617,579	9,056,669	4,394,927	3,759,676	2,545,464	1,311,576	677,818	30,027,211
7. (a) Number of cash refund cases at 30 June 1983	21,369	11,252	7,616	3,610	3,194	1,072	835	48,898
(b) Number of limitation cases at 30 June 1983	28,892	13,234	7,580	6,588	5,287	1,773	1,233	60,557
8. Number raised during year	43,541	37,653	17,592	15,691	12,005	3,250	2,522	139,774

NOTES: Some discrepancies occur due to rounding.

## DEPARTMENT OF SOCIAL SECURITY

OVERPAYMENTS - ANNUAL RETURN 1983/84.

TOTAL STATE COMPARISON.

	NSW \$	VIC \$	QLD \$	SA \$	WA \$	TAS \$	NT \$	TOTAL \$
1. BALANCE AT 1 JULY 1983. (a)	32953902	16889570	10365742	6513159	4570127	1961137	1142417	7597854
2. NET DEBITS RAISED DURING 1983/84. (b)	26242768	16192494	8522978	5638501	4245920	1553850	1381754	63778265
<b>SUB-TOTAL</b>	<b>59198670</b>	<b>34881864</b>	<b>18866720</b>	<b>11951660</b>	<b>8816047</b>	<b>3514987</b>	<b>2524171</b>	<b>139774119</b>
<b>LESS</b>								
3. CASH REFUNDS DURING 1983/84	3470452	3665110	1639552	1441987	965514	373918	93553	11652086
4. RECOVERIES BY LIMITATION OF BENEFIT DURING 1983/84.	7451447	5543392	2869964	2167555	1887468	654022	508089	21081957
5. (a) WRITE-OFFS UNDER SUB-SECTION 70C(1) OF THE ACT. (b) WRITE-OFFS UNDER THE PURPOSE OF SECTION 50 OF THE AUDIT ACT.	754039	822433	481452	98849	230414	62840	76270	2524297
<b>SUB-TOTAL</b>	<b>11719911</b>	<b>10086593</b>	<b>5030799</b>	<b>3712531</b>	<b>3107127</b>	<b>1118553</b>	<b>681779</b>	<b>35157393</b>
<b>TOTAL BALANCE OUTSTANDING 30 JUNE 1984.</b>	<b>47478759</b>	<b>24795271</b>	<b>13855921</b>	<b>8239129</b>	<b>5708920</b>	<b>2396334</b>	<b>1842392</b>	<b>104316726</b>
<b>6. (a) BALANCE OF CASH REFUND CASES AT 30 JUNE 1984. (b) BALANCE OF LIMITATION CASES AT 30 JUNE 1984.</b>	<b>23310753</b>	<b>11986822</b>	<b>7230043</b>	<b>3233798</b>	<b>2620753</b>	<b>821348</b>	<b>792438</b>	<b>49995955</b>
7. (a) NUMBER OF CASH REFUND CASES AT 30 JUNE 1984. (b) NUMBER OF LIMITATION CASES AT 30 JUNE 1984.	24168006	12088449	66259878	5005331	3088167	1574986	1049954	54320771
8. NUMBER RAISED DURING YEAR.	61619	47154	23328	22112	15310	5879	3433	179035

NOTES: (a) Figures may vary slightly from closing balance shown for 1982/83 due to rounding.

(b) Net figure derived from new debits, interstate transfers in and out, re-raising and variations. (c) Estimates only.

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OVERPAYMENTS - ANNUAL STATISTICAL RETURN 1980/81 - COMMONWEALTH CONSOLIDATION

OVERPAYMENTS	AGE	INVALID	WIDOWS	SPB	PA	UB	SB	SPECIAL BENEFIT	OTHER	1,747,618
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1. Balance at 1 July 1980	3,416,965	2,934,764	5,760,932	5,267,108	1,253,743	12,776,672	4,097,630	590,858	165,387	36,268,269
2. Net debits raised during 1980/81	3,421,187	2,825,053	4,023,561	3,587,754	1,785,117	8,218,819	2,501,048	648,264	123,468	27,1,61,631
<b>SUM TOTAL</b>	<b>6,838,152</b>	<b>5,769,817</b>	<b>9,784,493</b>	<b>8,854,662</b>	<b>3,039,160</b>	<b>20,995,251</b>	<b>6,598,878</b>	<b>1,239,132</b>	<b>292,855</b>	<b>63,432,900</b>
<b>3. Cash Refunds during 1980/81</b>	<b>1,466,028</b>	<b>429,507</b>	<b>517,038</b>	<b>271,748</b>	<b>608,049</b>	<b>2,396,171</b>	<b>906,724</b>	<b>154,194</b>	<b>53,546</b>	<b>6,893,205</b>
4. Recoveries by limitation of benefit during 91900/81	1,297,710	1,132,643	1,057,496	984,289	963,196	3,007,142	981,973	208,161	54,723	9,667,333
5. Write-offs under sub-section 70c(1) of the Audit Act and re-allowed amounts reverting to write-off status during 1980/81	97,675	87,757	83,219	64,647	105,771	1,123,825	232,720	31,296	8,298	1,895,208
<b>SUM TOTAL</b>	<b>2,861,413</b>	<b>1,649,807</b>	<b>1,657,753</b>	<b>1,320,684</b>	<b>1,737,016</b>	<b>6,527,338</b>	<b>2,201,417</b>	<b>393,651</b>	<b>116,567</b>	<b>16,465,76</b>
<b>TOTAL BALANCE OUTSTANDING as at 30 JUNE 1981</b>	<b>3,976,739</b>	<b>4,139,910</b>	<b>8,126,740</b>	<b>7,534,170</b>	<b>1,302,144</b>	<b>14,468,213</b>	<b>4,397,461</b>	<b>845,481</b>	<b>176,288</b>	<b>44,967,194</b>

6. (a) Balance of cash refund charges at 30 June 1981	1,404,672	1,804,084	4,238,975	3,598,552	740,710	9,642,152	2,592,731	517,744	126,114	24,666,144
(b) Balance of limitation cases at 30 June 1981	2,572,067	2,359,025	3,887,764	3,935,624	561,434	4,826,051	1,804,729	327,738	50,176	20,301,008
(c) Number of cash refund cases at 30 June 1981	1,723	1,542	2,448	2,553	5,079	23,570	5,181	1,244	393	43,733

7. (a) Number raised during year 8,335

(b) Number raised during year 8,643

(c) Number raised during year 8,663

NOTE: (1) Amounts rounded to nearest dollar (2) Adjusted by transfer in N.S.W. and W.A. from 'PA' column to 'OTHER' column in respect of HCA and DOP overpayments (3) Adjusted by deletion in Qld in respect of TB allowances

Overpayments - Annual Statistical Return 1981/82 - Commonwealth Consolidation

Overpayments	Age	Invalid	Widows	SPB	PA	UB	SB	Special Benefit	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
*1 Balance at 1 July 1981	3,976,739	4,139,910	8,126,740	7,534,168	1,301,855	14,468,215	4,397,459	845,485	176,286	44,967,166
2 Net debits raised during 1981/82	2,371,278	1,936,755	4,077,538	4,961,959	1,668,750	9,498,763	2,872,258	591,930	160,156	26,145,457
<b>SUM-TOTAL</b>	<b>6,354,917</b>	<b>6,076,665</b>	<b>12,204,207</b>	<b>12,496,127</b>	<b>2,970,605</b>	<b>23,966,978</b>	<b>7,259,717</b>	<b>1,437,415</b>	<b>36,742</b>	<b>73,112,553</b>
3 Cash Refunds during 1981/82	1,079,753	381,034	563,510	355,750	520,298	2,017,678	814,433	104,123	59,809	5,986,388
4 Recoveries by limitation of benefit during 1981/82	1,206,837	1,189,946	1,193,119	1,396,191	811,799	3,407,663	1,005,034	224,412	46,954	10,483,955
5 a) Write-off's under sub-section 70c(1) of the Audit Act included in the amounts reported for the purpose of section 70c(1) of the Audit Act.	975	2,557	6,180	1,837	3,459	63,410	7,610	760	35	66,793
b) Re-raised amounts referred to write-off	2,402,737	1,665,161	1,860,408	1,045,035	1,694,002	6,825,874	2,065,536	365,064	114,338	28,613,045
<b>TOTAL BALANCE OUTSTANDING as at 30 JUNE 1982</b>	<b>3,951,280</b>	<b>4,411,504</b>	<b>10,343,879</b>	<b>10,651,092</b>	<b>1475,703</b>	<b>17,141,104</b>	<b>5,204,181</b>	<b>1,068,351</b>	<b>222,414</b>	<b>54,469,508</b>

7 a) Number of cash refund cases at 30 June 1982

b) Number of limitation cases at 30 June 1982

c) Number of limitation cases at 30 June 1982

d) Number raised during year

e) Number raised during year

f) Number raised during year

NOTE: Some discrepancies occur due to rounding

\* difference between 30/6/81 balances and 1/7/81 balances due to:

1. error in Tasmania's closing balance submitted for 1980/81

2. Northern Territory transferred \$300 from Family Allowance to Other

## OVERPAYMENTS - ANNUAL RETURN FOR FINANCIAL YEAR 1982/83.

STATE/ TERRITORY	Consolidated	AGE PENSION	INVALID PENSION	VETERANS PENSION	SUPER PARENTS ALLOW	FAMILY ALLOW	UNEMPLOYMENT BENEFIT	SENIOR BENEFIT	OTHER	TOTAL
OVERPAYMENTS		\$	\$	\$	\$	\$	\$	\$	\$	\$
1. Balance at 1 July 1982	3,351,778	1,411,502	10,353,878	10,511,629	1,467,572	17,741,022	5,754,191	1,646,182	26,515*	14,407,454
2. Net debits raised during 1982-83	3,684,154	1,219,569	6,564,964	6,521,465	1,893,271	11,091,395	5,511,641	3,077,132	25,073,073	46,772,454
<b>SUM-TOTAL:</b>	<b>7,666,932</b>	<b>7,631,471</b>	<b>16,908,842</b>	<b>18,175,134</b>	<b>3,306,843</b>	<b>24,231,91</b>	<b>9,706,022</b>	<b>2,045,484</b>	<b>48,614</b>	<b>10,141,932</b>
<b>LESS:</b>										
3. Cash returned during 1982-83	1,688,877	498,106	846,316	555,875	513,143	2,772,472	1,089,977	151,995	50,393	8,182,914
4. Reinstatements by limitation of benefit	1,187,440	1,279,402	1,442,296	2,071,374	1,082,238	5,691,295	1,411,733	309,206	62,339	14,383,717
5. (a) Withdrawals under subsection 70(1) of the Audit Act included in the amount reported for the purpose of section 50 of the Audit Act.	177,168	101,237	92,301	163,314	183,602	1,264,247	278,617	66,867	14,770	2,343,903
(b) Reinstated amounts reverting to, write-off status	1,433	1,688	1,736	7,362	4,220	103,421	15,259	1,813	440	171,312
<b>SUM-TOTAL:</b>	<b>3,064,866</b>	<b>1,880,433</b>	<b>2,382,809</b>	<b>2,860,825</b>	<b>1,763,212</b>	<b>9,834,729</b>	<b>2,855,486</b>	<b>535,771</b>	<b>127,312</b>	<b>25,246,706</b>
<b>TOTAL Balance outstanding as at 30 June 1983</b>	<b>4,581,163</b>	<b>5,751,036</b>	<b>14,526,033</b>	<b>16,374,309</b>	<b>1,553,650</b>	<b>24,395,762</b>	<b>6,946,533</b>	<b>1,390,713</b>	<b>352,673</b>	<b>75,975,556</b>
6. (a) Balance of cash refund cases at 30 June 1983	1,526,778	2,311,390	8,103,702	8,270,250	8,103,702	820,751	12,490,501	3,541,716	892,771	231,037
(b) Balance of limitation cases at 30 June 1983	3,007,925	3,418,219	7,271,977	8,270,264	7,271,977	743,029	11,919,774	3,403,310	610,140	119,564
7. (a) Number of cash refund cases at 30 June 1983	1,725	1,805	3,039	4,350	4,350	4,778	25,477	5,326	1,266	512
(b) Number of limitation cases at 30 June 1983	3,529	4,473	4,410	7,099	7,099	29,168	5,935	1,385	287	60,557
8. Number raised during year	8,696	5,324	4,329	8,947	17,722	70,698	12,720	2,805	853	121,274

NOTE : Some discrepancies occur due to rounding.

\* Difference between 30/6/82 and 17/7/82 balance due to NSW transferred \$ 1,311 from Family Allowance to other.

## DEPARTMENT OF SOCIAL SECURITY

## OVERPAYMENTS - ANNUAL RETURN 1983/84.

	AGE PENSION	INVALID PENSION	WIDOWS PENSION	SUPPORT PARENTS BENEFIT	FAMILY ALLOW	UNEMPLOY SICKNESS BENEFIT	SPECIAL BENEFIT	OTHER	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>1. BALANCE AT 1 JULY 1983. (a)</b>									
2. NET DEBITS RAISED DURING 1983/84. (b)	417,1595	3863990	7632932	11509726	2097056	27017475	5695848	968955	820688
<b>SUB-TOTAL</b>	<b>8732757</b>	<b>9615027</b>	<b>221589765</b>	<b>27884034</b>	<b>3660687</b>	<b>51414235</b>	<b>12636383</b>	<b>2478669</b>	<b>1173362</b>
<b>LESS</b>									
3. CASH REFUNDS DURING 1983/84	1908029	580569	1071237	760122	566670	5050598	1346590	166790	201381
4. RECOVERIES BY LIMITATION OF BENEFIT DURING 1983/84.	1366150	1533592	1755451	3037021	1090646	9526685	2146002	403499	219111
5. (a) WRITE-OFFS UNDER SECTION 70C(1) OF THE AUDIT ACT INCLUDED IN THE AMOUNTS REPORTED FOR THE PURPOSE OF SECTION 50 OF THE AUDIT ACT.	1377685	126129	88831	210582	150278	1467511	268515	62267	12399
(b) RE-RAISED AMOUNTS REVERTING TO WRITE-OFF STATUS.	1143	6583	5932	10695	7000	134987	27144	2697	872
<b>SUB-TOTAL</b>	<b>3413107</b>	<b>2250673</b>	<b>2921451</b>	<b>4018420</b>	<b>1814594</b>	<b>16179881</b>	<b>3790251</b>	<b>635253</b>	<b>433763</b>
<b>TOTAL BALANCE OUTSTANDING 30 JUNE 1984.</b>									
5339650	7364354	19237514	238856164	1846093	35234354	8846132	1843416	739599	104316726
<b>6. (a) BALANCE OF CASH REFUND CASES AT 30 JUNE 1984. (c)</b>									
(b) BALANCE OF LIMITATION CASES AT 30 JUNE 1984.	3627323	4607473	10082639	12730388	929280	16773049	4581756	673020	315923
7. (a) NUMBER OF CASH REFUND CASES AT 30 JUNE 1984.	1968	1928	3439	6645	5029	37426	6404	1359	1512
(b) NUMBER OF LIMITATION CASES AT 30 JUNE 1984.	3830	5282	5182	10403	4061	38068	7152	1462	1051
8. NUMBER RAISED DURING YEAR.	9427	5933	4791	12776	16354	105865	16280	2670	4939

NOTES : (a) Figures may vary slightly from closing balance shown in 1982/83 due to rounding.

(b) Net figure derived from new debits, interstate transfers in and out, re-raisings and variations.

(c) Estimates only.

FINANCE BRANCH  
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## DEPARTMENT OF SOCIAL SECURITY

## SUMMARY OF OVERPAYMENTS - 1976/77 TO 1983/84.

OVERPAYMENTS	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84
1. Balance at 1 July	9984637	14056595	21360419	28516842	36268269	44967166	54469494	75995854
2. Plus Debits Raised	12890383	19807125	20761039	23935189	27164651	28145387	46772438	63772825
Sub-total	22875020	33863720	42121458	52920031	63432900	73112557	101241932	139774119
LESS								
3. Cash refunds	3803110	5101964	5101890	6518304	6883205	5986388	8182914	11652086
4. Recoveries from benefit	4116909	5724272	7044899	8119636	9687333	10483955	14583717	21081957
5. Write-off	846947	1677060	1425372	1487996	1849266	2085909	2342103	2524277
6. ADP Conversion Adjustment	-	-	32454	-	-	-	-	-
7. Transfer of balance	-	-	-	22097	-	-	-	-
B. Re-raisings reverting to W/O status	-	-	-	-	45942	86793	137342	199053
Sub-total	8768966	12503296	13604615	16148033	18465746	18643045	25246076	35457393
Total balance outstanding as at 30 June	14108054	21360424	28516843	36271998	44967154	54469508	75995856	104316726
9. (a) Balance of cash refund cases	-	-	18905011	21603476	24866146	29009960	37168645	49995955
(b) Balance of limitation case	-	-	9611832	14768522	20301008	25459548	38927211	54320771
10. (a) Number of cash refund cases	54480	68973	56486	48370	43733	41732	46898	65710
(b) number of limitation cases				22876	30154	38448	45355	60557
11. Average value of outstanding overpayments	\$259	\$309	\$359	\$462	\$547	\$605	\$694	\$734
12. Recovery rate	35%	32%	29%	28%	26%	23%	22%	23%
13. Overpayments recovered compared with overpayments raised	61%	55%	58%	61%	59%	49%	51%	

NOTE: Item 9(a) - estimates only - may vary slightly from previously published figures.  
Items 10(a) and 10(b) have been amalgated for 1976/77 and 1977/78.

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## DEPARTMENT OF SOCIAL SECURITY

## OVERPAYMENTS RAISED COMPARED WITH EXPENDITURE ON PENSIONS AND BENEFITS AND ALLOWANCES - 1976/78 TO 1983/84

YEAR	1977/78			1978/79			1979/80		
	TYPE	OVERPAY- MENT- URE \$'000		EXPENDIT- URE \$'000		OVERPAY- MENT- URE \$'000		EXPENDIT- URE \$'000	
		PERCENT-	OVER- PAYMENT	PERCENT-	OVER- PAYMENT	PERCENT-	OVER- PAYMENT	PERCENT-	OVER- PAYMENT
Age Pensions	1713	2933897	0.05	2049	3229013	0.06	3548	3508755	0.10
Invalid Pensions	1079	598375	0.18	1368	690357	0.20	2120	796367	0.27
Widows' Pensions	1851	437497	0.42	1923	499349	0.39	2595	561393	0.46
Supporting Parents Benefit	1702	192825	0.88	1847	226680	0.81	2177	259576	0.84
Unemployment, Sickness and Special Benefits	12065	942392	1.28	11939	1060935	1.13	11209	1104758	1.01
Family Allowances	1348	1063586	0.13	1545	996577	0.16	2166	1079353	0.20
TOTAL	19758	6170572	0.32	20891	6702911	0.31	25815	7310222	0.33
YEAR	1980/81			1981/82			1982/83		
Age Pensions	3421	3835796	0.09	2377	4506946	0.05	3695	4847554	0.08
Invalid Pensions	2855	880795	0.32	1757	97715	0.20	3220	1068350	0.30
Widows' Pensions	4024	641792	0.63	4078	717386	0.57	6565	758086	0.67
Supporting Parents Benefit	3588	412399	0.87	4962	605864	0.82	8524	727735	1.17
Unemployment, Sickness and Special Benefits	11368	1240213	0.92	12963	1523503	0.85	22659	2608923	0.87
Family Allowances	1785	950413	0.19	1659	1041761	0.16	1859	1373709	0.13
TOTAL	27041	8661408	0.34	27986	9372585	0.30	46522	11404357	0.41
YEAR	1983/84								
Age Pensions	4172	5313659	0.08						
Invalid Pensions	3864	1252650	0.31						
Widows' Pensions	7633	829537	0.72						
Supporting Parents Benefit	11510	889595	1.29						
Unemployment, Sickness and Special Benefits	33682	3340978	1.01						
Family Allowances	2097	1504318	0.14						
TOTAL	62958	13132737	0.48						

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